Use these links to rapidly review the document
TABLE OF CONTENTS
TABLE OF CONTENTS 2

Table of Contents

As filed with the Securities and Exchange Commission on April 24, 2017

Registration No. 333-216000

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 4
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Floor & Decor Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**5211**	**27-3730271**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

2233 Lake Park Drive
Smyrna, Georgia 30080
(404) 471-1634
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Trevor S. Lang
Executive Vice President and Chief Financial Officer
Floor & Decor Holdings, Inc.
2233 Lake Park Drive
Smyrna, Georgia 30080
(404) 471-1634
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Monica Shilling, Esq. **Proskauer Rose LLP** **2049 Century Park East, Suite 3200** **Los Angeles, CA 90067** **Tel (310) 557-2900** **Fax (310) 557-2193**	**David V. Christopherson, Esq.** **Senior Vice President, Secretary and General Counsel** **Floor & Decor Holdings, Inc.** **2233 Lake Park Drive** **Smyrna, GA 30080** **Tel (404) 471-1634** **Fax (404) 393-3540**	**Marc D. Jaffe, Esq.** **Ian D. Schuman, Esq.** **Stelios G. Saffos, Esq.** **Latham & Watkins LLP** **885 Third Avenue** **New York, NY 10022** **Tel (212) 906-1297** **Fax (212) 751-4864**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Class A Common Stock, $0.001 par value per share	10,147,025	$18.00	$182,646,450	$21,169

(1) Includes 1,323,525 shares that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

(3) Previously paid by the Registrant.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion
Preliminary Prospectus dated April 24, 2017

PROSPECTUS

8,823,500 Shares

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Floor & Decor Holdings, Inc.

Class A Common Stock

This is Floor & Decor Holdings, Inc.'s initial public offering. We are selling 8,823,500 shares of our Class A common stock.

Prior to this offering, there has been no public market for our Class A common stock. We expect the public offering price to be between $16.00 and $18.00 per share. We intend to apply to list our Class A common stock on the New York Stock Exchange under the symbol "FND."

Following this offering, we will have two classes of common stock outstanding: Class A common stock and Class C common stock. The rights of the holders of our Class A common stock and our Class C common stock are generally identical, except that shares of Class C common stock are non-voting. Our shares of Class C common stock also will automatically convert into shares of our Class A common stock upon certain circumstances. See "Description of Capital Stock—Common Stock—Conversion Rights."

Investing in our Class A common stock involves risks that are described in the "Risk Factors" section beginning on page 19 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to us	$	$

(1) We refer you to "Underwriting" beginning on page 157 of this prospectus for additional information regarding underwriting compensation.

The underwriters may also exercise their option to purchase up to an additional 1,323,525 shares of Class A common stock from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

The shares will be ready for delivery on or about , 2017.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

BofA Merrill Lynch **Barclays** **Credit Suisse** **UBS Investment Bank**

Goldman, Sachs & Co. **Jefferies** **Piper Jaffray** **Wells Fargo Securities**

Houlihan Lokey

The date of this prospectus is , 2017.

Table of Contents


ON AVERAGE, EACH FLOOR & DECOR STORE CARRIES OVER 1 MILLION SQ. FT. OF QUALITY IN-STOCK FLOORING!
ENGINEERED HARDWOOD
SOLID HARDWOOD
MADERA DURA MACIZA
WOOD LOOK
Timberclick

Table of Contents

TABLE OF CONTENTS

	Page
PROSPECTUS SUMMARY	1
RISK FACTORS	19
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	45
FISCAL YEAR AND CERTAIN FINANCIAL MEASURES AND TERMS	47
MARKET, INDUSTRY AND OTHER DATA	48
USE OF PROCEEDS	49
DIVIDEND POLICY	50
CAPITALIZATION	51
DILUTION	52
SELECTED CONSOLIDATED FINANCIAL DATA	54
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION	58
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	64
BUSINESS	89
MANAGEMENT	106
EXECUTIVE AND DIRECTOR COMPENSATION	115
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	138
PRINCIPAL STOCKHOLDERS	140
DESCRIPTION OF CAPITAL STOCK	144
SHARES ELIGIBLE FOR FUTURE SALE	150
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK	152
UNDERWRITING	157
LEGAL MATTERS	165
EXPERTS	165
WHERE YOU CAN FIND ADDITIONAL INFORMATION	165
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1

You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be distributed to you. Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares of Class A common stock offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus and the information in any free writing prospectus that we may provide you in connection with this offering is accurate only as of the date of such free writing prospectus.

Persons who come into possession of this prospectus and any such free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

TRADEMARKS AND TRADE NAMES

This prospectus includes our trademarks and trade names, including Floor & Decor and our logo, which are protected under applicable intellectual property laws and are the property of our wholly owned subsidiary, Floor and Decor Outlets of America, Inc., a Delaware corporation ("F&D"). This prospectus also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks, service marks and trade names referred to in this prospectus may appear without the ® or ™ symbols. We do not intend our use or display of other parties' trademarks, service marks or trade names to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

PROSPECTUS SUMMARY

This summary highlights the information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making an investment decision. Some of the statements in this summary constitute forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Prior to the effectiveness of the registration statement of which this prospectus is a part, we were renamed Floor & Decor Holdings, Inc. Except where the context suggests otherwise, the terms "Floor & Decor Holdings, Inc.," "Floor & Decor," the "Company," "we," "us," and "our" refer to Floor & Decor Holdings, Inc., a Delaware corporation formerly known as "FDO Holdings, Inc.," together with its consolidated subsidiaries. Because our Class C common stock generally has identical rights to our Class A common stock (except that Class C common stock is non-voting) and converts into our Class A common stock on a one-to-one basis under certain circumstances, we generally refer to our Class A common stock and Class C common stock collectively herein as our "common stock." Unless indicated otherwise, the information in this prospectus (i) has been adjusted to give effect to a 321.820-for-one stock split of our common stock effected on April 24, 2017, (ii) assumes that all shares of our Class B common stock are automatically converted on a one-to-one basis into shares of our Class A common stock upon the consummation of this offering pursuant to our restated certificate of incorporation (our "certificate of incorporation") and (iii) assumes the underwriters will not exercise their option to purchase up to an additional 1,323,525 shares of our Class A common stock.

Our Company

Founded in 2000, Floor & Decor is a high-growth, differentiated, multi-channel specialty retailer of hard surface flooring and related accessories with 72 warehouse-format stores across 17 states. We believe that we offer the industry's broadest in-stock assortment of tile, wood, laminate and natural stone flooring along with decorative and installation accessories at everyday low prices positioning us as the one-stop destination for our customers' entire hard surface flooring needs.

We appeal to a variety of customers, including professional installers and commercial businesses ("Pro"), Do it Yourself customers ("DIY") and customers who buy the products for professional installation ("Buy it Yourself" or "BIY"). Our Pro customers are loyal, shop often and help promote our brand. The combination of our category and product breadth, low prices, in-stock inventory in project-ready quantities, proprietary credit offerings, free storage options and dedicated customer service positions us to gain share in the attractive Pro customer segment. We believe our DIY customers spend significant time planning their projects while conducting extensive research in advance. We provide our customers with the education and inspiration they need before making a purchase through our differentiated online and in-store experience.

Our warehouse-format stores, which average approximately 72,000 square feet, are typically larger than any of our specialty retail flooring competitors' stores. Other large format home improvement retailers only allocate a small percentage of their floor space to hard surface flooring and accessories. When our customers walk into a Floor & Decor store for the first time, we believe they are amazed by our visual presentation, our store size, our everyday low prices and the breadth and depth of our merchandise. Our stores are easy to navigate and designed to interactively showcase the wide array of designs and product styles a customer can create with our flooring and decorative accessories. We engage our customers both through our trained store associates and designers who can assist in narrowing choices and making the process of home renovation easier, as well as our staff dedicated to serving Pro customers. In addition to our stores, our website *FloorandDecor.com* showcases our products, offers informational training and design ideas and has our products available for sale, which a customer can pick up in-store or have delivered. Our ability to purchase directly from manufacturers through our direct sourcing model enables us to be fast to market with a balanced assortment of bestseller and unique, hard to find items that are the latest trend-right products. Based on these characteristics, we believe Floor & Decor is redefining and expanding the addressable market size of the hard surface flooring category and that we have an opportunity to significantly expand our store base to approximately 400 stores nationwide within the next 15 years, as described in more detail below.

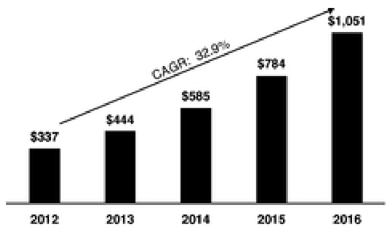
Over the last five years, we have invested significant resources across our business and infrastructure to support innovation and growth. We believe that these investments will continue to strengthen our customer value proposition and further differentiate Floor & Decor from our competition, positioning us for continued market share gains. We have made significant investments in product innovation across all categories, improving our assortment and seeking to provide more value to our Pro, DIY and BIY customers. We have also invested in technology and personnel to support our stores. From fiscal 2011 to fiscal 2014, our general and administrative expenses and capital expenditures grew at a rate exceeding our net sales growth. We believe that these investments have enabled us to drive successful, scalable growth, as demonstrated by the doubling of our average net sales per store between fiscal 2011 and fiscal 2016 (for all stores open prior to fiscal 2011). We believe that our investment in our business will continue to improve our customer value proposition, differentiating us and strengthening our competitive advantage.

We believe our strong financial results are a reflection of our consistent and disciplined culture of innovation and reinvestment, creating a differentiated business model in the hard surface flooring category, as evidenced by the following:

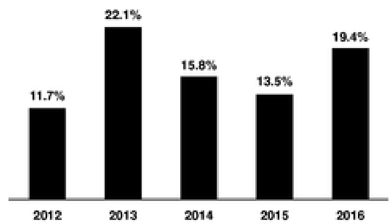
- eight consecutive years of double digit comparable store sales growth averaging 15.3% per year (and averaging 16.5% per year for fiscal 2012 to fiscal 2016), with a 19.4% increase in fiscal 2016;
- while our newer stores generally have higher comparable store sales growth, our stores opened prior to 2012 averaged comparable store sales growth of 15.5% for fiscal 2016;
- store base expansion from 30 warehouse-format stores at the end of fiscal 2012 to 69 at the end of fiscal 2016, representing a CAGR of 23.1%; we added 12 warehouse-format stores during fiscal 2016, which was a 21.1% growth in units compared to fiscal 2015;
- total net sales growth from $336.7 million to $1,050.8 million from fiscal 2012 to fiscal 2016, representing a CAGR of 32.9%;
- net income growth from $12.8 million to $43.0 million from fiscal 2012 to fiscal 2016, representing a CAGR of 35.3%;
- Adjusted EBITDA growth from $32.6 million to $108.4 million from fiscal 2012 to fiscal 2016, representing a CAGR of 35.1%, which includes significant investments in our sourcing and distribution network, integrated IT systems and corporate overhead to support our future growth. Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of

net income to Adjusted EBITDA, see Note 8 to the information contained in "—Summary Consolidated Financial and Other Data."

Net Sales (in millions)



Comparable Store Sales Growth



Our Competitive Strengths

We believe our strengths, described below, set us apart from our competitors and are the key drivers of our success.

Unparalleled Customer Value Proposition. Our customer value proposition is a critical driver of our business. The key components include:

Differentiated Assortment Across a Wide Variety of Hard Surface Flooring Categories. Our stores are generally larger than those of our specialty retail flooring competitors, and we allocate substantially more square footage to hard surface flooring and accessories than large home improvement retailers. We believe we have the most comprehensive in-stock, trend-right product assortment in the industry within our categories with on average approximately 3,500 stock keeping units ("SKUs") in each store. Additionally, we customize our product assortment at the store level for the regional preferences of each market. We have an ongoing product line review process across all categories that allows us to identify and interpret emerging trends in hard surface flooring. We work with our suppliers to quickly introduce new products and styles in our stores. We appeal to a wide range of customers through our "good/better/best" merchandise selection, as well as through our broad range of product styles from classic to modern, as well as new trend-right products. We consistently innovate with proprietary brands and products that appeal to certain customers with over 50 proprietary brands, including AquaGuard® and NuCore®.

Low Prices. We provide everyday low prices in the retail hard surface flooring market. Our merchandising and individual store teams competitively shop each market so that we can offer our flooring products and related accessories at low prices. We also work with our vendors to identify and create new, affordable products in categories traditionally considered high-end to further democratize hard surface flooring by providing a greater number of options to a larger customer base. We believe we are unique in our industry in employing an "everyday low price" strategy, where we strive to offer our products at consistently everyday low prices throughout the year instead of engaging in frequent promotional activities. Our ability to provide these low prices is supported by our direct sourcing model, which strives to eliminate third-party intermediaries and shortens time to market. We believe this strategy creates trust with our Pro, DIY and BIY customers because they consistently receive low prices at Floor & Decor without having to wait for a sale or negotiate to obtain the lowest price.

One-Stop Project Destination with Immediate Availability. Our large in-stock assortment, including decorative and installation accessories, differentiates us from our competitors. Our stores stock job-size quantities to immediately fulfill a customer's entire flooring project. On average, each warehouse-format store carries approximately 3,500 SKUs, which equates to 1.3 million square feet of flooring products or $2.5 million of inventory at cost. Customers also have access to all of our inventory for in-store pick up or delivery through *FloorandDecor.com.*

Unique and Inspiring Shopping Environment. Our stores average approximately 72,000 square feet and are typically designed with warehouse features, including high ceilings, clear signage, bright lighting and industrial racking and are staffed with knowledgeable store associates. We offer an easy-to-navigate store layout with clear lines of sight and departments organized by our major product categories of tile, wood, laminate, natural stone, decorative accessories and installation accessories. We believe our unique signage, which clearly displays individual product features and benefits, improves the ease of shopping and facilitates customer decision making. We encourage customers to interact with our merchandise, to experiment with potential designs and to see the actual product they will purchase, an experience that is not possible in flooring stores that do not carry in-stock inventory in project-ready quantities. The majority of our stores have design centers that showcase project ideas to further inspire our customers, and we employ experienced designers in all of our stores to provide free design consulting. Additionally, we provide a robust online experience for potential customers on *FloorandDecor.com.* We believe inspiring and educating customers within our stores and on our website provides us with a significant competitive advantage in serving our customers.

Extensive Service Offering to Enhance the Pro Customer Experience. Our focus on meeting the unique needs of the Pro customer, and by extension the BIY customer, drives our estimated sales mix of approximately 60% Pro and BIY customers, which we believe represents a higher percentage than our competitors. We provide an efficient one-stop shopping experience for our Pro customers, offering low prices on a broad selection of high-quality flooring products, deep inventory levels to support immediate availability of our products, modest financial credit, free storage for purchased inventory, the convenience of early store hours and, in most stores, separate entrances for merchandise pick-up. Additionally, each store has a dedicated Pro sales force with technology to service our Pro customer more efficiently, and we have rolled out Pro Zones, which are areas offering a variety of services to Pro customers, in a majority of our stores. We believe by serving the needs of Pro customers, we drive repeat and high-ticket purchases, customer referrals and brand awareness from this attractive and loyal customer segment.

Decentralized Culture with an Experienced Store-Level Team and Emphasis on Training. We have a decentralized culture that empowers managers at the store and regional levels to make key decisions to maximize the customer experience. Our store managers, who carry the title Chief Executive Merchant, have significant flexibility to customize product mix, pricing, marketing, merchandising, visual displays and other elements in consultation with their regional leaders. We tailor the merchandising assortment for each of our stores for local market preferences, which we believe differentiates us from our national competitors that tend to have standard assortments across markets. Throughout the year, we train all of our employees on a variety of topics, including product knowledge, leadership and store operations. We have made important investments in the training and development of our people, including the creation of a full time training department. Approximately 70% of our new store management positions are filled through internal promotions. We also have incentive compensation programs for all employees, regardless of position or title. We believe our decentralized culture and coordinated training foster an organization aligned around providing a superior customer experience, ultimately contributing to higher net sales and profitability.

Sophisticated, Global Supply Chain. Our merchandising team has developed direct sourcing relationships with manufacturers and quarries in over 18 countries. We currently source our products from more than 180 vendors worldwide and have developed long-term relationships with many of them. We often collaborate with our vendors to design and manufacture products for us to address emerging customer preferences that we observe in our stores and markets. We procure the majority of our products directly from the manufacturers, which eliminates additional costs from exporters, importers, wholesalers and distributors. We believe direct sourcing is a key competitive advantage, as many of our specialty retail flooring competitors are too small to have the scale or the resources to work directly with suppliers. Over the past several years, we have established a Global Sourcing and Compliance Department to, among other things, enhance our policies and procedures to address compliance with appropriate regulatory bodies, including compliance with the requirements of the Lacey Act of 1900 (as amended, the "Lacey Act"), the California Air Resources Board ("CARB") and the Environmental Protection Agency ("EPA"). We also utilize third-party consultants for audits, testing and surveillance to ensure product safety and compliance. Additionally, we have invested in technology and personnel to collaborate throughout the entire supply chain process to support our direct sourcing model, which has improved our ability to find, manage and source trend-right merchandise quickly and at lower costs, allowing us to offer products at low prices while maintaining attractive gross margins.

Highly Experienced Management Team with Proven Track Record. Led by our Chief Executive Officer, Tom Taylor, our management team brings substantial expertise from leading retailers and other companies across core functions, including store operations, merchandising, marketing, real estate, e-commerce, supply chain management, finance, legal and information technology. Tom Taylor, who joined us in 2012, spent 23 years at The Home Depot, where he most recently served as Executive Vice President of Merchandising and Marketing with responsibility for all stores in the United States and Mexico. Our Executive Vice President and Chief Merchandising Officer, Lisa Laube, has over 30 years of merchandising and leadership experience with leading specialty retailers, including most recently as President of Party City. Our Executive Vice President and Chief Financial Officer, Trevor Lang, brings more than 20 years of accounting and finance experience, including 17 years of Chief Financial Officer and Vice President of Finance experience at public companies, including most recently as the Chief Financial Officer and Chief Administrative Officer of Zumiez Inc.

Our Growth Strategy

We expect to continue to drive our strong net sales and profit growth through the following strategies:

Open Stores in New and Existing Markets. We believe there is an opportunity to significantly expand our store base in the United States from 72 warehouse-format stores currently to approximately 400 stores nationwide over the next 15 years based on our internal research with respect to housing density, demographic data, competitor concentration and other variables in both new and existing markets. We plan to target new store openings in both existing and new, adjacent and underserved markets. We have a disciplined approach to new store development, based on an analytical, research-driven site selection method and a rigorous real estate approval process. We believe our new store model delivers strong financial results and returns on investment, targeting net sales on average of $10 million to $13 million and positive four-wall Adjusted EBITDA (as defined below) in the first year, pre-tax payback (as defined below) in two to three years and cash-on-cash returns (as defined below) of greater than 50% in the third year. On average, our stores opened after 2011 have exceeded this model. Over the past several years, we have made significant investments in personnel, information technology, warehouse infrastructure and connected customer strategies to support our current growth and the expansion of our stores. We intend to grow our store base by approximately 20% annually over the next several years. The performance of our new stores opened over the last three years, the performance of our older stores over that same time frame, our disciplined real estate strategy and the track record of our management team in successfully opening retail stores support our belief in the significant store expansion opportunity.

Increase Comparable Store Sales. We expect to grow our comparable store sales by continuing to offer our customers a dynamic and expanding selection of compelling, value-priced hard surface flooring and accessories while maintaining strong service standards for our customers. We regularly introduce new products into our assortment through our category product line review process, including collaboration with our vendors to bring to market innovative products such as water-resistant laminates. Because almost half of our stores have been opened for less than three years, we believe they will continue to drive comparable store sales growth as they ramp to maturity. While our newer stores generally have higher comparable store sales growth, our stores opened prior to 2012 averaged comparable store sales growth of 15.5% for fiscal 2016. We believe that we can continue to enhance our customer experience by focusing on service, optimizing sales and marketing strategies, investing in store staff and infrastructure, remodeling existing stores and improving visual merchandising and the overall aesthetic appeal of our stores. We also believe that growing our proprietary credit offering, further integrating connected customer strategies and enhancing other key information technology, will contribute to increased comparable store sales. As we increase awareness of Floor & Decor's brand, we believe there is a significant opportunity to gain additional market share, especially from independent flooring retailers and large format home improvement retailers. We are also adding adjacent categories that align with flooring projects like frameless glass in the bathroom and customized countertops for the kitchen. We believe the combination of these initiatives plus the expected growth of the hard surface flooring category described in more detail under "Our Industry" below will continue to drive strong comparable store sales growth.

Continue to Invest in the Pro Customer. We believe our differentiated focus on Pro customers has created a competitive advantage for us and will continue to drive our net sales growth. We will invest in gaining and retaining Pro customers due to their frequent and high-ticket purchases, loyalty and propensity to refer other potential customers. We have made important investments in the Pro services regional team to better recruit and train the Pro services team in each store, new technology such as integrated customer relationship management ("CRM") software to help us further penetrate and grow our Pro business, dedicated phone lines for our Pro customers to call and text, commercial credit and open account terms, jobsite delivery, a dedicated website for Pro customers, training on technical flooring installation solutions, and tools to facilitate large commercial jobs sourced throughout the store. We plan to further invest in initiatives to increase speed of service, improve financing solutions, leverage technology, elevate our Pro branding, dedicate additional store and regional staffing to support Pro customers and enhance the in-store experience for our Pro customers. We have implemented a "Pro Zone" in a majority of our stores that focuses on the specific needs of the Pro customer. Building on our success in serving the Pro customer, in 2016 we entered the adjacent commercial sales channel, thus increasing the size of the addressable market we serve. Our commercial effort, which we have branded F&D Commercial, initially targets corporate customers with large flooring needs across the hospitality, multi-family and retail sectors. We believe Pro customers will continue to be an integral part of our sales growth, and the commercial channel will provide incremental revenue and profit opportunities in the future.

Expand Our "Connected Customer" Experience. Floor & Decor's online experience allows our Pro, BIY and DIY customers to explore our product selection and design ideas before and after visiting our stores and offers the convenience of making online purchases for delivery or pick up in-store. We believe our online platform reflects our brand attributes and provides a powerful tool to educate, inspire and engage our consumers, and we view our website and multi-channel strategies as leading our brand. Our research indicates that 71% of our shoppers have visited our website. We continuously invest in our connected customer strategies to improve how our customers experience our brand. For example, we regularly update our website, which provides our customers with inspirational vignettes, videos, products and education. Additional initiatives include: (i) implementing our new CRM to obtain a single view of our customers, (ii) developing personalized content based on location, purchase and browsing history, (iii) developing more relevant content and improved search and purchasing tools to help customers add decorative and installation accessories, (iv) creating frequently asked questions to help customers choose the best product for their jobs and (v) implementing online scheduling tools to access our designers. While the hard surface flooring category has a relatively low penetration of e-commerce sales due to the nature of the product, we believe our connected customer presence represents an attractive growth opportunity to drive consumers to Floor & Decor.

Enhance Margins Through Increased Operating Leverage. Since 2011, we have invested significantly in our sourcing and distribution network, integrated IT systems and corporate overhead to support our growth. We expect to leverage these investments as we grow our net sales. Additionally, we believe operating margin improvement opportunities will include enhanced product sourcing processes and overall leveraging of our store-level fixed costs, existing infrastructure, supply chain, corporate overhead and other fixed costs resulting from increased sales productivity. We anticipate that the planned expansion of our store base and growth in comparable store sales will also support increasing economies of scale.

Recent Developments

Preliminary Financial Results as of and for the Thirteen Weeks Ended March 30, 2017

Our financial results as of and for the thirteen weeks ended March 30, 2017 are preliminary, based upon our current estimates and subject to completion of financial and operating closing procedures as of and for the thirteen weeks ended March 30, 2017.

We have provided ranges, rather than specific amounts, for certain financial results below, primarily because our financial closing procedures as of and for the thirteen weeks ended March 30, 2017 are not yet complete. As a result, our actual results may vary materially from the estimated preliminary results included herein and will not be publicly available until after the closing of this offering. Accordingly, you should not place undue reliance on these estimates. See "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Special Note Regarding Forward-Looking Statements" for additional information regarding factors that could result in differences between the preliminary estimated ranges of certain financial results presented below and the financial results we will ultimately report as of and for the thirteen weeks ended March 30, 2017. The summary information below is not a comprehensive statement of our financial results for this period.

The preliminary estimated unaudited financial results included in this prospectus have been prepared by, and are the responsibility of, our management. Our independent registered public accounting firm, Ernst & Young LLP, has not audited, reviewed, compiled or performed any procedures with respect to the preliminary financial results. Accordingly, Ernst & Young LLP does not express an opinion or any other form of assurance with respect thereto. These estimates should not be viewed as a substitute for interim financial statements prepared in accordance with GAAP. In addition, these estimates as of and for the thirteen weeks ended March 30, 2017 are not necessarily indicative of the results to be achieved for the remainder of the 2017 fiscal year or any future period.

The following are our preliminary estimates as of and for the thirteen weeks ended March 30, 2017:

- Our warehouse-format store count as of March 30, 2017 was 72 compared to 60 as of March 31, 2016. During the thirteen weeks ended March 30, 2017, we opened three new warehouse-format stores and relocated one warehouse-format store.

- Comparable store sales growth is estimated to be approximately 12.8% compared to comparable store sales growth of 22.4% for the thirteen weeks ended March 31, 2016. See "Summary Historical Consolidated and Other Financial Data" for information on how we calculate our comparable store sales growth.

- Our net sales are estimated to be approximately \$305.3 million to \$307.3 million, representing an increase of 29.7% to 30.6% compared to \$235.3 million for the thirteen weeks ended March 31, 2016, primarily due to comparable store sales growth and new store openings.

- Our operating income is estimated to be approximately \$20.7 million to \$22.7 million, representing an increase of 47.9% to 62.1% compared to \$14.0 million for the thirteen weeks ended March 31, 2016.

The preliminary estimated unaudited financial results disclosed above reflect management's estimates based solely upon information available as of the date of this prospectus and are not a comprehensive statement of our financial results as of and for the thirteen weeks ended March 30, 2017. The information presented herein should not be considered a substitute for the financial information to be filed with the SEC in our Quarterly Report on Form 10-Q for the thirteen weeks ended March 30, 2017 once it becomes available. We have no intention or obligation to update the preliminary estimated unaudited financial results in this prospectus prior to filing our Quarterly Report on Form 10-Q for the thirteen weeks ended March 30, 2017.

Repricing of Term Loan Facility

On March 31, 2017, we entered into a repricing amendment to the credit agreement governing our \$350.0 million senior secured term loan facility maturing on September 30, 2023 (the "Term Loan Facility"). The amendment reduced the margins applicable to our term loan from 3.25% per annum (subject to a leverage-based step-down to 2.75%) to 2.50% per annum (subject to a leverage-based step-down to 2.00%) in the case of base rate loans, and from 4.25% per annum (subject to a leverage-based step-down to 3.75%) to 3.50% per annum (subject to a leverage-based step-down to 3.00%) in the case of LIBOR loans (subject to a 1.00% floor on LIBOR loans), provided that each of the leverage-based step-downs is contingent upon the consummation of our initial public offering. The amount and terms of the Term Loan Facility were otherwise unchanged.

Selected Risks

In considering our competitive strengths, our growth strategy and an investment in our common stock, you should carefully consider the risks highlighted in the section entitled "Risk Factors" following this prospectus summary. In particular, we face the following challenges:

- general economic conditions and discretionary spending by our customers are affected by a variety of factors beyond our control;

- the hard surface flooring industry's dependence on home remodeling activity;

- any failures by us to successfully anticipate trends may lead to loss of consumer acceptance of our products, resulting in reduced net sales;

- challenges posed by our planned new store and distribution center growth or unexpected difficulties encountered during our expansion;

- net sales growth could be adversely affected if comparable store sales growth is less than we expect;

- increased competition in the highly fragmented and competitive hard surface flooring industry, which could cause price declines, decrease demand for our products and decrease our market share;
- the significant capital requirements to fund our expanding business, which may not be available to us on satisfactory terms or at all;
- our dependence on a number of suppliers, any failure by any of them to supply us with quality, regulatory compliant products on terms and prices acceptable to us;
- any failures by us to identify and maintain relationships with a sufficient number of qualified suppliers could harm our ability to obtain products that meet our high quality standards at low prices;
- any failures by us or our suppliers to comply with applicable laws, regulations or our compliance standards;
- changes in trade policy, tax laws and regulations; and
- the continued retention of certain key personnel and our ability to attract, train and retain highly qualified managers and staff.

For information regarding how our leverage affects our business, financial condition and operating results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Our Industry

Floor & Decor operates in the large, growing and highly fragmented $10 billion hard surface flooring market (in manufacturers' dollars), which is part of the larger $20 billion U.S. floor coverings market (in manufacturers' dollars) based on a 2016 study by Catalina Research, Inc., a leading provider of market research for the floor coverings industry (the "Catalina Floor Coverings Report"). We estimate that after the retail markup, we represent only approximately 5% of an estimated $17 billion market. The competitive landscape of the hard surface flooring market includes big-box home improvement centers, national and regional specialty flooring retailers, and independent flooring retailers. We believe we benefit from growth in the overall hard surface flooring market, which, based on the Catalina Floor Coverings Report, grew on average 8% per year from 2012 to 2016 and is estimated to grow on average 5% per year from 2017 through 2021. We believe that growth in the hard surface flooring market has been and will continue to be driven by home remodeling demand drivers such as the aging household inventory, millennials forming households, existing home sales, rising home equity values and the secular shift from carpet to hard surface flooring. In addition, we believe we have an opportunity to increase our market share as our competitors are unable to compete on our combination of price, service and in-stock assortment.

For more than a decade, hard surface flooring has consistently taken share from carpet as a percentage of the total floor coverings market, increasing from 39% of the market in 2002 to 51% in 2015 based on the Catalina Floor Coverings Report. Historically, mix shift towards hard surface flooring has been driven by product innovation, changing consumer preferences, better hygiene qualities, increasing ease of installation and higher durability. Product innovation, which has been aided by the increasing use of technology such as inkjet tile printing, waterproof wood-look flooring and water-resistant laminates, and non-traditional uses of hard surface flooring including walls, fireplaces and patios have increased the size of the hard surface flooring market and has allowed us to better serve customer needs.

Concurrent Transactions—Common Stock Changes

In connection with this offering:

- we effected a 321.820-for-one stock split of all classes of our common stock on April 24, 2017;
- all shares of our Class B common stock (which currently are not entitled to vote and which were issued as a result of the exercise of stock options) will be automatically converted on a one-to-one basis into shares of our Class A common stock (and will then be entitled to one vote per share) upon the consummation of this offering pursuant to our certificate of incorporation; and
- all shares of our Class C common stock (which currently are not entitled to vote and will remain non-voting shares) will remain outstanding and non-voting, but will generally participate equally with our shares of Class A common stock in all other respects following the consummation of this offering.

We refer to these changes herein as the "Common Stock Changes." All shares of Class A common stock offered to the public pursuant to this prospectus will be entitled to one vote per share and no other class of common stock is entitled to any votes per share. See "Description of Capital Stock" for more information.

Our Sponsors

Upon the closing of this offering, Ares Corporate Opportunities Fund III, L.P. ("Ares"), a fund affiliated with Ares Management, L.P. ("Ares Management"), will beneficially own, in the aggregate, approximately 61% of our outstanding Class A common stock and FS Equity Partners VI, L.P. and FS Affiliates VI, L.P., funds affiliated with Freeman Spogli Management Co., L.P. (collectively "Freeman Spogli" or "Freeman Spogli & Co." and together with Ares, our "Sponsors"), will beneficially own, in the aggregate, approximately 22% of our outstanding Class A common stock and 100% of our outstanding Class C common stock. These amounts compare to approximately 10% of our outstanding Class A common stock represented by the shares sold by us in this offering, assuming no exercise of the underwriters' option to purchase additional shares. As a result, these stockholders acting together, or Ares or Freeman Spogli acting alone, will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of us or our assets. Also, our Sponsors may acquire or hold interests in businesses that compete directly with us, or may pursue acquisition opportunities that are complementary to our business, making such acquisitions unavailable to us. The Investor Rights Agreement (as defined in "Certain Relationships and Related Party Transactions") also contains agreements among our Sponsors with respect to voting on the election of directors and board committee membership. See "Risk Factors—Risks Related to this Offering and Ownership of Our Common Stock—Our principal stockholders will continue to have substantial control over us after this offering, will be able to influence corporate matters and may take actions that conflict with your interest and have the effect of delaying or preventing changes of control or changes in management, or limiting the ability of other stockholders to approve transactions they deem to be in their best interest."

Ares Management

Ares Management is a leading global alternative asset manager with approximately $95.3 billion of assets under management and approximately 930 employees in over 15 offices in the United States, Europe, Asia and Australia as of December 31, 2016. Since its inception in 1997, Ares Management has adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns throughout market cycles. Ares Management believes each of its three distinct but complementary investment groups in Private Equity, Credit and Real Estate is a market leader based on assets under management and investment performance. Ares Management was built upon the fundamental principle that each group benefits from being part of the broader platform.

The Private Equity Group has approximately $25.0 billion of assets under management as of December 31, 2016, targeting investments in high quality franchises across multiple industries. In the consumer/retail sector, selected current investments include 99 Cents Only Stores LLC, Smart & Final Stores, Inc., Guitar Center Holdings, Inc., Neiman Marcus Group, Inc., Farrow & Ball Ltd., National Veterinary Associates, Inc., Aspen Dental Management, Inc. and the parent company of Serta International and Simmons Bedding Company. Selected prior investments include GNC Holdings, Inc., House of Blues Entertainment, LLC, Maidenform Brands, Inc. and Samsonite Corporation.

Freeman Spogli & Co.

Freeman Spogli & Co. is a private equity firm dedicated exclusively to investing and partnering with management in consumer and distribution companies in the United States. Since its founding in 1983, Freeman Spogli & Co. has invested $3.8 billion of equity in 56 portfolio companies with aggregate transaction values of $22 billion.

Corporate and Other Information

On April 14, 2017, we were renamed Floor & Decor Holdings, Inc. Our principal executive offices are located at 2233 Lake Park Drive, Smyrna, GA 30080, and our telephone number is (404) 471-1634. Our website address is *www.FloorandDecor.com*. The information contained on our website is not incorporated by reference into this prospectus, and you should not consider any information contained on, or that can be accessed through, our website as part of this prospectus or in deciding whether to purchase our common stock.

The Offering

Class A common stock offered by us	8,823,500 shares (plus up to an additional 1,323,525 shares of our Class A common stock that we may issue and sell upon the exercise of the underwriters' option to purchase additional shares).
Option to purchase additional shares of Class A common stock	The underwriters have the option for 30 days following the date of this prospectus to purchase up to an additional 1,323,525 shares of Class A common stock from us at the initial public offering price less the underwriting discount.
Common stock to be outstanding after this offering	92,358,577 shares (including shares of Class C common stock).
Voting rights	Each holder of our Class A common stock is entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders. Holders of our Class C common stock are not entitled to vote on such matters, except as required under Delaware law. Our stockholders do not have cumulative voting rights.
Use of proceeds	We estimate that the net proceeds we will receive from selling common stock in this offering will be approximately \$133.5 million, after deducting the underwriting discount and estimated offering expenses payable by us (or, if the underwriters exercise their option to purchase additional shares of Class A common stock in full, approximately \$154.4 million, after deducting the underwriting discount and estimated offering expenses payable by us), based on an assumed public offering price of \$17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus. We intend to use all of the net proceeds of this offering to repay a portion of the amounts outstanding under the Term Loan Facility, including accrued and unpaid interest. Any amounts repaid under the Term Loan Facility will not be available for future borrowing following repayment. See "Use of Proceeds."
Reserved share program	The underwriters have reserved up to 2.9% of the shares of Class A common stock being offered by this prospectus for sale, at the initial public offering price, to our directors, officers, employees and other parties related to us. The sales will be made by Merrill Lynch, Pierce, Fenner & Smith Incorporated through a reserved share program. We do not know if these persons will elect to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available for sale to the general public. Any reserved shares not purchased will be offered by the underwriters to the general public on the same terms as the other shares of our Class A common stock.

Dividend policy	We currently intend to retain all available funds and any future earnings for use in the operation and growth of our business, and therefore we do not currently expect to pay any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on then existing conditions, including our operating results, financial condition, contractual restrictions, capital requirements, business prospects and other factors that our board of directors may deem relevant. In addition, our Credit Facilities (as defined below) contain covenants that restrict our ability to pay cash dividends. See "Dividend Policy."
Risk factors	Investing in shares of our common stock involves a high degree of risk. See "Risk Factors" beginning on page 19 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock.
Proposed New York Stock Exchange trading symbol	"FND"

Unless otherwise indicated, all information in this prospectus:

- has been adjusted to give effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017;
- assumes that all shares of our Class B common stock are automatically converted on a one-to-one basis into shares of our Class A common stock upon the consummation of this offering pursuant to our certificate of incorporation; and
- assumes the underwriters will not exercise their option to purchase up to an additional 1,323,525 shares of our Class A common stock.

The number of shares of common stock to be outstanding after this offering is based on 83,535,077 shares of our common stock outstanding immediately prior to the closing of this offering, and excludes the following:

- 11,891,900 shares of common stock issuable upon the exercise of stock options granted under the FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan (as amended, the "2011 Plan") and outstanding immediately prior to the closing of this offering, at a weighted average exercise price of $5.32 per share; and
- 5,000,000 shares of common stock reserved for future issuance under Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan (the "2017 Plan" and, together with the 2011 Plan, the "Incentive Plans").

Summary Consolidated Financial and Other Data

The following tables summarize our financial data as of the dates and for the periods indicated. We operate on a 52- or 53-week fiscal year ending on the Thursday on or preceding December 31. When a 53-week fiscal year occurs, we report the additional week in the fiscal fourth quarter. Fiscal 2012, fiscal 2013, fiscal 2014 and fiscal 2016 included 52 weeks and ended on December 27, 2012 ("fiscal 2012"), December 26, 2013 ("fiscal 2013"), December 25, 2014 ("fiscal 2014") and December 29, 2016 ("fiscal 2016"), respectively. Fiscal 2015 was comprised of 53 weeks and ended on December 31, 2015 ("fiscal 2015"). Fiscal 2017 will include 52 weeks and will end on December 28, 2017 ("fiscal 2017"). The summary historical consolidated statements of operations data for fiscal 2014, 2015 and 2016 and the related summary balance sheet data as of fiscal 2015 and 2016 year end, have been derived from our audited consolidated financial statements and related notes contained elsewhere in this prospectus. The summary historical consolidated statement of operations data for fiscal 2012 and 2013 and the summary balance sheet data as of fiscal 2012, 2013 and 2014 year end have been derived from our audited consolidated financial statements not included in this prospectus. Historical results are not indicative of the results to be expected in the future.

You should read the following information together with the more detailed information contained in "Capitalization," "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Consolidated Financial Information" and our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

(in thousands, except share and per share amounts)(1)	Fiscal year ended 12/27/2012	12/26/2013	12/25/2014	12/31/2015(2)	Actual 12/29/2016	Pro Forma(3) 12/29/2016
Net sales	$ 336,745	$ 443,995	$ 584,588	$ 784,012	$ 1,050,759	$ 1,050,759
Cost of sales	202,651	274,172	355,051	471,390	621,497	621,497
Gross profit	134,094	169,823	229,537	312,622	429,262	429,262
Selling & store operating expenses	85,932	106,835	146,485	202,637	271,876	271,876
General & administrative expenses	20,571	30,530	38,984	49,917	64,025	66,325
Pre-opening expenses	1,544	5,196	7,412	7,380	13,732	13,732
Litigation settlement	—	—	—	—	10,500	10,500
Executive severance(4)	—	—	2,975	296	—	—
Casualty gain(5)	(1,421)	—	—	—	—	—
Operating income	27,468	27,262	33,681	52,392	69,129	66,829
Interest expense	6,528	7,684	8,949	9,386	12,803	12,608
Loss on early extinguishment of debt	—	1,638	—	—	1,813	—
Income before income taxes	20,940	17,940	24,732	43,006	54,513	54,221
Provision for income taxes	8,102	6,857	9,634	16,199	11,474	11,363
Net income	$ 12,838	$ 11,083	$ 15,098	$ 26,807	$ 43,039	$ 42,858
Earnings per share:						
Basic	$ 0.16	$ 0.13	$ 0.18	$ 0.32	$ 0.52	$ 0.46
Diluted	$ 0.15	$ 0.13	$ 0.18	$ 0.31	$ 0.49	$ 0.44
Weighted average shares outstanding:						
Basic	82,797,849	83,104,222	83,222,330	83,365,218	83,432,157	92,255,657
Diluted	82,833,571	83,818,340	85,651,749	86,280,907	88,430,987	97,254,487

(in thousands)	Fiscal year ended 12/27/2012	12/26/2013	12/25/2014	12/31/2015(2)	12/29/2016
Consolidated statement of cash flows data:					
Net cash provided by (used in) operating activities	$ 23,336	$ (15,428)	$ 43,594	$ 20,380	$ 89,456
Net cash used in investing activities	(10,709)	(25,056)	(39,069)	(45,021)	(74,648)
Net cash (used in) provided by financing activities	(15,777)	40,487	(4,421)	24,680	(14,675)

(in thousands)	As of December 31, 2015 Actual	As of December 29, 2016 Actual	Pro forma(3)
Consolidated balance sheet data:			
Cash and cash equivalents	$ 318	$ 451	$ 451
Net working capital	109,565	95,550	94,342
Total assets	748,888	831,166	828,601
Total debt(6)	177,590	390,743	258,277
Total stockholders' equity	312,365	134,283	265,541

	Fiscal year ended				
	12/27/2012	12/26/2013	12/25/2014	12/31/2015(2)	12/29/2016(2)
Other financial data:					
Comparable store sales growth	11.7%	22.1%	15.8%	13.5%	19.4%
Number of stores open at the end of the period(7)	31	39	48	58	70
Adjusted EBITDA (in thousands)(8)	$ 32,572	$ 36,537	$ 51,208	$ 72,868	$ 108,398
Adjusted EBITDA margin	9.7%	8.2%	8.8%	9.3%	10.3%

(1) All of the earnings per share data, share numbers, share prices, and exercise prices have been adjusted on a retroactive basis to reflect the 321.820-for-one stock split effected on April 24, 2017. See Note 12 to the audited consolidated financial statements included elsewhere in this prospectus.

(2) The 53rd week in fiscal 2015 represented $11.9 million in net sales, an estimated $2.1 million in operating income and an estimated $2.2 million in adjusted EBITDA. When presenting comparable store sales for fiscal 2015 and fiscal 2016, we have excluded the last week of fiscal 2015.

(3) Pro forma figures give effect to the 2016 Refinancing (as defined below), the repricing of our Term Loan Facility, and this offering, as applicable. See "Unaudited Pro Forma Consolidated Financial Information" for a detailed presentation of the unaudited pro forma information, including a description of the transactions and assumptions underlying the pro forma adjustments.

(4) Represents costs incurred in connection with separation agreements with former officers.

(5) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption for one of our stores.

(6) Total debt consists of the current and long-term portions of our total debt outstanding, as well as debt discount and debt issuance costs.

(7) Represents the number of our warehouse-format stores and our one small-format standalone design center.

(8) EBITDA and Adjusted EBITDA (which are shown in the reconciliations below) have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to eliminate the impact of certain items that we do not consider indicative of our core operating performance. Reconciliations of these measures to the equivalent measures under GAAP are set forth in the table below.

EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance and enterprise value. We believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of our core operating performance and facilitate a comparison of our core operating performance on a consistent basis from period to period. We also use Adjusted EBITDA as a basis to determine covenant compliance with respect to our Credit Facilities, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures. EBITDA and Adjusted EBITDA are also used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance, or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as stock compensation expense, loss (gain) on asset disposal, executive recruiting/relocation, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

The reconciliations of net income to EBITDA and Adjusted EBITDA for the periods noted below are set forth in the table as follows:

	Fiscal year ended				
(in thousands)	**12/27/2012**	**12/26/2013**	**12/25/2014**	**12/31/2015(2)**	**12/29/2016**
Net income	$ 12,838	$ 11,083	$ 15,098	$ 26,807	$ 43,039
Depreciation and amortization(a)	4,641	6,362	11,073	16,794	25,089
Interest expense	6,528	7,684	8,949	9,386	12,803
Loss on early extinguishment of debt(b)	—	1,638	—	—	1,813
Income tax expense	8,102	6,857	9,634	16,199	11,474
EBITDA	32,109	33,624	44,754	69,186	94,218
Stock compensation expense(c)	978	1,869	2,323	3,258	3,229
Loss on asset disposal(d)	157	656	148	128	451
Executive severance(e)	—	—	2,975	296	—
Executive recruiting/relocation(f)	751	54	—	—	—
Legal settlement(g)	—	—	—	—	10,500
Casualty gain(h)	(1,421)	—	—	—	—
Other(i)	(2)	334	1,008	—	—
Adjusted EBITDA	$ 32,572	$ 36,537	$ 51,208	$ 72,868	$ 108,398

(a) Net of amortization of tenant improvement allowances and excludes deferred financing amortization, which is included as a part of interest expense in the table above.

(b) Loss recorded as a result of the prepayment of our Subordinated Notes in 2013, as well as the non-cash write-off of certain deferred financing fees related to the refinancing of term and revolver borrowings in 2013 and 2016.

(c) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on timing of awards and forfeitures.

(d) For fiscal years ended December 27, 2012, December 25, 2014, December 31, 2015 and December 29, 2016, the losses related primarily to assets retired in connection with significant store remodels. For the fiscal year ended December 26, 2013, the loss was primarily related to the write-off of certain software previously acquired.

(e) Represents one-time costs incurred in connection with separation agreements with former officers.

(f) Represents costs incurred to recruit and relocate members of executive management.

(g) Legal settlement related to classwide settlement to resolve a lawsuit.

(h) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption at one of our stores.

(i) Other adjustments include amounts management does not consider indicative of our core operating performance. Amounts in fiscal 2014 relate primarily to costs in connection with a proposed initial public offering.

RISK FACTORS

You should carefully consider the risks described below, together with all of the other information included in this prospectus, including our consolidated financial statements and the related notes thereto, before making an investment decision. The risks and uncertainties set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and operating results. If any of the following events occur, our business, financial condition and operating results could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

Our business, financial condition and operating results are dependent on general economic conditions and discretionary spending by our customers, which in turn are affected by a variety of factors beyond our control. If such conditions deteriorate, our business, financial condition and operating results may be adversely affected.

Our business, financial condition and operating results are affected by general economic conditions and discretionary spending by our customers. Such general economic conditions and discretionary spending are beyond our control and are affected by, among other things:

- consumer confidence in the economy;
- unemployment trends;
- consumer debt levels;
- consumer credit availability;
- data security and privacy concerns;
- the housing market, including housing turnover and whether home values are rising or declining;
- energy prices;
- interest rates and inflation;
- price deflation, including due to low-cost imports;
- slower rates of growth in real disposable personal income;
- natural disasters and unpredictable weather;
- national security concerns and other geopolitical risks;
- trade relations and tariffs;
- tax rates and tax policy; and
- other matters that influence consumer confidence and spending.

If such conditions deteriorate, our business, financial condition and operating results may be adversely affected. In addition, increasing volatility in financial and capital markets may cause some of the above factors to change with a greater degree of frequency and magnitude than in the past.

The hard surface flooring industry depends on home remodeling activity and other important factors.

The hard surface flooring industry is highly dependent on the remodeling of existing homes, businesses and, to a lesser extent, new home construction. In turn, remodeling and new home construction depend on a number of factors that are beyond our control, including interest rates, tax policy, trade policy, employment levels, consumer confidence, credit availability, real estate prices, existing home sales, demographic trends, weather conditions, natural disasters and general economic conditions. In particular:

- the national economy or any regional or local economy where we operate could weaken;
- home-price appreciation could slow or turn negative;
- regions where we have stores could experience unfavorable demographic trends;
- interest rates could rise;
- credit could become less available;
- tax rates and/or health care costs could increase; or
- fuel costs or utility expenses could increase.

Any one or a combination of these factors could result in decreased demand for our products, reduce spending on homebuilding or remodeling of existing homes or cause purchases of new and existing homes to decline. While the vast majority of our net sales are derived from home remodeling activity as opposed to new home construction, a decrease in any of these areas would adversely affect our business, financial condition and operating results.

Any failure by us to successfully anticipate trends may lead to loss of consumer acceptance of our products, resulting in reduced net sales.

Each of our stores is stocked with a customized product mix based on consumer demands in a particular market. Our success therefore depends on our ability to anticipate and respond to changing trends and consumer demands in these markets in a timely manner. If we fail to identify and respond to emerging trends, consumer acceptance of our merchandise and our image with current or potential customers may be harmed, which could reduce our net sales. Additionally, if we misjudge market trends, we may significantly overstock unpopular products, incur excess inventory costs and be forced to reduce the sales price of such products or incur inventory write-downs, which would adversely affect our operating results. Conversely, shortages of products that prove popular could also reduce our net sales through missed sales and a loss of customer loyalty.

If we fail to successfully manage the challenges that our planned new store growth poses or encounter unexpected difficulties during our expansion, our operating results and future growth opportunities could be adversely affected.

We have 72 warehouse-format stores and one small-format standalone design center located throughout the United States as of April 17, 2017. We plan to open an additional 11 stores in 2017 and to increase the number of new stores that we open during each of the next several years thereafter. This growth strategy and the investment associated with the development of each new store may cause our operating results to fluctuate and be unpredictable or decrease our profits. We cannot ensure that store locations will be available to us, or that they will be available on terms acceptable to us. If additional retail store locations are unavailable on acceptable terms, we may not be able to carry out a significant part of our growth strategy or our new stores' profitability may be lower. Our future operating results and ability to grow will depend on various other factors, including our ability to:

- successfully select of new markets and store locations;
- negotiate leases on acceptable terms;
- attract, train and retain highly qualified managers and staff;
- maintain our reputation of providing quality, safe and compliant products; and
- manage store opening costs.

In addition, the availability of existing large-format retail and mixed use facilities is lower than it has been over the last five years, and occupancy costs are increasing, as well as the initial term of lease commitments. Further, consumers in new markets may be less familiar with our brand, and we may need to increase brand awareness in such markets through additional investments in advertising or high cost locations with more prominent visibility. Stores opened in new markets may have higher construction, occupancy or operating costs, or may have lower net sales, than stores opened in the past. In addition, laws or regulations in these new markets may make opening new stores more difficult or cause unexpected delays. Newly opened stores may not succeed or may reach profitability more slowly than we expect, and the ramp-up to profitability may become longer in the future as we enter more markets and add stores to markets where we already have a presence. Future markets and stores may not be successful and, even if they are successful, our comparable store sales may not increase at historical rates. To the extent that we are not able to overcome these various challenges, our operating results and future growth opportunities could be adversely affected.

Increased competition could cause price declines, decrease demand for our products and decrease our market share.

We operate in the hard surface flooring industry, which is highly fragmented and competitive. We face competition from large home improvement centers, national and regional specialty flooring chains, Internet-based companies and independent flooring retailers. Among other things, we compete on the basis of breadth of product assortment, low prices, and the in-store availability of the products we offer in project- ready quantities, as well as the quality of our products and customer service. As we expand into new and unfamiliar markets, we may experience different competitive conditions than in the past.

Some of our competitors are organizations that are larger, are better capitalized, have existed longer, have product offerings that extend beyond hard surface flooring and related accessories and have a more established market presence with substantially greater financial, marketing, personnel and other resources than we have. In addition, while the hard surface flooring category has a relatively low threat of new internet-only entrants due to the nature of the product, the growth opportunities presented by e-commerce could outweigh these challenges and result in increased competition. Competitors may forecast market developments more accurately than we do, offer similar products at a lower cost or adapt more quickly to new trends and technologies or evolving customer requirements than we do. Further, because the barriers to entry into the hard surface flooring industry are relatively low, manufacturers and suppliers of flooring and related products, including those whose products we currently sell, could enter the market and start directly competing with us. Intense competitive pressures from any of our present or future competitors could cause price declines, decrease demand for our products and decrease our market share. Also, if we continue to grow and become more well-known, other companies may change their strategies to present new competitive challenges. Moreover, in the future, changes in consumer preferences may cause hard surface flooring to become less popular than other types of floor coverings. Such a change in consumer preferences could lead to decreased demand for our products.

All of these factors may harm us and adversely affect our net sales, market share and operating results.

Any disruption in our distribution capabilities or our related planning and control processes may adversely affect our business, financial condition and operating results.

Our success is highly dependent on our planning and distribution infrastructure, which includes the ordering, transportation and distribution of products to our stores and the ability of suppliers to meet distribution requirements. We also need to ensure that we continue to identify and improve our processes and supply chain and that our distribution infrastructure and supply chain keep pace with our anticipated growth and increased number of stores. The cost of these enhanced processes could be significant and any failure to maintain, grow, or improve them could adversely affect our business, financial condition and operating results. Due to our rapid expansion, we have had to increase the size of our distribution centers. Based on our growth intentions we may need to add additional distribution centers or increase the size of our existing distribution centers in the future. Increasing the size of our distribution centers may decrease the efficiency of our distribution costs.

We took over management of our four distribution centers in 2014 from independent third-party logistics providers. We have limited experience managing our distribution centers and cannot assure you that we will be successful in doing so.

In addition, we plan to open a new 1.4 million square foot distribution center near Savannah, Georgia in the fourth quarter of fiscal 2017. The building is currently under construction, and we cannot guarantee that its opening will be on time or on budget. In connection with the opening of that distribution center, we plan to close our existing distribution centers near Savannah, Georgia and Miami, Florida and move those operations to our new facility near Savannah. We expect to close our distribution center near Miami in early 2018. While we complete this transition, we may incur unexpected costs, and our ability to distribute our products may be adversely affected. We recently moved our West Coast distribution center from Carson, California to Moreno Valley, California, incurring related costs of less than $1.0 million in the first quarter of fiscal 2017. Any disruption in the transition to or operation of our distribution centers could have an adverse impact on our business, financial condition and operating results. In addition, our long-term plan expects that we will be able to sublet a portion of our previously occupied distribution centers. Any failure to do so on favorable terms could have a negative impact on our financial condition and operating results.

Our success is also dependent on our ability to provide timely delivery to our customers. Our business could also be adversely affected if fuel prices increase or there are delays in product shipments due to freight difficulties, inclement weather, strikes by our employees or employees of third-parties involved in our supply chain, or other difficulties. If we are unable to deliver products to our customers on a timely basis, they may decide to purchase products from our competitors instead of from us, which would adversely affect our business, financial condition and operating results.

Our operating results may be adversely affected by fluctuations in material and energy costs.

Our operating results may be affected by the wholesale prices of hard surface flooring products, setting and installation materials and the related accessories that we sell. These prices may fluctuate based on a number of factors beyond our control, including the price of raw materials used in the manufacture of hard surface flooring, energy costs, changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates, government regulation, duty and other import costs. In particular, energy costs have fluctuated dramatically in the past and may fluctuate in the future. These fluctuations may result in an increase in our transportation costs for distribution from the manufacturer to our distribution centers and from our distribution centers to our retail stores, utility costs for our distribution centers and retail stores and overall costs to purchase products from our suppliers.

We may not be able to adjust the prices of our products, especially in the short-term, to recover these cost increases, and a continual rise in such costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could adversely affect our business, financial condition and operating results.

Our future success is dependent on our ability to execute our business strategy effectively and deliver value to our customers.

We believe our future success will depend on our ability to execute our business strategy effectively and deliver value to our customers. We believe that our breadth of product assortment across a variety of hard surface flooring categories, low prices, and in-store availability of the products we offer in project-ready quantities, as well as the quality of our products and customer service, are among the key competitive advantages and important elements of our total value proposition. If we are unsuccessful in staying competitive with our current value proposition, the demand for our products would decrease, and customers may decide to purchase products from our competitors instead of us. If this were to occur, our net sales, market share and operating results would be adversely affected.

Our operating results may be adversely affected if we are not successful in managing our inventory.

We currently maintain a high level of inventory consisting of on average approximately 3,500 SKUs per store and an average inventory per store of approximately $2.5 million at cost in order to have a broad assortment of products across a wide variety of hard surface flooring categories in project-ready quantities. We also carry an additional $84.5 million of inventory outside our stores, primarily at our distribution centers as of December 29, 2016. The investment associated with this high level of inventory is substantial, and efficient inventory management is a key component of our business success and profitability. If we fail to adequately project the amount or mix of our inventory, we may miss sales opportunities or have to take unanticipated markdowns or hold additional clearance events to dispose of excess inventory, which will adversely affect our operating results.

In the past, we have incurred costs associated with inventory markdowns and obsolescence. Due to the likelihood that we will continue to incur such costs in the future, we generally include an allowance for such costs in our projections. However, the costs that we actually incur may be substantially higher than our estimate and adversely affect our operating results.

We continue to focus on ways to reduce these risks, but we cannot assure you that we will be successful in our inventory management.

Our operating results may be adversely affected by inventory shrinkage and damage.

We are subject to the risk of inventory shrinkage and damage, including the damage or destruction of our inventory by natural disasters or other causes. We have experienced charges in the past, and we cannot assure you that the measures we are taking will effectively address the problem of inventory shrinkage and damage in the future. Although some level of inventory shrinkage and damage is an unavoidable cost of doing business, we could experience higher-than-normal rates of inventory shrinkage and damage or incur increased security and other costs to combat inventory theft and damage. If we are not successful in managing our inventory balances, our operating results may be adversely affected.

If we are unable to enter into leases for additional stores on acceptable terms or renew or replace our current store leases, or if one or more of our current leases is terminated prior to expiration of its stated term, and we cannot find suitable alternate locations, our growth and profitability could be adversely affected.

We currently lease all of our store locations and our store support center. Our growth strategy largely depends on our ability to identify and open future store locations, which can be difficult because our stores generally require at least 50,000 square feet of floor space. Our ability to negotiate acceptable lease terms for these store locations, to re-negotiate acceptable terms on expiring leases or to negotiate acceptable terms for suitable alternate locations could depend on conditions in the real estate market, competition for desirable properties, our relationships with current and prospective landlords, or on other factors that are not within our control. Any or all of these factors and conditions could adversely affect our growth and profitability.

If we are unable to enter into leases to expand our existing store support center and we cannot find suitable alternate locations at an acceptable cost, our financial results could be adversely affected.

The lease for our current store support center in Smyrna, Georgia, which serves as our corporate headquarters, only provides sufficient space to support our projected growth through 2018. We are exploring various alternatives, but if we cannot find an acceptable solution, our financial results could be adversely effected.

Our net sales growth could be adversely affected if comparable store sales growth is less than we expect.

While future net sales growth will depend substantially on our plans for new store openings, our comparable store sales growth is a significant driver of our net sales, profitability and overall business results. Because numerous factors affect our comparable store sales growth, including, among others, economic conditions, the retail sales environment, the home improvement spending environment, housing turnover, housing appreciation, interest rates, the hard surface flooring industry and the impact of competition, the ability of our customers to obtain credit, changes in our product mix, the in-stock availability of products that are in demand, changes in staffing at our stores, cannibalization resulting from the opening of new stores in existing markets, greater cannibalization than we modeled for new stores, lower than expected ramp-up in new store net sales, changes in advertising and other operating costs, weather conditions, retail trends and our overall ability to execute our business strategy and planned growth effectively, it is possible that we will not achieve our targeted comparable store sales growth or that the change in comparable store sales could be negative. If this were to happen, it is likely that overall net sales growth would be adversely affected.

If we fail to identify and maintain relationships with a sufficient number of suppliers, our ability to obtain products that meet our high quality standards at attractive prices could be adversely affected.

We purchase flooring and other products directly from suppliers located around the world. We do not have long-term contractual supply agreements with our suppliers that obligate them to supply us with products exclusively or at specified quantities or prices. As a result, our current suppliers may decide to sell products to our competitors and may not continue selling products to us. In order to retain the competitive advantage that we believe results from these relationships, we need to continue to identify, develop and maintain relationships with qualified suppliers that can satisfy our high standards for quality and safety and our requirements for delivery of flooring and other products in a timely and efficient manner at attractive prices. The need to develop new relationships will be particularly important as we seek to expand our operations and enhance our product offerings in the future. The loss of one or more of our existing suppliers or our inability to develop relationships with new suppliers could reduce our competitiveness, slow our plans for further expansion and cause our net sales and operating results to be adversely affected.

We will require significant capital to fund our expanding business, which may not be available to us on satisfactory terms or at all. If we are unable to maintain sufficient levels of cash flow or if we do not have sufficient availability under the ABL Facility, we may not meet our growth expectations or we may require additional financing, which could adversely affect our financial health and impose covenants that limit our business activities.

We plan to continue investing for growth, including opening new stores, remodeling existing stores, adding staff, adding distribution center capacity and upgrading our information technology systems and other infrastructure. These investments will require significant capital, which we plan on funding with cash flow from operations and borrowings under the ABL Facility (as defined below).

If our business does not generate sufficient cash flow from operations to fund these activities or if these investments do not yield cash flows in line with past performance or our expectations, we may need additional equity or debt financing. If such financing is not available to us, or is not available on satisfactory terms, our ability to operate and expand our business or respond to competitive pressures would be curtailed, and we may need to delay, limit or eliminate planned store openings or operations or other elements of our growth strategy. If we raise additional capital by issuing equity securities or securities convertible into equity securities, your ownership would be diluted.

We depend on a number of suppliers, and any failure by any of them to supply us with quality products on attractive terms and prices may adversely affect our business, financial condition and operating results.

We depend on our suppliers to deliver quality products to us on a timely basis at attractive prices. Additionally, we source the products that we sell from over 180 domestic and international suppliers. However, in the future, we may not be able to acquire desired merchandise in sufficient quantities on terms acceptable to us, which may impair our relationship with our customers, impair our ability to attract new customers, reduce our competitiveness and adversely affect our business, financial condition and operating results.

Changes in tax laws, trade policies and regulations or in our operations may impact our effective tax rate and may adversely affect our business, financial condition and operating results.

Changes in tax laws in any of the multiple jurisdictions in which we operate, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate, could result in an unfavorable change in our effective tax rate, which could adversely affect our business, financial condition and operating results.

Additionally, results of the November 2016 United States elections and reform proposals advanced by the U.S. Congress have introduced greater uncertainty with respect to the deductibility of net interest expense, tax and trade policies, tariffs and government regulations affecting trade between the United States and other countries. We import approximately 68% of the products we sell, including a significant amount of product from China. Major developments in tax policy or trade relations, such as the disallowance of tax deductions for imported merchandise or the imposition of unilateral tariffs on imported products, could have a material adverse effect on our business, results of operations and liquidity. If there are any adverse changes in tax laws or trade policies that result in an increase in our costs, we may not be able to adjust the prices of our products, especially in the short-term, to recover such costs, and a rise in such costs could adversely affect our business, financial condition and operating results.

The failure of our suppliers to adhere to the quality standards that we set for our products could lead to investigations, litigation, write-offs, recalls or boycotts of our products, which could damage our reputation and our brand, increase our costs, and otherwise adversely affect our business.

We do not control the operations of our suppliers. Although we conduct initial due diligence prior to engaging our suppliers and require our suppliers to certify compliance with applicable laws and regulations, we cannot guarantee that our suppliers will comply with applicable laws and regulations or operate in a legal, ethical and responsible manner. Additionally, it is possible that we may not be able to identify noncompliance by our suppliers notwithstanding these precautionary measures. Violation of applicable laws and regulations by our suppliers or their failure to operate in a legal, ethical or responsible manner, could expose us to legal risks, cause us to violate laws and regulations and reduce demand for our products if, as a result of such violation or failure, we attract negative publicity. In addition, the failure of our suppliers to adhere to the quality standards that we set for our products could lead to government investigations, litigation, write-offs and recalls, which could damage our reputation and our brand, increase our costs, and otherwise adversely affect our business.

We procure the majority of our products from suppliers located outside of the United States, and as a result, we are subject to risks associated with obtaining products from abroad that could adversely affect our business, financial condition and results of operations.

We procure the majority of our products from suppliers located outside of the United States. As a result, we are subject to risks associated with obtaining products from abroad, including:

- political unrest, acts of war, terrorism and economic instability resulting in the disruption of trade from foreign countries where our products originate;
- currency exchange fluctuations;
- the imposition of new or more stringent laws and regulations, including those relating to environmental, health and safety matters and climate change issues, labor conditions, quality and safety standards, trade restrictions and restrictions on funds transfers;
- the imposition of new or different duties (including antidumping and countervailing duties), tariffs, taxes and/or other charges on exports or imports, including as a result of errors in the classification of products upon entry or changes in the interpretation or application of rates or regulations relating to the import or export of our products;
- the risk that one or more of our suppliers will not adhere to applicable legal requirements, including fair labor standards, the prohibition on child labor, environmental, product safety or manufacturing safety standards, anti-bribery and anti-kickback laws such as the Foreign Corrupt Practices Act (the "FCPA") and sourcing laws such as the Lacey Act;
- disruptions or delays in production, shipments, delivery or processing through ports of entry (including those resulting from strikes, lockouts, work-stoppages or slowdowns, or other forms of labor unrest);
- changes in local economic conditions in countries where our suppliers are located; and
- differences in product standards, acceptable business practice and legal environments.

Additionally, we import approximately 45% of the products we sell from China. The Chinese government has in the past imposed restrictions on manufacturing facilities, including a shut-down of transportation of materials and power plants to reduce air pollution. If, in the future, restrictions are imposed that include our operations, our suppliers' ability to supply current or new orders would be significantly impacted. These and other factors beyond our control could disrupt the ability of our suppliers to ship certain products to us cost-effectively or at all, expose us to significant operational and legal risk and negatively affect our reputation, any of which could adversely affect our business, financial condition and results of operations.

Our ability to offer compelling products, particularly products made of more exotic species or unique stone, depends on the continued availability of sufficient suitable natural products.

Our business strategy depends on offering a wide assortment of compelling products to our customers. We sell, among other things, flooring made from various wood species and natural stone from quarries throughout the world. Our ability to obtain an adequate volume and quality of hard-to-find products depends on our suppliers' ability to furnish those products, which, in turn, could be affected by many things, including events such as forest fires, insect infestation, tree diseases, prolonged drought, other adverse weather and climate conditions and the exhaustion of stone quarries. Government regulations relating to forest management practices also affect our suppliers' ability to harvest or export timber and other products, and changes to regulations and forest management policies, or the implementation of new laws or regulations, could impede their ability to do so. If our suppliers cannot deliver sufficient products, and we cannot find replacement suppliers, our net sales and operating results may be adversely affected.

Our business exposes us to personal injury, product liability and warranty claims and related governmental investigations, which could result in negative publicity, harm our brand and adversely affect our business, financial condition and operating results.

Our stores and distribution centers are warehouse environments that involve the operation of forklifts and other machinery and the storage and movement of heavy merchandise, all of which are activities that have the inherent danger of injury or death to employees or customers despite safety precautions, training and compliance with federal, state and local health and safety regulations. While we have insurance coverage in place in addition to policies and procedures designed to minimize these risks, we may nonetheless be unable to avoid material liabilities for an injury or death arising out of these activities.

In addition, we face an inherent risk of exposure to product liability or warranty claims or governmental investigations in the event that the use of our products is alleged to have resulted in economic loss, personal injury or property damage or violated environmental or other laws. If any of our products proves to be defective or otherwise in violation of applicable law, we may be required to recall or redesign such products. Further, in such instances, we may be subject to legal action. We generally seek contractual indemnification from our suppliers. However, such contractual indemnification may not be enforceable against the supplier, particularly because many of our suppliers are located outside of the United States. Any personal injury, product liability or warranty claim made against us, whether or not it has merit, or governmental investigation related to our products, could be time-consuming and costly to defend or respond to, may not be covered by insurance carried by us, could result in negative publicity, could harm our brand and could adversely affect our business, financial condition and operating results. In addition, any negative publicity involving our suppliers, employees, and other parties who are not within our control could adversely affect us.

Unfavorable allegations, government investigations and legal actions surrounding our products and us could harm our reputation, impair our ability to grow or sustain our business, and adversely affect our business, financial condition and operating results.

We rely on our reputation for offering great value, superior service and a broad assortment of high-quality, safe products. If we become subject to unfavorable allegations, government investigations or legal actions involving our products or us, such circumstances could harm our reputation and our brand and adversely affect our business, financial condition and operating results. If this negative impact is significant, our ability to grow or sustain our business could be jeopardized.

For example, a *60 Minutes* segment that aired on March 1, 2015 alleged that another retailer of home flooring products sold flooring containing unsafe levels of formaldehyde. Flooring products that use formaldehyde resins, including laminate and engineered flooring, are subject to applicable laws and regulations governing formaldehyde emissions. The *60 Minutes* segment alleged that the retailer's products were falsely labeled as being compliant with the emissions standards of CARB. The report also suggested that the flooring could cause adverse health effects. The retailer became subject to numerous lawsuits and government investigations, including by the Consumer Products Safety Commission.

In December 2015, a similar lawsuit was filed as a putative nationwide class action against our subsidiary F&D. The lawsuit alleged that certain Chinese-manufactured laminate flooring products sold by F&D were falsely labeled as compliant with formaldehyde emissions standards established by CARB. In June 2016, management believed a settlement of the case was both probable and estimable and accrued $14 million with respect to such case in the second quarter of fiscal 2016. During the third quarter of fiscal 2016, F&D reached an agreement with one of the manufacturers whose products were involved in the case to cover $3.5 million of our losses related to this lawsuit. We recorded the $3.5 million receivable as an offset to litigation settlement expenses. Legal expenses incurred in connection with the case were recorded in general & administrative expenses during the period in which they were incurred. In September 2016, F&D entered into a classwide settlement to resolve the lawsuit. The settlement class was defined as all end users of Chinese-manufactured laminate flooring sold by F&D nationwide between January 1, 2012 and August 1, 2015. As part of the settlement, all settlement class members who did not exclude themselves from the settlement granted F&D a release of all claims arising out of or relating to their purchase of Chinese-manufactured laminate flooring from F&D, with the exception of personal injury claims. The settlement did not involve an admission of liability by F&D. Seven members of the settlement class excluded themselves from the settlement. The settlement was granted final approval by the court on January 10, 2017.

Although the claims asserted against F&D in the December 2015 lawsuit have been resolved, we cannot predict whether we will face additional lawsuits that are not covered by the settlement or the release. If additional lawsuits are filed, we could incur significant costs, be liable for damages, be subject to fines, penalties, injunctive relief, criminal charges or other legal risks, which could reduce demand for our products and adversely affect our business, financial condition and operating results.

Negative publicity surrounding such matters, including publicity about other retailers, may harm our reputation and affect the demand for our products. In addition, if more stringent laws or regulations are adopted in the future, we may have difficulty complying with the new requirements imposed by such laws and regulations, and in turn, our business, financial condition and operating results could be adversely affected. Moreover, regardless of whether any such changes are adopted, we may become subject to claims or governmental investigations alleging violations of applicable laws and regulations. Any such matter may subject us to fines, penalties, injunctions, litigation and/or potential criminal violations. Any one of these results could negatively affect our business, financial condition and operating results and impair our ability to grow or sustain our business.

If we violate or are alleged to have violated environmental, health and safety laws and regulations, we could incur significant costs and other negative effects that could reduce demand for our products and adversely affect our business, financial condition and operating results.

In addition to the applicable laws and regulations discussed above, certain portions of our operations are subject to laws and regulations governing the environmental protection of natural resources and health and safety, including the use, storage, handling, generation, transportation, treatment, emission, release, discharge and disposal of certain hazardous materials and wastes. In addition, certain of our products are subject to laws and regulations relating to the importation, exportation, acquisition or sale of certain plants and plant products, including those illegally harvested, and the emissions of hazardous materials.

We operate our business in accordance with standards and procedures designed to comply with the applicable laws and regulations in these areas and work closely with our suppliers in order to comply with such laws and regulations. If we violate or are alleged to have violated these laws, we could incur significant costs, be liable for damages, experience delays in shipments of our products, be subject to fines, penalties, criminal charges or other legal risks, or suffer reputational harm, any of which could reduce demand for our products and adversely affect our business, financial condition and operating results. In addition, there can be no assurance that such laws or regulations will not become more stringent in the future or that we will not incur additional costs in the future in order to comply with such laws or regulations.

We are engaged in various legal actions, claims and proceedings arising in the ordinary course of business and, while we cannot predict the outcomes of such proceedings and other contingencies with certainty, this litigation and any potential future litigation could have an adverse impact on us.

We are engaged in various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contract, product liabilities, intellectual property matters and employment related matters resulting from our business activities. As with most actions such as these, an estimate of any possible and/or ultimate liability cannot always be determined. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors. Additionally, we cannot guarantee that we will not become engaged in additional legal actions, claims, proceedings or governmental investigations in the future. Any such action could result in negative publicity, harm to our reputation and adversely affect our business, financial condition and operating results.

Labor activities could cause labor relations difficulties for us.

Currently none of our employees are represented by a union; however, our employees have the right at any time to form or affiliate with a union. As we continue to grow, enter different regions and operate distribution centers, unions may attempt to organize all or part of our employee base at certain stores or distribution centers within certain regions. We cannot predict the adverse effects that any future organizational activities will have on our business, financial condition and operating results. If we were to become subject to work stoppages, we could experience disruption in our operations and increases in our labor costs, either of which could adversely affect our business, financial condition and operating results.

Federal, state or local laws and regulations, or our failure to comply with such laws and regulations, could increase our expenses, restrict our ability to conduct our business and expose us to legal risks.

We are subject to a wide range of general and industry-specific laws and regulations imposed by federal, state and local authorities in the countries in which we operate including those related to customs, foreign operations (such as the FCPA), truth-in-advertising, consumer protection (such as the Telephone Consumer Protection Act), privacy, product safety, the environment (such as the Lacey Act), intellectual property infringement, zoning and occupancy matters as well as the operation of retail stores and distribution facilities. In addition, various federal and state laws govern our relationship with, and other matters pertaining to, our employees, including wage and hour laws, laws governing independent contractor classifications, requirements to provide meal and rest periods or other benefits, family leave mandates, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, insurance and workers' compensation rules and anti-discrimination laws. In recent years, we and other parties in the flooring industry have been or currently are parties to litigation involving claims that allege violations of the foregoing laws, including claims related to product safety and patent claims. See "—Unfavorable allegations, government investigations and legal actions surrounding our products and us could harm our reputation and impair our ability to grow or sustain our business." In addition, there has been an increase in the number of wage and hour class action claims that allege misclassification of overtime eligible workers and/or failure to pay overtime-eligible workers for all hours worked, particularly in the retail industry. Although we believe that we have complied with these laws and regulations, there is nevertheless a risk that we will become subject to claims that allege we have failed to do so. Any claim that alleges a failure by us to comply with any of the foregoing laws and regulations may subject us to fines, penalties, injunctions, litigation and/or potential criminal violations, which could adversely affect our reputation, business, financial condition and operating results.

Certain of our products may require us to spend significant time and resources in order to comply with applicable advertising, labeling, importation, exportation, environmental, health and safety laws and regulations because if we violate these laws or regulations, we could experience delays in shipments of our goods, be subject to fines or penalties, be liable for costs and damages or suffer reputational harm, any of which could reduce demand for our merchandise and adversely affect our business, financial condition and operating results.

Any changes to the foregoing laws or regulations or any new laws or regulations that are passed or go into effect may make it more difficult for us to operate our business and in turn adversely affect our operating results.

We may also be subject to audits by various taxing authorities. Similarly, changes in tax laws in any of the multiple jurisdictions in which we operate, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate, could result in an unfavorable change in our effective tax rate, which could adversely affect our business, financial condition and operating results. In addition, given the nature of our business, certain of our sales are exempt from state sales taxes. If we are audited and fail to maintain proper documentation, any adjustments resulting from such audits could increase our tax liability, including any interest or penalties.

If our efforts to ensure the privacy and security of information related to our customers, us, our employees, our suppliers and other third parties are not successful, we could become subject to litigation, investigations, liability and negative publicity that could significantly harm our reputation and relationships with our customers and adversely affect our business, financial condition and operating results.

Our business, like that of most retailers, involves the receipt, storage and transmission of customers' personal information, consumer preferences and payment card data, as well as other confidential information related to us, our employees, our suppliers and other third parties, some of which is entrusted to third-party service providers and vendors that provide us with technology, systems and services that we use in connection with the receipt, storage and transmission of such information. Cyber-attacks designed to gain access to these types of sensitive information by breaching critical systems of large organizations are constantly evolving, and high profile electronic security breaches leading to unauthorized release of sensitive information have occurred in recent years with increasing frequency at a number of major U.S. companies, including several large retailers, notwithstanding widespread recognition of the cyber-attack threat and improved data protection methods.

Despite our security measures and those of third parties with whom we do business, such as our banks, merchant card processing and other technology vendors, our respective systems and facilities may be vulnerable to criminal cyber-attacks or security incidents due to malfeasance, intentional or inadvertent security breaches by employees, or other vulnerabilities such as defects in design or manufacture. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deception targeted at our customers, employees, suppliers and service providers. Any such incidents could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

As noted above, the techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until launched against a target; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures. In addition, advances in computer capabilities, new technological discoveries or other developments may also compromise or result in the obsolescence of the technology used to protect sensitive information. An actual or anticipated attack may cause us to incur additional costs, including costs related to diverting or deploying personnel, implementing preventative measures, training employees and engaging third-party experts and consultants. Further, any security breach could expose us to risks of data loss, regulatory and law enforcement investigations, litigation and liability and could seriously disrupt our operations and any resulting negative publicity could significantly harm our reputation and relationships with our customers and adversely affect our business, financial condition and operating results.

A material disruption in our information systems, including our website and call center, could adversely affect our business or operating results and lead to reduced net sales and reputational damage.

We rely on our information systems to process transactions, summarize our results of operations and manage our business. In particular, our website and our call center are important parts of our integrated connected customer strategy and customers use these systems as information sources on the range of products available to them and as a way to order our products. Therefore, the reliability and capacity of our information systems is critical to our operations and the implementation of our growth initiatives. However, our information systems are subject to damage or interruption from planned upgrades in technology interfaces, power outages, computer and telecommunications failures, computer viruses, cyber-attacks or other security breaches and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism and usage errors by our employees. If our information systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer losses of critical data and/or interruptions or delays in our operations. In addition, to keep pace with changing technology, we must continuously implement new information technology systems as well as enhance our existing systems. In particular, in 2017 we intend to implement a new human resources information system, and any disruption in doing so could negatively impact the operation of our business. Moreover, the successful execution of some of our growth strategies, in particular the expansion of our connected customer and online capabilities, is dependent on the design and implementation of new systems and technologies and/or the enhancement of existing systems. Any material disruption in our information systems, or delays or difficulties in implementing or integrating new systems or enhancing or expanding current systems, could have an adverse effect on our business, in particular our call center and online operations, and our operating results and could lead to reduced net sales and reputational damage.

We are subject to payments-related risks that could increase our operating costs, expose us to fraud, subject us to potential liability and potentially disrupt our business.

We accept payments using a variety of methods, including credit cards, debit cards, gift cards and physical bank checks. These payment options subject us to many compliance requirements, including, but not limited to, compliance with the Payment Card Industry Data Security Standards, which represents a common set of industry tools and measurements to help ensure the safe handling of sensitive information. They also subject us to potential fraud by criminal elements seeking to discover and take advantage of security vulnerabilities that may exist in some of these payment systems. For certain payment methods, including credit cards and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards and gift cards, and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, there is the potential that parties could seek damages from us, we may be liable for card issuing banks' costs, subject to fines and higher transaction fees, and lose our ability to accept credit cards and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, we could lose the confidence of customers and our business, financial condition and operating results could be adversely affected. We may also need to expend significant management and financial resources to become or remain compliant with relevant standards and requirements, which could divert resources from other initiatives and adversely affect our business, financial condition and operating results.

Our facilities and systems, as well as those of our suppliers, are vulnerable to natural disasters and other unexpected events, and as a result we may lose merchandise and be unable to effectively deliver it to our stores.

Our retail stores, store support center and distribution centers, as well as the operations of our suppliers from which we receive goods and services, are vulnerable to damage from earthquakes, tornadoes, hurricanes, fires, floods and similar events. If any of these events result in damage to our facilities, systems or equipment, or those of our suppliers, they could adversely affect our ability to stock our stores and deliver products to our customers, and could adversely affect our net sales and operating results. In addition, we may incur costs in repairing any damage beyond our applicable insurance coverage. In particular, any disruption to any of our distribution centers could have a material impact on our business.

Material damage to, or interruptions in, our information systems as a result of external factors, staffing shortages and difficulties in updating our existing software or developing or implementing new software could adversely affect our business, financial condition and operating results.

We depend largely upon our information technology systems in the conduct of all aspects of our operations. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses and security breaches. Damage or interruption to our information systems may require a significant investment to fix or replace them, and we may suffer interruptions in our operations in the interim including issues operating our distribution centers and/or managing our inventory. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology, or with maintenance or adequate support of existing systems, could also disrupt or reduce the efficiency of our operations. Further, the software programs supporting many of our systems were licensed to us by independent software developers. The inability of these developers or us to continue to maintain and upgrade these information systems and software programs would disrupt or reduce the efficiency of our operations if we were unable to convert to alternate systems in an efficient and timely manner and could adversely affect our business, financial condition and operating results. Any material interruptions or failures in our information systems may adversely affect our business, financial condition and operating results.

As we have a high concentration of stores in the southern region of the United States, we are subject to regional risks.

We have a high concentration of stores in the southern region of the United States. If this market suffers an economic downturn or other significant adverse event, our comparable store sales, net sales, profitability and the ability to implement our planned expansion could be adversely affected. Any natural disaster, extended adverse weather or other serious disruption in this market due to fire, tornado, hurricane, or any other calamity could damage inventory and could result in decreased net sales.

Our success depends substantially upon the continued retention of our key personnel, which we consider to be our executive officers.

We believe that our success has depended and continues to depend to a significant extent on the efforts and abilities of our key personnel, which we consider to be our executive officers. We have employment agreements with each of our executive officers. See "Executive And Director Compensation—Fiscal 2016 Compensation—Elements of Our Executive Compensation Program—Employment Agreements." Our failure to retain members of that team could impede our ability to build on the efforts they have undertaken with respect to our business.

We do not maintain "key man" life insurance policies on our key personnel.

We do not have "key man" life insurance policies for any of our key personnel. If we were to obtain "key man" insurance for our key personnel, there can be no assurance that the amounts of such policies would be sufficient to pay losses experienced by us as a result of the loss of any of those personnel.

Our success depends upon our ability to attract, train and retain highly qualified managers and staff.

Our success depends in part on our ability to attract, hire, train and retain qualified managers and staff. Purchasing hard surface flooring is an infrequent event for BIY and DIY consumers, and the typical consumer in these groups has little knowledge of the range, characteristics and suitability of the products available before starting the purchasing process. Therefore, consumers in the hard surface flooring market expect to have sales associates serving them who are knowledgeable about the entire assortment of products offered by the retailer and the process of choosing and installing hard surface flooring.

Each of our stores is managed by a store manager who has the flexibility (with the support of regional managers) to use his or her knowledge of local market dynamics to customize each store in a way that is most likely to increase net sales and profitability. Our store managers are also expected to anticipate, gauge and quickly respond to changing consumer demands in these markets. Further, it generally takes a substantial amount of time for our store managers to develop the entrepreneurial skills that we expect them to have in order to make our stores successful.

There is a high level of competition for qualified regional managers, store managers and sales associates among home improvement and flooring retailers in local markets, and as a result, we may not succeed in attracting and retaining the personnel we require to conduct our current operations and support our plans for expansion. If our recruiting and retention efforts are not successful, we may have a shortage of qualified employees in future periods. Any such shortage would decrease our ability to effectively serve our customers. Such a shortage would also likely lead to higher wages for employees and a corresponding reduction in our operating results. In addition, as we expand into new markets, we may find it more difficult to hire, develop and retain qualified employees and may experience increased labor costs. Any failure by us to attract, train and retain highly qualified managers and staff could adversely affect our operating results and future growth opportunities.

The effectiveness of our advertising strategy is a driver of our future success.

We believe that our growth was in part a result of our successful investment in local advertising. As we enter new markets that often have more expensive advertising rates, we may need to increase our advertising expenses to broaden the reach and frequency of our advertising to increase the recognition of our brand. If our advertisements fail to draw customers in the future, or if the cost of advertising or other marketing materials increases significantly, we could experience declines in our net sales and operating results.

Our intellectual property rights are valuable, and any failure to protect them could reduce the value of our products and brand and harm our business.

We regard our intellectual property as having significant value, and our brand is an important factor in the marketing of our products. However, we cannot assure you that the steps we take to protect our trademarks or intellectual property will be adequate to prevent others from copying or using our trademarks or intellectual property without authorization. If our trademarks or intellectual property are copied or used without authorization, the value of our brand, its reputation, our competitive advantages and our goodwill could be harmed.

We may be involved in disputes from time to time relating to our intellectual property and the intellectual property of third parties.

We may become parties to disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in these disputes. Third parties may raise claims against us alleging infringement or violation of the intellectual property of that third-party. Even if we prevail in such disputes, the costs we incur in defending such dispute may be material and costly. Some third-party intellectual property rights may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid violating those intellectual property rights. Any such intellectual property claim could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether such claim has merit. The liability insurance we maintain may not adequately cover potential claims of this type, and we may be required to pay monetary damages or license fees to third parties, which could have a material adverse effect on our business, financial condition and operating results.

Our ability to control higher health care costs is limited and could adversely affect our business, financial condition and operating results.

With the passage in 2010 of the U.S. Patient Protection and Affordable Care Act (as amended, the "Affordable Care Act"), we are required to provide affordable coverage, as defined in the Affordable Care Act, to all employees, or otherwise be subject to a payment per employee based on the affordability criteria in the Affordable Care Act. Additionally, some states and localities have passed state and local laws mandating the provision of certain levels of health benefits by some employers. These requirements limit our ability to control employee health care costs.

Efforts to modify, repeal or otherwise invalidate all, or certain provisions of, the Affordable Care Act and/or adopt a replacement healthcare reform law may impact our employee healthcare costs. At this time, there is uncertainty concerning whether the Affordable Care Act will be repealed or what requirements will be included in a new law, if enacted. If health care costs rise, we may experience increased operating costs, which may adversely affect our business, financial condition and operating results.

We are a holding company with no business operations of our own and depend on cash flow from our subsidiaries to meet our obligations.

We are a holding company with no business operations of our own or material assets other than the equity of our subsidiaries. All of our operations are conducted by our subsidiaries. As a holding company, we will require dividends and other payments from our subsidiaries to meet cash requirements.

The terms of our ABL Facility, a $200 million asset-based revolving credit facility, and our Term Loan Facility, a $350 million senior secured term loan facility, restrict our subsidiaries from paying dividends and otherwise transferring cash or other assets to us except in certain limited circumstances. If we become insolvent or there is a liquidation or other reorganization of any of our subsidiaries, our stockholders likely will have no right to proceed against their assets. Creditors of those subsidiaries will be entitled to payment in full from the sale or other disposal of the assets of those subsidiaries before we, as an equity holder, would be entitled to receive any distribution from that sale or disposal. If our subsidiaries are unable to pay dividends or make other payments to us when needed, we will be unable to satisfy our obligations.

We face risks related to our indebtedness.

As of April 17, 2017, we were highly leveraged and the principal amount of our total indebtedness was approximately $375.3 million (including $348.3 million of indebtedness outstanding under the Term Loan Facility). In addition, as of April 17, 2017, we had the ability to access $160.4 million of unused borrowings then available under the ABL Facility without violating any covenants thereunder and had $12.5 million in outstanding letters of credit.

As set forth under "Use of Proceeds," after giving effect to our use of the net proceeds from this offering, the principal amount of our total indebtedness would have been approximately $263.9 million as of December 29, 2016.

Our indebtedness, combined with our lease and other financial obligations and contractual commitments, could adversely affect our business, financial condition and operating results by:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including restrictive covenants and borrowing conditions, which may lead to an event of default under agreements governing our debt;

- making us more vulnerable to adverse changes in general economic, industry and competitive conditions and government regulation;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of cash flows to fund current operations and future growth;

- exposing us to the risk of increased interest rates as our borrowings under our Credit Facilities are at variable rates;

- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

- requiring us to comply with financial and operational covenants, restricting us, among other things, from placing liens on our assets, making investments, incurring debt, making payments to our equity or debt holders and engaging in transactions with affiliates;

- limiting our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business and growth strategies or other purposes; and

- limiting our ability to obtain credit from our suppliers and other financing sources on acceptable terms or at all.

We may also incur substantial additional indebtedness in the future, subject to the restrictions contained in our Credit Facilities. If such new indebtedness is in an amount greater than our current debt levels, the related risks that we now face could intensify. However, we cannot assure you that any such additional financing will be available to us on acceptable terms or at all.

Significant amounts of cash are required to service our indebtedness and operating lease obligations, and any failure to meet our debt service obligations could adversely affect our business, financial condition and operating results.

Our ability to pay interest on and principal of our debt obligations will primarily depend upon our future operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling our assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities."

Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations at all or on acceptable terms, could have an adverse effect on our business, financial condition and operating results.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in amounts sufficient to enable us to make payments on our indebtedness or to fund our operations.

Our debt agreements contain restrictions that may limit our flexibility in operating our business.

We are a holding company, and accordingly, substantially all of our operations are conducted through our subsidiaries. The credit agreements governing our Credit Facilities contain, and any future indebtedness would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in acts that may be in our best long-term interests. The credit agreements governing our Credit Facilities include covenants that, among other things, restrict our and our subsidiaries' ability to:

- incur additional indebtedness;
- create liens;
- make investments, loans or advances;
- merge or consolidate;
- sell assets, including capital stock of subsidiaries or make acquisitions;
- pay dividends on capital stock or redeem, repurchase or retire capital stock or make other restricted payments;
- enter into transactions with affiliates;
- repurchase certain indebtedness; and
- exceed a certain total net leverage ratio or, in certain cases, maintain less than a certain fixed charge coverage ratio.

Based on the foregoing factors, the operating and financial restrictions and covenants in our current debt agreements and any future financing agreements could adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

In addition, a breach of any of the restrictive covenants in our Credit Facilities may constitute an event of default, permitting the lenders to declare all outstanding indebtedness under both our Credit Facilities to be immediately due and payable or to enforce their security interest, which could adversely affect our ability to respond to changes in our business and manage our operations. Upon the occurrence of an event of default under any of the agreements governing our Credit Facilities, the lenders could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in the credit agreements. If any of our indebtedness under either of our Credit Facilities were to be accelerated, there can be no assurance that our assets would be sufficient to repay this indebtedness in full, which could adversely affect our ability to continue to operate as a going concern. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities" for more information.

Our fixed lease obligations could adversely affect our operating results.

We are required to use a significant portion of cash generated by our operations to satisfy our fixed lease obligations, which could adversely affect our ability to obtain future financing to support our growth or other operational investments. We will require substantial cash flows from operations to make our payments under our operating leases, all of which provide for periodic increases in rent. As of December 29, 2016, our minimum annual rental obligations under long-term operating leases for the fiscal years ending December 28, 2017, December 27, 2018 and December 26, 2019 are approximately $63.3 million, $71.9 million and $73.6 million, respectively. If we are not able to make payments under our operating leases, this could trigger defaults under other leases or, in certain circumstances, under our Credit Facilities, which could cause the counterparties or lenders under those agreements to accelerate the obligations due thereunder.

Changes to accounting rules or regulations could adversely affect our operating results.

Our consolidated financial statements are prepared in accordance with GAAP. New accounting rules or regulations and changes to existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations, such as changes to revenue recognition or lease accounting guidance or a requirement to convert to international financial reporting standards, could adversely affect our operating results through increased cost of compliance.

Risks Related to this Offering and Ownership of Our Common Stock

You may not be able to resell your shares at or above the offering price or at all, and our stock price may be volatile, which could result in a significant loss or impairment of your investment.

Prior to this offering, there has been no public market for our common stock. An active public market for our common stock may not develop or be sustained after this offering, in which case it may be difficult for you to sell your shares of our common stock at a price that is attractive to you or at all. The price of our common stock in any such market may be higher or lower than the price that you pay in this offering. If you purchase shares of our common stock in this offering, you will pay a price that was not established in a competitive market. Rather, you will pay the price that we negotiated with the representatives of the underwriters, which may not be indicative of prices that will prevail in the trading market.

The trading price of our common stock may be volatile and subject to wide price fluctuations in response to various factors, many of which are beyond our control, including those described above in "—Risks Related to Our Business" and the following:

- actual or anticipated fluctuations in our quarterly or annual financial results;
- the financial guidance we may provide to the public, any changes in such guidance or our failure to meet such guidance;
- failure of industry or securities analysts to maintain coverage of us, changes in financial estimates by any industry or securities analysts that follow us or our failure to meet such estimates;
- downgrades in our credit ratings or the credit ratings of our competitors;
- market factors, including rumors, whether or not correct, involving us or our competitors;
- unfavorable market reactions to allegations regarding the safety of products sold by us or our competitors that are similar to products that we sell and costs or negative publicity arising out of any potential litigation and/or government investigations resulting therefrom;
- fluctuations in stock market prices and trading volumes of securities of similar companies;

- sales or anticipated sales of large blocks of our stock;
- short selling of our common stock by investors;
- limited "public float" in the hands of a small number of persons whose sales or lack of sales of our common stock could result in positive or negative pricing pressure on the market price for our common stock;
- additions or departures of key personnel;
- announcements of new store openings, commercial relationships, acquisitions or entry into new markets by us or our competitors;
- failure of any of our initiatives, including our growth strategy, to achieve commercial success;
- regulatory or political developments;
- changes in accounting principles or methodologies;
- litigation or governmental investigations;
- negative publicity about us in the media and online; and
- general financial market conditions or events.

Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations sometimes have been unrelated or disproportionate to the operating performance of those companies. These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise adversely affect the price or liquidity of our common stock.

In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, we could incur substantial costs defending it or paying for settlements or damages. Such a lawsuit could also divert the time and attention of our management from our operating business. As a result, such litigation may adversely affect our business, financial condition and operating results.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, our market, or our competitors, or if they change their recommendations regarding our common stock in a negative way, the price and trading volume of our common stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. If any of the analysts who cover us change their recommendation regarding our common stock in a negative way, or provide more favorable relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst who covers us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common stock price or trading volume to decline.

The large number of shares eligible for public sale in the future, or the perception of the public that these sales may occur, could depress the market price of our common stock.

The market price of our common stock could decline as a result of (i) sales of a large number of shares of our common stock in the market after this offering, particularly sales by our directors, employees (including our executive officers) and significant stockholders, and (ii) a large number of shares of our common stock being registered or offered for sale. These sales, or the perception that these sales could occur, may depress the market price of our common stock. We will have shares of common stock outstanding after this offering (or shares if the underwriters' exercise their option to purchase additional shares in full). Of these shares, the common stock sold in this offering will be freely tradable.

Additionally, as of the closing of this offering, 11,891,900 shares of our common stock will be issuable upon exercise of stock options that vest and are exercisable at various dates through September 30, 2026, with an average weighted exercise price of $5.32 per share. Of such options, 7,971,481 are currently exercisable. As soon as practicable after the closing of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register shares of our common stock issued or reserved for issuance under the Incentive Plans. The Form S-8 registration statement will become effective immediately upon filing, and shares covered by that registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described below and the limitations of Rule 144 under the Securities Act ("Rule 144") applicable to affiliates.

We and certain of our stockholders, directors and officers have agreed to a "lock-up," pursuant to which neither we nor they will sell any shares without the prior consent of the representatives of the underwriters for 180 days after the date of this prospectus, subject to certain exceptions and extensions under certain circumstances. Following the expiration of the applicable lock-up period, all of our shares of common stock will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. In addition, our Sponsors have certain demand registration rights, and all of our stockholders have "piggy-back" registration rights with respect to the common stock that they will retain following this offering. See "Shares Eligible for Future Sale" and "Description of Capital Stock—Registration Rights" for a discussion of the shares of common stock that may be sold into the public market in the future, including common stock held by Ares and Freeman Spogli.

You will incur immediate and substantial dilution in your investment because our earlier investors paid less than the initial public offering price when they purchased their shares.

If you purchase shares in this offering, you will incur immediate dilution of $17.77 in net tangible book value per share (or $17.55 if the underwriters exercise their option to purchase additional shares in full), based on an assumed initial public offering price of $17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, because the price that you pay will be greater than the net tangible book value per share of the shares acquired. This dilution arises because our earlier investors paid less than the initial public offering price when they purchased their shares of our common stock. Furthermore, there will be options to purchase shares of common stock outstanding upon the closing of this offering that have exercise prices below the initial public offering price. To the extent such options are exercised in the future, there may be further dilution to new investors. See "Dilution."

In the future, we expect to issue stock options, restricted stock and/or other forms of stock-based compensation, which have the potential to dilute stockholders' value and cause the price of our common stock to decline.

In the future, we expect to offer stock options, restricted stock and/or other forms of stock based compensation to our eligible employees, consultants and Compensated Directors (as defined in "Executive and Director Compensation—Compensation of our Directors for Fiscal 2016—Director Compensation"). If we grant more equity awards to attract and retain key personnel, the expenses associated with such additional equity awards could materially adversely affect our results of operations and may also result in additional dilution to our stockholders. If any options that we issue are exercised or any restrictions on restricted stock that we issue lapse and those shares are sold into the public market, the market price of our common stock may decline. In addition, the availability of shares of common stock for award under the Incentive Plans or the grant of stock options, restricted stock or other forms of stock based compensation may adversely affect the market price of our common stock.

Our dual-class capitalization structure and the conversion features of our Class C common stock may dilute the voting power of the holders of our Class A common stock.

Following the closing of this offering, we will have a dual-class capitalization structure, which may pose a significant risk of dilution to our Class A common stockholders. The shares of our Class C common stock are automatically converted into shares of our Class A common stock on the basis of one share of Class A common stock for each share of Class C common stock in the event that the holder of such Class C common stock is not Freeman Spogli or any of its affiliates. In addition, Freeman Spogli or any of its affiliates may convert their shares of Class C common stock into shares of our Class A Common Stock, in whole or in part, at any time and from time to time at their option, on the basis of one share of Class A common stock for each share of Class C common stock so long as at such time either Ares and its affiliates or Freeman Spogli and its affiliates do not own more than 24.9% of our Class A common stock after giving effect to any such conversion. Conversion of our Class C common stock into Class A common stock would dilute the voting power of the holders of Class A common stock, including holders of shares purchased in this offering.

Our ability to raise capital in the future may be limited.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to holders of our common stock to make claims on our assets and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities or securities convertible into equity securities, existing stockholders will experience dilution and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, you bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

Our principal stockholders will continue to have substantial control over us after this offering, will be able to influence corporate matters and may take actions that conflict with your interests and have the effect of delaying or preventing changes of control or changes in management, or limiting the ability of other stockholders to approve transactions they deem to be in their best interest.

Upon the closing of this offering, our directors, executive officers and holders of more than 5% of our Class A common stock, together with their affiliates, will beneficially own, in the aggregate, approximately 87% of our outstanding Class A common stock, assuming no exercise of the underwriters' option to purchase additional shares. Ares will beneficially own, in the aggregate, approximately 61% of our outstanding Class A common stock and Freeman Spogli will beneficially own, in the aggregate, approximately 22% of our outstanding Class A common stock and 100% of our outstanding Class C common stock. These amounts compare to approximately 10% of our outstanding Class A common stock represented by the shares sold by us in this offering, assuming no exercise of the underwriters' option to purchase additional shares. As a result, these stockholders acting together, or Ares or Freeman Spogli acting alone, will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of us or our assets. The Investor Rights Agreement also contains agreements among our Sponsors with respect to voting on the election of directors and board committee membership. See also "—Our dual-class capitalization structure and the conversion features of our Class C common stock may dilute the voting power of the holders of our Class A common stock." The interests of Ares or Freeman Spogli could conflict in material respects with yours, and this concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a third-party from acquiring control over us. Mr. Kaplan and Ms. Lee serve as officers and principals of certain Ares affiliated entities. In addition, NAX 18, LLC, a consulting entity controlled by Mr. Axelrod, provides consulting services to certain Ares affiliated entities. Messrs. Brutocao and Roth serve as officers and principals of certain Freeman Spogli affiliated entities. In addition, Peter Starrett Associates, a consulting entity controlled by Mr. Starrett, provides consulting services to certain Freeman Spogli affiliated entities. Our certificate of incorporation provides that no officer or director of ours who is also an officer, director, employee, managing director or other affiliate of our Sponsors will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to our Sponsors instead of us, or does not communicate information regarding a corporate opportunity to us that the officer, director, employee, managing director or other affiliate has directed to our Sponsors.

Although we do not expect to rely on the "controlled company" exemption, since we will qualify as a "controlled company" within the meaning of the rules of the New York Stock Exchange upon completion of this offering, we will qualify for exemptions from certain corporate governance requirements.

Under the rules of the New York Stock Exchange, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a "controlled company" and may elect not to comply with certain rules of the New York Stock Exchange regarding corporate governance, including:

- the requirement that a majority of our board of directors consist of independent directors;
- the requirement that our nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement that our compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

These requirements will not apply to us as long as we remain a "controlled company." Although we will qualify as a "controlled company" upon completion of this offering, we do not expect to rely on this exemption, and we intend to fully comply with all corporate governance requirements under the rules of the New York Stock Exchange. However, if we were to utilize some or all of these exemptions, you may not have the same protections afforded to stockholders of companies that are subject to all of the rules of the New York Stock Exchange regarding corporate governance.

We do not currently expect to pay any cash dividends.

The continued operation and growth of our business will require substantial funding. Accordingly, we do not currently expect to pay any cash dividends on shares of our common stock. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our operating results, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deem relevant. Additionally, under our Credit Facilities, our subsidiaries are currently restricted from paying cash dividends except in limited circumstances, and we expect these restrictions to continue in the future. Accordingly, if you purchase shares in this offering, realization of a gain on your investment will depend on the appreciation of the price of our common stock, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our common stock. See "Dividend Policy."

We will incur significant expenses as a result of becoming a public company, which will negatively impact our financial performance and could cause our results of operations or financial condition to suffer.

As a public company, we will incur significant legal, accounting, insurance and other expenses that we have not incurred as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with the Sarbanes-Oxley Act, Dodd-Frank Wall Street Reform and Consumer Protection Act and related rules implemented by the Securities and Exchange Commission ("SEC"). The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. In estimating these costs, we took into account expenses related to insurance, legal, accounting, and compliance activities, as well as other expenses not currently incurred. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have an adverse effect on our business and stock price.

We are not currently required to comply with the rules of the SEC implementing Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal controls over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Though we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal controls over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC.

To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. In addition, when evaluating our internal controls over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the New York Stock Exchange, the SEC or other regulatory authorities, which could require additional financial and management resources.

Anti-takeover provisions could impair a takeover attempt and adversely affect existing stockholders and the market value of our common stock.

Certain provisions of our certificate of incorporation and bylaws that will be in effect upon the closing of this offering and applicable provisions of Delaware law may have the effect of rendering more difficult, delaying or preventing an acquisition of our company, even when this would be in the best interest of our stockholders. These provisions include:

- a classified board of directors;
- the sole power of a majority of our board of directors to fix the number of directors;
- the requirement that certain advance notice procedures be followed for our stockholders to submit nominations of candidates for election to our board of directors and to bring other proposals before a meeting of the stockholders;
- the power of our board of directors to amend our bylaws without stockholder approval;
- limitations on the removal of directors nominated by our Sponsors;
- the sole power of the board of directors, or our Sponsors in the case of a vacancy of one of their respective board nominees, to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- the ability of a majority of our board of directors (even if less than a quorum) to designate one or more series of preferred stock and issue shares of preferred stock without stockholder approval;
- the inability of stockholders to act by written consent if our Sponsors collectively own less than a majority of our outstanding Class A common stock;
- a requirement that, to the fullest extent permitted by law, certain proceedings against or involving us or our directors, officers or employees be brought exclusively in the Court of Chancery in the State of Delaware;
- the lack of cumulative voting rights for the holders of our Class A common stock with respect to the election of directors; and
- the inability of stockholders to call special meetings if our Sponsors collectively own less than a majority of our outstanding Class A common stock.

Further, Delaware law imposes conditions on the voting of "control shares" and on certain business combination transactions with "interested stockholders."

Our issuance of shares of preferred stock could delay or prevent a change of control of the Company. Our board of directors has the authority to cause us to issue, without any further vote or action by our stockholders, up to shares of preferred stock, par value $0.001 per share, in one or more series, to designate the number of shares constituting any series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by our stockholders, even where stockholders are offered a premium for their shares.

In addition, the issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock.

These provisions could delay or prevent hostile takeovers and changes in control or changes in our management. Also, the issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in our common stock less attractive. For example, a conversion feature could cause the trading price of our common stock to decline to the conversion price of the preferred stock. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control or otherwise makes an investment in our common stock less attractive could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock. See "Description of Capital Stock."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including statements regarding our future operating results and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "could," "seeks," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "budget," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this prospectus are only predictions. Although we believe that the expectations reflected in the forward-looking statements in this prospectus are reasonable, we cannot guarantee future events, results, performance or achievements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements in this prospectus, including, without limitation, those factors described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Some of the key factors that could cause actual results to differ from our expectations include the following:

- an overall decline in the health of the economy, the hard surface flooring industry, consumer spending, and the housing market;
- fluctuations in material and energy costs;
- our failure to execute our business strategy effectively and deliver value to our customers;
- competition from other stores and internet-based competition;
- any disruption in our distribution capabilities resulting from our inability to operate our distribution centers going forward;
- our failure to successfully anticipate consumer preferences and demand;
- our inability to manage our growth;
- our inability to maintain sufficient levels of cash flow to meet growth expectations;
- our inability to manage costs and risks relating to new store openings;
- our inability to manage our inventory obsolescence, shrinkage and damage;
- our inability to obtain merchandise on a timely basis at prices acceptable to us;
- our dependence on foreign imports for the products we sell;
- suppliers may sell similar or identical products to our competitors;
- our inability to find, train and retain key personnel;
- violations of laws and regulations applicable to us or our suppliers;
- our vulnerability to natural disasters and other unexpected events;
- our failure to adequately protect against security breaches involving our information technology systems and customer information;
- our inability to find available locations for our stores or our store support center on terms acceptable to us; and

- restrictions imposed by our indebtedness on our current and future operations.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The forward-looking statements contained in this prospectus speak only as of the date hereof. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. If a change to the events and circumstances reflected in our forward-looking statements occurs, our business, financial condition and operating results may vary materially from those expressed in our forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein after we distribute this prospectus, whether as a result of any new information, future events or otherwise.

FISCAL YEAR AND CERTAIN FINANCIAL MEASURES AND TERMS

Fiscal Year

We operate on a 52- or 53-week fiscal year ending on the Thursday on or preceding December 31. When a 53-week fiscal year occurs, we report the additional week at the end of the fiscal fourth quarter. 52-week fiscal years consist of thirteen-week periods in the first, second, third and fourth quarters of the fiscal year. Fiscal 2012, 2013, 2014 and 2016 included 52-weeks and ended on December 27, 2012, December 26, 2013, December 25, 2014 and December 29, 2016, respectively. Fiscal 2015 ended on December 31, 2015 and was comprised of 53-weeks.

Certain Financial Measures and Terms

In this prospectus, in addition to presenting our financial data in accordance with accounting principles generally accepted in the United States (referred to as "GAAP"), we present certain other financial measures, such as EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, CAGR, comparable store sales and net working capital. We define these terms, other than EBITDA and Adjusted EBITDA, as follows:

"Adjusted EBITDA margin" means, for any period, the Adjusted EBITDA for that period divided by the net sales for that period.

"CAGR" means compound annual growth rate.

"Comparable store sales" include net sales from our stores beginning on the first day of the thirteenth full fiscal month following the store's opening. Because our e-commerce sales are fulfilled by individual stores, they are included in comparable store sales only to the extent such fulfilling store meets the above mentioned store criteria.

"Net working capital" means, as of any date, current assets (excluding cash and cash equivalents) less current liabilities (excluding the current portion of long-term debt).

For definitions of EBITDA and Adjusted EBITDA and reconciliations of those measures to the most directly comparable GAAP measures, see "Prospectus Summary—Summary Consolidated Financial and Other Data" and "Selected Consolidated Financial Data." The use of certain of these measures is also discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Performance Indicators." These financial measures are intended to provide additional information only and do not have any standard meanings prescribed by GAAP. Use of these terms differs among companies in the retail industry, and therefore measures disclosed by us may not be comparable to measures disclosed by other companies. Each of these financial measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP.

In addition, when used in this prospectus, unless the context otherwise requires:

"Cash-on-cash returns" means, for any period for a given store, four-wall Adjusted EBITDA for that period for that store, divided by the total initial net cash investment for that store.

"Four-wall Adjusted EBITDA" means, for any period for a given store, the Adjusted EBITDA for that period before corporate general and administrative and distribution center expenses, which we consider in our evaluation of the ongoing performance of our stores from period to period.

"Pre-tax payback" means, for a given store, starting with the first day it is open, the date on which cumulative four-wall Adjusted EBITDA for such store equals our total initial net cash investment for such store.

"Total initial net cash investment" means, for a given store, our initial net cash investment in that store, which consists of initial inventory (net of payables), pre-opening expenses and capital investment (net of tenant improvement allowances).

MARKET, INDUSTRY AND OTHER DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, such as Catalina Research, Inc., and other industry publications, surveys and forecasts, and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and other third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of our industry and markets, which we believe to be reasonable. In addition, projections, assumptions and estimates of the future performance of our industry and our future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements." These and other factors could cause our results to differ materially from those expressed in the estimates made by the independent industry analysts, other third-party sources and us.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from selling common stock in this offering will be approximately $133.5 million, after deducting the underwriting discount and estimated offering expenses payable by us (or, if the underwriters exercise their option to purchase additional shares of Class A common stock in full, approximately $154.4 million, after deducting the underwriting discount and estimated offering expenses payable by us), based on an assumed initial public offering price of $17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus. A $1.00 increase (decrease) in the assumed initial public offering price of $17.00 per share would increase (decrease) the net proceeds of this offering by approximately $8.8 million (or, if the underwriters exercise their option to purchase additional shares in full, approximately $10.1 million). Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, at the assumed initial public offering price of $17.00 per share would increase (decrease) the net proceeds of this offering by approximately $17.0 million (or, if the underwriters exercise their option to purchase additional shares in full, approximately $19.6 million).

We intend to use all of the net proceeds of this offering to repay a portion of the amounts outstanding under the Term Loan Facility, including accrued and unpaid interest. The proceeds of the Term Loan Facility were used to (i) repay our prior senior secured term loan facility with GCI Capital Markets LLC, dated as of May 1, 2013 (the "GCI Facility"), (ii) repay our prior term loan facility with Wells Fargo Bank, N.A., dated as of May 1, 2013, as amended (the "Prior Term Loan Facility"), (iii) pay the Special Dividend (as defined below), (iv) make certain option adjustment payments and (v) repay a portion of our prior asset-based revolving credit facility (the "Prior ABL Facility"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

As of April 17, 2017, we had approximately $348.3 million of indebtedness outstanding under the Term Loan Facility. The interest rate on the Term Loan Facility as of April 17, 2017 was 4.50%. The Term Loan Facility matures on September 30, 2023. Any amounts repaid under the Term Loan Facility will not be available for future borrowing following repayment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities" for more information.

DIVIDEND POLICY

We currently intend to retain all available funds and any future earnings for use in the operation and growth of our business, and therefore we do not currently expect to pay any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on then existing conditions, including our operating results, financial condition, contractual restrictions, capital requirements, business prospects and other factors that our board of directors may deem relevant. In addition, our Credit Facilities contain covenants that restrict our ability to pay cash dividends.

In September 2016, in connection with the 2016 Refinancing, we paid our common stockholders a special cash dividend of $202.5 million in the aggregate (the "Special Dividend"). Other than the Special Dividend, we did not declare or pay any cash dividends on our common stock in fiscal 2015 or fiscal 2016.

CAPITALIZATION

The following table sets forth our capitalization as of December 29, 2016 on:

- an actual basis (reflecting the 321.820-for-one stock split effected on April 24, 2017) and
- a pro forma basis, giving effect to (i) the 321.820-for-one stock split effected on April 24, 2017 and (ii) the closing of this offering, including the application of the estimated net proceeds from this offering as described under "Use of Proceeds."

The table below should be read in conjunction with "Use of Proceeds," "Selected Consolidated Financial Data," "Unaudited Pro Forma Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Capital Stock," and our consolidated financial statements and the related notes included in this prospectus.

	As of December 29, 2016	
	Actual	Pro Forma
	(in thousands, except share data)	
Cash and cash equivalents	$ 451	$ 451
Debt(1):		
Term Loan Facility	$ 350,000	$ 213,935
ABL Facility	50,000	50,000
Unamortized debt discount and debt issuance costs	(9,257)	(5,658)
Total debt	390,743	258,277
Stockholders' equity:		
Undesignated preferred stock, par value $0.001 per share; 10,000,000 shares authorized, no shares issued and outstanding, actual; and 10,000,000 shares authorized, no shares issued and outstanding, pro forma	—	—
Class A common stock, par value $0.001 per share; 450,000,000 shares authorized, 76,847,116 shares issued and outstanding, actual; and 450,000,000 shares authorized, 86,066,358 shares issued and outstanding, pro forma	77	86
Class B common stock, par value $0.001 per share; 10,000,000 shares authorized, 395,742 shares issued and outstanding, actual; and 10,000,000 shares authorized, no shares issued and outstanding, pro forma	—	—
Class C common stock, par value $0.001 per share; 30,000,000 shares authorized, 6,275,489 shares issued and outstanding, actual; and 30,000,000 shares authorized, 6,275,489 shares issued and outstanding, pro forma	6	6
Additional paid-in capital	117,270	250,761
Accumulated other comprehensive loss	176	176
Retained earnings(2)	16,754	14,512
Total stockholders' equity(2)	134,283	265,541
Total capitalization(2)	$ 525,026	$ 523,818

(1) The above table reflects debt outstanding as of December 29, 2016 and does not reflect approximately $10.1 million of outstanding letters of credit as of December 29, 2016 that will not be reflected on the balance sheet unless drawn upon. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities." As of April 17, 2017, our total debt outstanding was $375.3 million and we had $160.4 million of availability under the ABL Facility.

(2) Pro forma retained earnings, stockholders equity and total capitalization give effect to the write-off of approximately $3.6 million of unamortized deferred debt issuance costs and original issue discount associated with the repayment of $136.1 million of loans under the Term Loan Facility.

DILUTION

If you invest in our common stock, your interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock immediately after this offering.

The historical net tangible book value of our common stock as of December 29, 2016 was $(202.6) million, or $(2.43) per share. Historical net tangible book value is the amount of our total tangible assets less our total liabilities. Historical net tangible book value per share is our historical net tangible book value, divided by the number of outstanding shares of common stock, after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017.

Pro forma net tangible book value gives effect to (i) the 321.820-for-one stock split of our common stock effected on April 24, 2017, (ii) the sale by us of 8,823,500 shares of common stock in this offering at an assumed initial public offering price of $17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us, and (iii) the repayment of a portion of the Term Loan Facility from the net proceeds of this offering received by us as described under "Use of Proceeds." As of December 29, 2016, our pro forma net tangible book value would have been approximately $(71.3) million, or approximately $(0.77) per share. This represents an immediate increase in pro forma net tangible book value of $1.66 per share to our existing stockholders and an immediate dilution of $17.77 per share to investors purchasing common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share		$ 17.00
Historical net tangible book value per share as of December 29, 2016	(2.43)	
Increase in pro forma net tangible book value per share attributable to new investors purchasing shares in this offering	1.66	
Pro forma net tangible book value per share after this offering		(0.77)
Dilution per share to new investors purchasing shares in this offering		$ 17.77

A $1.00 increase (decrease) in the assumed initial public offering price of $17.00 per share would increase (decrease) the pro forma net tangible book value after this offering by $0.10 per share and decrease (increase) the dilution to new investors by approximately $0.90 per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remained the same and after deducting the underwriting discount and estimated offering expenses payable by us.

Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the pro forma net tangible book value after this offering by approximately $0.19 per share and increase (decrease) the dilution to new investors by $0.19 per share, assuming the assumed initial public offering price of $17.00 per share, the midpoint of the price range set forth on the cover of this prospectus, remained the same and after deducting the underwriting discount and estimated offering expenses payable by us.

The table below summarizes, as of December 29, 2016, on a pro forma basis described above, the number of shares of our common stock, the total consideration and the average price per share (i) paid to us by our existing stockholders and (ii) to be paid by new investors purchasing our common stock in this offering at an assumed initial public offering price of $17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, before deducting the underwriting discount and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	83,518,347	90%	$ 258,264,902	63%	$ 3.09
New investors	8,823,500	10%	149,999,500	37%	17.00
Total	92,341,847	100.0%	$ 408,264,402	100.0%	$ 4.42

A $1.00 increase (decrease) in the assumed initial public offering price of $17.00 per share would increase (decrease) total consideration paid by new investors by $8.8 million and increase (decrease) the percentage of total consideration paid by new investors by 1%, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remained the same and before deducting the underwriting discount and estimated offering expenses payable by us.

Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) total consideration paid by new investors by $17.0 million and increase (decrease) the percent of total consideration paid by new investors by 2%, assuming the assumed initial public offering price of $17.00 per share, the midpoint of the price range set forth on the cover of this prospectus remained the same and before deducting the underwriting discount and estimated offering expenses payable by us.

If the underwriters' option to purchase additional shares in this offering is exercised in full, the percentage of shares of our common stock held by existing stockholders will be reduced to 89% of the total number of shares of our common stock outstanding after this offering, and the number of shares held by new investors will increase to 10,147,025 shares, or 11% of the total number of shares of our common stock outstanding after this offering.

The discussion and tables above are based on shares of our common stock outstanding as of December 29, 2016, assuming the 321.820-for-one stock split of our common stock effected on April 24, 2017, and exclude the following:

- 11,979,111 shares of common stock issuable upon the exercise of stock options outstanding as of December 29, 2016 at a weighted average exercise price of $5.34 per share; and

- 5,000,000 shares of common stock reserved for future issuance under the 2017 Plan.

If all of these options were exercised, then our existing stockholders, including the holders of these options, would own 92% and our new investors would own 8% of the total number of shares of our common stock outstanding upon the closing of this offering. In such event, the total consideration paid by our existing stockholders, including the holders of these options, would be approximately $322.2 million, or 68%, the total consideration paid by our new investors would be $150.0 million, or 32%, the average price per share paid by our existing stockholders would be $3.37, and the average price per share paid by our new investors would be $17.00.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected consolidated financial data. You should read the following selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Consolidated Financial Information" our unaudited consolidated financial statements, and our consolidated financial statements and the related notes thereto and other financial data included elsewhere in this prospectus. We operate on a 52- or 53-week fiscal year ending on the Thursday on or preceding December 31. The data presented contains references to fiscal 2012, fiscal 2013, fiscal 2014, fiscal 2015 and fiscal 2016, which represent our fiscal years ended December 27, 2012, December 26, 2013, December 25, 2014 and December 29, 2016 all of which were 52-week periods, and December 31, 2015, which was a 53-week period.

We have derived the selected consolidated statement of operations data for fiscal 2014, 2015 and 2016 and the related selected balance sheet data as of fiscal 2015 and 2016 year end from our audited consolidated financial statements, which are included elsewhere in this prospectus. The selected consolidated statement of operations data for fiscal 2012 and 2013 and the selected balance sheet data as of fiscal 2012, 2013, and 2014 year end, have been derived from our audited consolidated financial statements not included in this prospectus. Historical results are not indicative of the results to be expected in the future.

	Fiscal year ended					
					Actual	Pro Forma(3)
(in thousands, except share and per share amounts)(1)	12/27/2012	12/26/2013	12/25/2014	12/31/2015(2)	12/29/2016	12/29/2016
Net sales	$ 336,745	$ 443,995	$ 584,588	$ 784,012	$ 1,050,759	$ 1,050,759
Cost of sales	202,651	274,172	355,051	471,390	621,497	621,497
Gross profit	134,094	169,823	229,537	312,622	429,262	429,262
Selling & store operating expenses	85,932	106,835	146,485	202,637	271,876	271,876
General & administrative expenses	20,571	30,530	38,984	49,917	64,025	66,325
Pre-opening expenses	1,544	5,196	7,412	7,380	13,732	13,732
Litigation settlement	—	—	—	—	10,500	10,500
Executive severance(4)	—	—	2,975	296	—	—
Casualty gain(5)	(1,421)	—	—	—	—	—
Operating income	27,468	27,262	33,681	52,392	69,129	66,829
Interest expense	6,528	7,684	8,949	9,386	12,803	12,608
Loss on early extinguishment of debt	—	1,638	—	—	1,813	—
Income before income taxes	20,940	17,940	24,732	43,006	54,513	54,221
Provision for income taxes	8,102	6,857	9,634	16,199	11,474	11,363
Net income	$ 12,838	$ 11,083	$ 15,098	$ 26,807	$ 43,039	$ 42,858
Earnings per share:						
Basic	$ 0.16	$ 0.13	$ 0.18	$ 0.32	$ 0.52	$ 0.46
Diluted	$ 0.15	$ 0.13	$ 0.18	$ 0.31	$ 0.49	$ 0.44
Weighted average shares outstanding:						
Basic	82,797,849	83,104,222	83,222,330	83,365,218	83,432,157	92,255,657
Diluted	82,833,571	83,818,340	85,651,749	86,280,907	88,430,987	97,254,487

(in thousands)	Fiscal year ended 12/27/2012	12/26/2013	12/25/2014	12/31/2015(2)	12/29/2016
Consolidated statement of cash flows data:					
Net cash provided by (used in) operating activities	$ 23,336	$ (15,428)	$ 43,594	$ 20,380	$ 89,456
Net cash used in investing activities	(10,709)	(25,056)	(39,069)	(45,021)	(74,648)
Net cash (used in) provided by financing activities	(15,777)	40,487	(4,421)	24,680	(14,675)

	As of					
					12/29/2016	
(in thousands)	12/27/2012	12/26/2013	12/25/2014	12/31/2015	Actual	Pro Forma(3)
Consolidated balance sheet data:						
Cash and cash equivalents	$ 172	$ 175	$ 279	$ 318	$ 451	$ 451
Net working capital	48,025	89,311	78,577	109,565	95,550	94,342
Total assets	480,374	555,093	635,498	748,888	831,166	828,601
Total debt(6)	90,543	157,172	152,420	177,590	390,743	258,277
Total stockholders' equity	275,186	264,132	282,236	312,365	134,283	265,541

	Fiscal year ended 12/27/2012	12/26/2013	12/25/2014	12/31/2015(2)	12/29/2016(2)
Other financial data:					
Comparable store sales growth	11.7%	22.1%	15.8%	13.5%	19.4%
Number of stores open at the end of the period(7)	31	39	48	58	70
Adjusted EBITDA (in thousands)(8)	$ 32,572	$ 36,537	$ 51,208	$ 72,868	$ 108,398
Adjusted EBITDA margin	9.7%	8.2%	8.8%	9.3%	10.3%

(1) All of the earnings per share data, share numbers, share prices, and exercise prices have been adjusted on a retroactive basis to reflect the 321.820-for-one stock split effected on April 24, 2017. See Note 12 to the audited consolidated financial statements included elsewhere in this prospectus.

(2) The 53rd week in fiscal 2015 represented $11.9 million in net sales, an estimated $2.1 million in operating income and an estimated $2.2 million in adjusted EBITDA. When presenting comparable store sales for fiscal 2015 and fiscal 2016, we have excluded the last week of fiscal 2015.

(3) Pro forma figures give effect to the 2016 Refinancing, the repricing of our Term Loan Facility, and this offering. See "Unaudited Pro Forma Consolidated Financial Information" for a detailed presentation of the unaudited pro forma information, including a description of the transactions and assumptions underlying the pro forma adjustments.

(4) Represents costs incurred in connection with separation agreements with former officers.

(5) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption for one of our stores.

(6) Total debt consists of the current and long-term portions of our Credit Facilities, as well as debt discount and debt issuance costs.

(7) Represents the number of our warehouse-format stores and our one small-format standalone design center.

(8) EBITDA and Adjusted EBITDA (which are shown in the reconciliations below) have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to eliminate the impact of certain items that we do not consider indicative of our core operating performance. Reconciliations of these measures to the equivalent measures under GAAP are set forth in the table below.

EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance and enterprise value. We believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of our core operating performance and facilitate a comparison of our core operating performance on a consistent basis from period to period. We also use Adjusted EBITDA as a basis to determine covenant compliance with respect to our Credit Facilities, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures. EBITDA and Adjusted EBITDA are also used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as stock compensation expense, loss (gain) on asset disposal, executive recruiting/relocation, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

The reconciliations of net income to EBITDA and Adjusted EBITDA for the periods noted below are set forth in the table as follows:

	Fiscal year ended				
(in thousands)	**12/27/2012**	**12/26/2013**	**12/25/2014**	**12/31/2015(2)**	**12/29/2016**
Net income	$ 12,838	$ 11,083	$ 15,098	$ 26,807	$ 43,039
Depreciation and amortization(a)	4,641	6,362	11,073	16,794	25,089
Interest expense	6,528	7,684	8,949	9,386	12,803
Loss on early extinguishment of debt(b)	—	1,638	—	—	1,813
Income tax expense	8,102	6,857	9,634	16,199	11,474
EBITDA	32,109	33,624	44,754	69,186	94,218
Stock compensation expense(c)	978	1,869	2,323	3,258	3,229
Loss on asset disposal(d)	157	656	148	128	451
Executive severance(e)	—	—	2,975	296	—
Executive recruiting/relocation(f)	751	54	—	—	—
Legal settlement(g)	—	—	—	—	10,500
Casualty gain(h)	(1,421)	—	—	—	—
Other(i)	(2)	334	1,008	—	—
Adjusted EBITDA	$ 32,572	$ 36,537	$ 51,208	$ 72,868	$ 108,398

(a) Net of amortization of tenant improvement allowances and excludes deferred financing amortization, which is included as a part of interest expense in the table above.

(b) Loss recorded as a result of the prepayment of our Subordinated Notes in 2013, as well as the non-cash write-off of certain deferred financing fees related to the refinancing of term and revolver borrowings in 2013 and 2016.

(c) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on timing of awards and forfeitures.

(d) For fiscal years ended December 27, 2012, December 25, 2014, December 31, 2015 and December 29, 2016, the losses related primarily to assets retired in connection with significant store remodels. For the fiscal year ended December 26, 2013, the loss was primarily related to the write-off of certain software previously acquired.

(e) Represents one-time costs incurred in connection with separation agreements with former officers.

(f) Represents costs incurred to recruit and relocate members of executive management.

(g) Legal settlement related to classwide settlement to resolve a lawsuit.

(h) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption at one of our stores.

(i) Other adjustments include amounts management does not consider indicative of our core operating performance. Amounts in fiscal 2014 relate primarily to costs in connection with a proposed initial public offering.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated statement of income for the fiscal year ended December 29, 2016 gives effect to (i) Transaction Adjustments (as defined below), and (ii) Offering Adjustments (as defined below), in each case assuming such events occurred on January 1, 2016. The unaudited pro forma consolidated balance sheet as of December 29, 2016 gives effect to Offering Adjustments, assuming such events occurred on December 29, 2016.

We have derived the unaudited pro forma consolidated statement of income for the fiscal year ended December 29, 2016 and the unaudited pro forma consolidated balance sheet as of December 29, 2016 from the audited consolidated financial statements as of and for the year ended December 29, 2016 set forth elsewhere in this prospectus. The pro forma financial information is qualified in its entirety by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

All of the earnings per share data, share numbers, share prices and exercise prices have been adjusted on a retroactive basis to reflect the 321.820-for-one stock split effected on April 24, 2017. See Note 12 to the audited consolidated financial statements included elsewhere in this prospectus.

The pro forma adjustments related to the transactions other than this offering, which we refer to as the "Transaction Adjustments," are described in the notes to the unaudited pro forma consolidated financial information, and principally include the following:

- the 2016 Refinancing (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"), and
- the repricing of our Term Loan Facility (see "Prospectus Summary—Recent Developments—Repricing of Term Loan Facility").

The pro forma adjustments related to this offering, which we refer to as the "Offering Adjustments," are described in the notes to the unaudited pro forma consolidated financial information, and principally include the following:

- the sale by us of 8,823,500 shares of Class A common stock in this offering at an assumed initial public offering price of $17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, in exchange for net proceeds of approximately $133.5 million after deducting the underwriting discount and estimated offering expenses payable by us,
- the repayment of a portion of the Term Loan Facility from the net proceeds of this offering received by us as described under "Use of Proceeds," and
- the grant of options to purchase shares of Class A common stock under our 2017 Plan in connection with this offering.

Except as otherwise indicated, the unaudited pro forma consolidated financial information presented assumes the underwriters have not exercised their option to purchase up to an additional 1,323,525 shares of Class A common stock from us at the initial public offering price less the underwriting discount.

As a public company, we will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses. We have not included any pro forma adjustments relating to these costs.

The pro forma adjustments are based upon available information and methodologies that are factually supportable and directly related to the Transaction Adjustments and Offering Adjustments. The unaudited pro forma consolidated financial information includes various estimates, which are subject to material change and may not be indicative of what our operations or financial position would have been had the Transaction Adjustments and Offering Adjustments taken place on the dates indicated, or that may be expected to occur in the future. For further discussion of these matters, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and related notes included elsewhere in this prospectus.

FDO Holdings, Inc. and Subsidiaries
Unaudited Pro Forma Consolidated Balance Sheet as of December 29, 2016
(In Thousands, Except Share and Per Share Data)

	As of December 29, 2016		
	Actual	**Offering Adjustments**	**Pro forma**
Assets			
Current assets:			
Cash and cash equivalents	$ 451		$ 451
Income taxes receivable	—		—
Receivables, net	34,533		34,533
Inventories, net	293,702		293,702
Prepaid expenses and other current assets	7,529	(2,565)(1)	4,964
Total current assets	336,215	(2,565)	333,650
Fixed assets, net	150,471		150,471
Intangible assets, net	109,394		109,394
Goodwill	227,447		227,447
Other assets	7,639		7,639
Total long-term assets	494,951	—	494,951
Total assets	$ 831,166	$ (2,565)	$ 828,601
Liabilities and stockholders' equity			
Current liabilities:			
Current portion of term loans	$ 3,500		$ 3,500
Trade accounts payable	158,466		158,466
Accrued expenses	61,505		61,505
Income taxes payable	5,787	(1,357)(2)	4,430
Deferred revenue	14,456		14,456
Total current liabilities	243,714	(1,357)	242,357
Term loans	337,243	)(2) (132,466(3)	204,777
Revolving line of credit	50,000		50,000
Deferred rent	16,750		16,750
Deferred income tax liabilities, net	28,265		28,265
Tenant improvement allowances	20,319		20,319
Other liabilities	592		592
Total long-term liabilities	453,169	(132,466)	320,703
Total liabilities	696,883	(133,823)	563,060
Commitments and contingencies			
Stockholders' equity			
Undesignated preferred stock, par value $0.001 per share; 10,000,000 shares authorized, no shares issued and outstanding, actual; and 10,000,000 shares authorized, no shares issued and outstanding, pro forma	—		—
Class A common stock, par value $0.001 per share; 450,000,000 shares authorized, 76,847,116 shares issued and outstanding, actual; and 450,000,000 shares authorized, 86,066,358 shares issued and outstanding, pro forma	77	9(3)	86
Class B common stock, par value $0.001 per share; 10,000,000 shares authorized, 395,742 shares issued and outstanding, actual; and 10,000,000 shares authorized, no shares issued and outstanding, pro forma	—		—
Class C common stock, par value $0.001 per share; 30,000,000 shares authorized, 6,275,489 shares issued and outstanding, actual; and 30,000,000 shares authorized, 6,275,489 shares issued and outstanding, pro forma	6		6
Additional paid-in capital	117,270	(1) 133,491(3)	250,761
Accumulated other comprehensive income, net	176		176
Retained earnings	16,754	(2,242)(2)	14,512
Total stockholders' equity	134,283	131,258	265,541
Total liabilities and stockholders' equity	$ 831,166	$ (2,565)	$ 828,601

See accompanying Notes to Unaudited Pro Forma Consolidated Balance Sheet.

FDO Holdings, Inc. and Subsidiaries
Notes to Unaudited Pro Forma Consolidated Balance Sheet

(1) We have deferred certain costs associated with this offering, including certain legal, accounting and other related expenses directly attributable to our initial public offering, which have been recorded in Prepaid expenses and other current assets on our consolidated balance sheet. Upon completion of this offering, these deferred costs will be charged against the proceeds from this offering with a corresponding reduction to additional paid-in capital.

(2) Write-off of approximately $3.6 million of unamortized deferred debt issuance cost and original issue discount associated with the repayment of a portion of the Term Loan Facility from the net proceeds to us from this offering (see "Use of Proceeds" for additional details).

(3) We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately $133.5 million, based on an assumed initial public offering price of $17.00 per share, the midpoint of the price range listed on the cover page of this prospectus. This amount has been determined based on the assumption that the underwriters' option to purchase additional shares of our Class A common stock is not exercised. A reconciliation of the gross proceeds from this offering to the net cash proceeds is set forth below.

Assumed initial public offering price	$ 17.00
Shares of Class A common stock issued in this offering	8,823,500
Gross proceeds	149,999,500
Less: underwriting discounts and commissions	10,499,965
Less: offering expenses (including amounts previously deferred)	6,000,000
Net cash proceeds	$ 133,499,535

FDO Holdings, Inc. and Subsidiaries
Unaudited Pro Forma Consolidated Statements of Income Fiscal Year Ended December 29, 2016
(In Thousands, Except Share and Per Share Data)

	Fiscal year ended December 29, 2016				
	Actual	Transaction Adjustments	Pro forma for Transaction Adjustments	Offering Adjustments	Pro forma for Transaction Adjustments and Offering Adjustments
Net sales	$ 1,050,759	$	$ 1,050,759	$	$ 1,050,759
Cost of sales	621,497		621,497		621,497
Gross profit	429,262		429,262		429,262
Selling & store operating expenses	271,876		271,876		271,876
General & administrative expenses	64,025		64,025	2,300(3)	66,325
Pre-opening expenses	13,732		13,732		13,732
Litigation settlement	10,500		10,500		10,500
Operating income	69,129		69,129	(2,300)	66,829
Interest expense	12,803	6,626(1)	19,429	(6,821)(4)	12,608
Loss on early extinguishment of debt	1,813	(1,813)(2)	—	—	—
Income before income taxes	54,513	(4,813)	49,700	4,521	54,221
Provision for income taxes	11,474	(1,815)(5)	9,659	1,704(5)	11,363
Net income	$ 43,039	$ (2,998)	$ 40,041	$ 2,817	$ 42,858
Earnings per share:					
Basic	$ 0.52				$ 0.46
Diluted	$ 0.49				$ 0.44
Weighted average shares outstanding:					
Basic	83,432,157				92,255,657
Diluted	88,430,987				97,254,487

See accompanying Notes to Unaudited Pro Forma Consolidated Statements of Income.

FDO Holdings, Inc. and Subsidiaries
Notes to Unaudited Pro Forma Consolidated Statements of Income

(1) Reflects the increase in pro forma net interest of $6.6 million for the following items:

Interest expense decrease associated with terminating the Prior Term Loan Facility and GCI facility and pay down of the Prior ABL Facility(a)	$ (5,185)	
Interest expense increase associated with the Term Loan Facility and ABL Facility(b)	14,347	
Net increase attributable to 2016 Refinancing		9,162
Decrease attributable to repricing of the Term Loan Facility(c)		(2,536)
Total		$ 6,626

(a) The pro forma adjustment of approximately $5.2 million represents (i) the termination of the GCI Facility of $77.6 million on September 30, 2016, which had an interest rate of 7.75%, (ii) the termination of the Prior Term Loan Facility of $19.8 million on September 30, 2016, which had an average interest rate of 3.30% and (iii) the pay down of $13.0 million of the Prior ABL Facility on September 30, 2016, which had an average interest rate of 1.74%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for additional detail.

(b) The pro forma adjustment of approximately $14.3 million represents (i) interest expense associated with nine months of additional pro forma average debt of $359 million associated with the Term Loan Facility and increased borrowings under the ABL Facility due to higher interest payments on the Tern Loan Facility, which combined for a weighted average interest rate of 5.07% and (ii) $0.7 million of incremental amortization of deferred debt issuance cost and original issue discount associated with the Term Loan Facility. A 1/8th variance in the assumed interest rate on the Term Loan Facility and ABL Facility would change annual interest by $2.3 million, subject to our interest rate floor of 1.00% on the Term Loan Facility and 0.00% on the ABL Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for additional detail.

(c) Reflects the pro forma adjustment to decrease interest expense due to (i) the repricing of the Term Loan Facility and reduced borrowings under the ABL Facility due to lower interest payments on the Term Loan Facility, which combined for a pro forma average debt of $347 million for fiscal 2016 with an average interest rate reduction of 0.77% and (ii) an offsetting increase in interest expense associated with $0.1 million of incremental amortization of debt issuance costs associated with the Term Loan Facility repricing. In March 2017, we entered into a repricing amendment to the credit agreement governing our $350 million Term Loan Facility to lower our interest rate by 75 basis points to 4.50% (for LIBOR loans based on a margin of 3.50% and a 1.00% floor). See "Prospectus Summary—Recent Developments—Repricing of Term Loan Facility" for additional detail.

(2) Reflects the pro forma adjustment to remove the one-time nonrecurring write-off of $1.8 million of unamortized deferred debt issuance cost and original issue discount associated with (i) the termination of the GCI Facility, (ii) the termination of the Prior Term Loan Facility and (iii) amending the ABL Facility.

(3) This adjustment represents the increase in compensation expense we expect to incur following the completion of this offering. We expect to grant approximately 1.5 million stock options to certain employees and 19 thousand restricted stock awards to certain members of our board of directors in connection with this offering. The stock options were calculated assuming an exercise price equal to $17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus. We assume the restricted stock awards are granted with a fair value of $17.00 per share, the assumed initial public offering price per share and the midpoint of the price range set forth on the cover page of this prospectus. Based on the assumed exercise price of the stock options and the assumed fair value of the restricted stock awards set forth above, total amount of compensation expense associated with stock options and restricted stock awards we expect to grant in connection with this offering is $11.5 million, which we will recognize over five years for stock options and three years for restricted stock awards, aligning with their respective vesting periods. The grant date fair value of stock options is estimated to be $7.21 and was determined using the Black-Scholes valuation model using the following assumptions:

Risk-free interest rate	2.12%
Expected volatility	39%
Expected life (in years)	6.5
Dividend yield	0%

(4) Reflects the pro forma adjustment to decrease interest expense by approximately $6.4 million due to (i) utilizing net Offering Adjustment proceeds of approximately $136 million to pay down a portion of the Term Loan Facility, and reduced borrowings under the ABL Facility due to lower interest payments on the Term Loan Facility, which combined for a pro forma average debt reduction of $142 million for fiscal 2016 with a weighted average interest rate of 4.39% and (ii) $0.6 million of lower amortization of deferred debt issuance cost and original issue discount associated with the Term Loan Facility pay down. In connection with the Term Loan Facility pay down, we anticipate incurring a one-time nonrecurring debt extinguishment loss reflecting the write-off of $4.1 million of unamortized deferred debt issuance costs and original issue discount associated with the Term Loan Facility. The write-off of $4.1 million has not been included in the calculation of pro forma net income.

(5) Represents the increase (decrease) in income tax expense for the related pro forma adjustments. For fiscal 2016, we utilized an effective tax rate of 37.7%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes thereto and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus includes forward-looking statements that involve risks and uncertainties. You should review the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

We operate on a 52- or 53-week fiscal year ending on the Thursday on or preceding December 31. The following discussion contains references to our fiscal years ended December 25, 2014 and December 29, 2016, which were 52-week periods, and December 31, 2015, which was a 53-week period.

Overview

Founded in 2000, Floor & Decor is a high-growth, differentiated, multi-channel specialty retailer of hard surface flooring and related accessories with 69 warehouse-format stores across 17 states as of December 29, 2016. We believe that we offer the industry's broadest assortment of tile, wood, laminate and natural stone flooring along with decorative and installation accessories at everyday low prices. We appeal to a variety of customers, including our Pro, DIY and BIY customers. Our warehouse-format stores, which average approximately 72,000 square feet, carry on average approximately 3,500 flooring and decorative and installation accessory SKUs, which equates to 1.3 million square feet of flooring products or $2.5 million of inventory at cost. We believe that our inspiring design centers and creative and informative visual merchandising also greatly enhance our customers' experience. In addition to our stores, our website *FloorandDecor.com* showcases our products.

We believe our strong financial results are a reflection of our consistent and disciplined culture of innovation and reinvestment, creating a differentiated business model in the hard surface flooring category. We have had eight consecutive years of double digit comparable store sales growth averaging 15.3% per year, with a 19.4% increase in fiscal 2016. Net sales increased $266.7 million, or 34.0%, from $784.0 million to $1,050.8 million in fiscal 2015 and fiscal 2016, respectively. Our net sales increased from $584.6 million in fiscal 2014 to $1,050.8 million in fiscal 2016, representing a CAGR of 34.1%. We have expanded our store base from 38 warehouse-format stores at the end of fiscal 2013 to 69 at the end of fiscal 2016, representing a CAGR of 22.0%.

During fiscal 2016, we continued to make long-term key strategic investments, including:

- opened 12 new warehouse-format stores during fiscal 2016 ending with 69 warehouse-format stores, which was a 21.1% growth in units compared to fiscal 2015;
- investing in our connected customer, Pro customer and F&D Commercial strategies;
- increasing proprietary credit offerings;
- augmenting the management team with new hires in store operations, store training, Pro and Commercial sales, e-commerce, supply chain, merchandising, real estate, information technology and inventory management;
- enhancing our product assortment and upgrading our visual merchandising and store training program;

- adding more resources dedicated to serving our Pro customers;
- investing capital to continue enhancing the in-store shopping experience for our customers; and
- increased marketing to articulate our unique features and benefits in the hard surface flooring market.

We believe that our compelling business model, plus the projected growth of the large and highly fragmented $10 billion hard surface flooring market (in manufacturers' dollars, an estimated $17 billion after the retail markup), provides us with an opportunity to significantly expand our store base in the U.S. from 69 warehouse-format stores as of December 29, 2016 to approximately 400 stores nationwide within the next 15 years based on our internal research with respect to housing density, demographic data, competitor concentration and other variables in both new and existing markets. Over the next several years, we plan to grow our store base by approximately 20% per year. Our ability to open profitable new stores depends on many factors, including the successful selection of new markets and store locations, our ability to negotiate leases on acceptable terms and our ability to attract highly qualified managers and staff. For further information see "Risk Factors—Risks Related to Our Business."

Key Performance Indicators

We consider a variety of performance and financial measures in assessing the performance of our business. The key measures we use to determine how our business is performing are comparable store sales, the number of new store openings, gross profit and gross margin, operating income and EBITDA and Adjusted EBITDA.

Comparable Store Sales

Our comparable store sales growth is a significant driver of our net sales, profitability, cash flow and overall business results. We believe that comparable store sales growth is generated by continued focus on providing a dynamic and expanding product assortment in addition to other merchandising initiatives, quality of customer service, enhancing sales and marketing strategies, improving visual merchandising and overall aesthetic appeal of stores and website, effectively serving our Pro customers, continued investment in store staff and infrastructure, growing our proprietary credit offering, and further integrating connected customer strategies and other key information technology enhancements.

Comparable store sales refer to period-over-period comparisons of our net sales among the comparable store base. A store is included in the comparable store sales calculation on the first day of the thirteenth full fiscal month following a store's opening, which is when we believe comparability has been achieved. Since our e-commerce sales are fulfilled by individual stores, they are included in comparable store sales only to the extent such fulfilling store meets the above mentioned store criteria. Changes in our comparable store sales between two periods are based on net sales for stores that were in operation during both of the two periods. Any change in square footage of an existing comparable store, including remodels and relocations, does not eliminate that store from inclusion in the calculation of comparable store sales. Stores that are closed temporarily and relocated within their primary trade areas are included in same store sales. Additionally, any stores that were closed during the current or prior fiscal year are excluded from the definition of comparable stores.

Our fiscal 2015 year, which ended December 31, 2015, included a 53rd week. When presenting comparable store sales for fiscal 2015 and fiscal 2016, we have excluded the last week of fiscal 2015.

Definitions and calculations of comparable store sales differ among companies in the retail industry, and therefore comparable store metrics disclosed by us may not be comparable to the metrics disclosed by other companies.

Comparable store sales allow us to evaluate how our retail stores are performing by measuring the change in period-over-period net sales in stores that have been open for thirteen months or more. Various factors affect comparable store sales, including:

- national and regional economic conditions;
- the retail sales environment and other retail trends;
- the home improvement spending environment;
- the hard surface flooring industry trends;
- the impact of competition;
- changes in our product mix;
- changes in staffing at our stores;
- cannibalization resulting from the opening of new stores in existing markets;
- changes in pricing;
- changes in advertising and other operating costs; and
- weather conditions.

Number of New Stores

The number and timing of new store openings, and the costs and fixed lease obligations associated therewith, have had, and are expected to continue to have, a significant impact on our results of operations. The number of new stores reflects the number of stores opened during a particular reporting period. Before we open new stores, we incur pre-opening expenses, which are defined below. While net sales at new stores are generally lower than net sales at our stores that have been open for more than one year, our new stores have historically been profitable in their first year. Generally, our newer stores have also averaged higher comparable store sales growth than our total store average.

Gross Profit and Gross Margin

Our gross profit is variable in nature and generally follows changes in net sales. Our gross profit and gross margin can also be impacted by changes in our prices, our merchandising assortment, shrink, damage, selling of discontinued products, the cost to transport our products from the manufacturer to our stores and our distribution center costs. With respect to our merchandising assortment, certain of our products tend to generate somewhat higher margins than other products within the same product categories or among different product categories. We have experienced modest inflation increases in certain of our product categories, but historically have been able to source from a different manufacturer or pass increases onto our consumers with modest impact on our gross margin. Our gross profit and gross margin, which reflect our net sales and our cost of sales and any changes to the components thereof, allow us to evaluate our profitability and overall business results.

Gross profit is calculated as net sales less cost of sales. Gross profit as a percentage of net sales is referred to as gross margin. Cost of sales consists of merchandise costs, as well as capitalized freight costs to transport inventory to our distribution centers and stores, and duty and other costs that are incurred to distribute the merchandise to our stores. Cost of sales also includes shrinkage, damage product disposals, distribution, warehousing costs, sourcing and compliance costs. We receive cash consideration from certain vendors related to vendor allowances and volume rebates, which is recorded as a reduction of costs of sales as the inventory is sold or as a reduction of the carrying value of inventory while the inventory is still on hand. Costs associated with arranging and paying for freight to deliver products to customers is included in cost of sales. The components of our cost of sales may not be comparable to the components of cost of sales, or similar measures, of other retailers. As a result, data in this prospectus regarding our gross profit and gross margin may not be comparable to similar data made available by other retailers.

Operating Income, EBITDA, Adjusted EBITDA

EBITDA and Adjusted EBITDA are supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to eliminate the impact of certain items that we do not consider indicative of our core operating performance.

Operating income, EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance and enterprise value. We believe that operating income, EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of our core operating performance and facilitate a comparison of our core operating performance on a consistent basis from period to period. We also use Adjusted EBITDA as a basis to determine covenant compliance with respect to our Credit Facilities, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures. Operating income, EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as stock compensation expense, loss (gain) on asset disposal, executive recruiting/relocation, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

Other Key Financial Definitions

Net Sales

The retail sector in which we operate is cyclical, and consequently our sales are affected by general economic conditions. Purchases of our products are sensitive to trends in the levels of consumer spending, which are affected by a number of factors such as consumer disposable income, housing market conditions, unemployment trends, stock market performance, consumer debt levels and consumer credit availability, interest rates and inflation, tax rates and overall consumer confidence in the economy.

Net sales reflect our sales of merchandise, less discounts and estimated returns and include our in-store sales and e-commerce sales. In certain cases, we arrange and pay for freight to deliver products to customers and bills the customer for the estimated freight cost, which is also included in net sales. Revenue is recognized when both collection or reasonable assurance of collection of payment and final delivery of the product have occurred. For orders placed through our website and shipped to our customers, revenue is recognized at the time we estimate the customer receives the merchandise, which is typically within a few days of shipment.

Selling and Store Operating Expenses

We expect that our selling and store operating expenses will increase in future periods with future growth. Selling and store operating expenses consist primarily of store personnel wages, bonuses and benefits, rent and infrastructure expenses, supplies, depreciation and amortization, training expenses and advertising costs. Credit card fees, insurance, personal property taxes and other miscellaneous operating costs are also included.

The components of our selling and store operating expenses may not be comparable to the components of similar measures of other retailers.

General and Administrative Expenses

We expect that our general and administrative expenses will increase in future periods with future growth and in part due to additional legal, accounting, insurance and other expenses that we expect to incur as a result of being a public company, including compliance with the Sarbanes-Oxley Act. General and administrative expenses include both fixed and variable components, and therefore, are not directly correlated with net sales.

General and administrative expenses consist primarily of costs incurred outside of our stores and include administrative personnel wages in our store support center and regional offices, bonuses and benefits, supplies, depreciation and amortization, and store support center expenses. Insurance, legal expenses, information technology costs, consulting and other miscellaneous operating costs are also included.

The components of our general and administrative expenses may not be comparable to the components of similar measures of other retailers.

Pre-Opening Expenses

We account for non-capital operating expenditures incurred prior to opening a new store or relocating an existing store as "pre-opening" expenses in its consolidated statements of income. Our pre-opening expenses begin on average three to six months in advance of a store opening or relocating due to, among other things, the amount of time it takes to prepare a store for its grand opening. Pre-opening expenses primarily include the following: rent, advertising, training, staff recruiting, utilities, personnel, and equipment rental. A store is considered to be relocated if it is closed temporarily and re-opened within the same primary trade area.

Results of Operations

The following table summarizes key components of our results of operations for the periods indicated, in dollars and as a percentage of net sales:

(in thousands)	Fiscal year ended 12/25/2014	Fiscal year ended 12/31/2015(1)	Fiscal year ended 12/29/2016
Net sales	$ 584,588	$ 784,012	$ 1,050,759
Cost of sales	355,051	471,390	621,497
Gross profit	229,537	312,622	429,262
Selling & store operating expenses	146,485	202,637	271,876
General & administrative expenses	38,984	49,917	64,025
Pre-opening expenses	7,412	7,380	13,732
Litigation settlement	—	—	10,500
Executive severance	2,975	296	—
Operating income	33,681	52,392	69,129
Interest expense	8,949	9,386	12,803
Loss on early extinguishment of debt	—	—	1,813
Income before income taxes	24,732	43,006	54,513
Provision for income taxes	9,634	16,199	11,474
Net income	$ 15,098	$ 26,807	$ 43,039

	Fiscal year ended 12/25/2014	Fiscal year ended 12/31/2015(1)	Fiscal year ended 12/29/2016
Net sales	100.0%	100.0%	100.0%
Cost of sales	60.7	60.1	59.1
Gross profit	39.3	39.9	40.9
Selling & store operating expenses	25.1	25.8	25.9
General & administrative expenses	6.6	6.5	6.1
Pre-opening expenses	1.3	0.9	1.3
Litigation settlement	0.0	0.0	1.0
Executive severance	0.5	0.0	0.0
Operating income	5.8	6.7	6.6
Interest expense	1.6	1.2	1.2
Loss on early extinguishment of debt	0.0	0.0	0.2
Income before income taxes	4.2	5.5	5.2
Provision for income taxes	1.6	2.1	1.1
Net income	2.6%	3.4%	4.1%

(1) The 53rd week in fiscal 2015 represented $11.9 million in net sales and an estimated $2.1 million in operating income.

Fiscal 2016 Compared to Fiscal Year 2015

Net Sales

The following table summarizes our change in net sales for fiscal 2016 compared to fiscal 2015:

	Fiscal year ended			
	December 31, 2015	December 29, 2016	$ Change	% Change
Net sales	$ 784,012	$ 1,050,759	$ 266,747	34.0%

Net sales during fiscal 2016 increased $266.7 million, or 34.0%, compared to the corresponding prior year period. All of our product categories experienced comparable store sales increases during the period, driven by increases in laminate/luxury vinyl plank, decorative accessories and tile that were above our company average for fiscal 2016. Our comparable store sales increased 19.4%, or $149.1 million, while our non-comparable store sales contributed $117.6 million. The increase in comparable store sales was driven primarily by an increase in comparable customer transactions of 14.7% and to a lesser extent by comparable average ticket growth of 3.6%. Comparable customer transactions and average ticket are measured at the time of sale, which may be slightly different than our reported sales due to timing of when final delivery of the product has occurred. We believe the increase in net sales, customer transactions and average ticket are due to the execution of our key strategic investments and an improved U.S. flooring market. As described in the "Overview" section above, we have hired key personnel in all departments, implemented connected customer strategies, including an improved website, and made key process and technology investments in merchandising and supply chain leading to better in-stock selection and higher quality products. We have invested in value added strategies targeting Pro customers, including dedicated sales teams. Non-comparable store sales were driven by the opening of 12 new stores during fiscal 2016.

Gross Profit and Gross Margin

The following table summarizes our change in gross profit and gross margin for fiscal 2016 compared to fiscal 2015:

	Fiscal year ended			
(in thousands)	December 31, 2015	December 29, 2016	$ Change	% Change
Gross profit	$ 312,622	$ 429,262	$ 116,640	37.3%
Gross margin	39.9%	40.9%		

Gross profit during fiscal 2016 increased $116.6 million, or 37.3%, compared to fiscal 2015. This increase in gross profit was primarily the result of increased sales volume.

Gross margin for fiscal 2016 increased approximately 100 basis points compared to fiscal 2015. This increase was primarily driven by approximately 120 basis points of product margin improvement resulting from increased sales of higher quality products that carry a higher gross margin and lower capitalized freight costs, slightly offset by approximately 10 basis points of higher supply chain and global sourcing and compliance costs as well as approximately 10 basis points due to higher inventory damage and shrinkage.

Selling and Store Operating Expenses

The following table summarizes our change in selling and store operating expenses for fiscal 2016 compared to fiscal 2015:

(in thousands)	Fiscal year ended December 31, 2015	Fiscal year ended December 29, 2016	$ Change	% Change
Selling and store operating expenses	$ 202,637	$ 271,876	$ 69,239	34.2%
Selling and store operating expenses as a % of net sales	25.8%	25.9%		

Selling and store operating expenses increased $69.2 million, or 34.2%, due primarily to the addition of 12 new stores during fiscal 2016, and increased expenses in our comparable stores, which drove an increase in comparable store sales of 19.4%.

As a percentage of net sales, our selling and store operating expenses increased approximately 10 basis points to 25.9%. Our comparable store selling and store operating expenses decreased by approximately 130 basis points as a percentage of comparable store sales as we leveraged occupancy, personnel and advertising expenses on higher net sales. Our new stores have lower net sales and higher store operating expenses as a percentage of net sales than do our mature stores.

General and Administrative Expenses

The following table summarizes our change in general and administrative expenses for fiscal 2016 compared to fiscal 2015:

(in thousands)	Fiscal year ended December 31, 2015	Fiscal year ended December 29, 2016	$ Change	% Change
General and administrative expenses	$ 49,917	$ 64,025	$ 14,108	28.3%
General and administrative expenses as a % of net sales	6.5%	6.1%		

General and administrative expenses, which are typically expenses incurred outside of our stores, increased $14.1 million, or 28.3%, due to investments we made in personnel for our regional and store support functions to support our store growth, higher incentive compensation accruals and higher consulting costs. Our general and administrative expenses as a percentage of net sales decreased by approximately 40 basis points primarily due to leveraging our expenses over increasing net sales.

Pre-Opening Expenses

The following table summarizes our change in pre-opening expenses for fiscal 2016 compared to fiscal 2015:

(in thousands)	Fiscal year ended December 31, 2015	Fiscal year ended December 29, 2016	$ Change	% Change
Pre-opening expenses	$ 7,380	$ 13,732	$ 6,352	86.1%
Pre-opening expenses as a % of net sales	0.9%	1.3%		

Pre-opening expenses increased $6.4 million, or 86.1%. The increase is primarily due to a greater number of new stores opened or planned to be opened for which pre-opening expenses were incurred and to a lesser extent higher average occupancy and advertising costs per store during fiscal 2016 compared to fiscal 2015. During fiscal 2016, we opened 12 stores and incurred costs for three additional stores planned to open as well as one relocation in 2017 compared to opening ten stores and incurring costs for two additional stores that opened in 2016 during fiscal 2015.

Interest Expense

The following table summarizes our change in interest expense for fiscal 2016 compared to fiscal 2015:

(in thousands)	Fiscal year ended December 31, 2015	December 29, 2016	$ Change	% Change
Interest expense	$ 9,386	$ 12,803	$ 3,417	36.4%

Interest expense for fiscal 2016 increased $3.4 million compared to fiscal 2015. The increase in interest expense was entirely due to our average total debt increasing $64.4 million to $225.4 million for fiscal 2016 compared to $161.0 million in fiscal 2015. The effective interest rate was 5.7% in fiscal 2016 compared to 5.8% in fiscal 2015.

Taxes

The following table summarizes our change in provision for income taxes and our effective tax rates for fiscal 2016 compared to fiscal 2015:

(in thousands)	Fiscal year ended December 31, 2015	December 29, 2016	$ Change	% Change
Provision for income taxes	$ 16,199	$ 11,474	$ (4,725)	(29.2)%
Effective tax rate	37.7%	21.0%		

The provision for income taxes decreased $4.7 million, or 29.2%. The decrease in the provision for income taxes for fiscal 2016 compared to fiscal 2015 is attributable to the decrease in the effective tax rate, partially offset by an increase in income before income taxes. The decrease in the fiscal 2016 effective tax rate was due to an $8.5 million state and federal tax benefit related to a dividend equivalent payment to certain option holders.

Fiscal 2015 Compared to Fiscal 2014

Net Sales

The following table summarizes our change in net sales for fiscal 2015 compared to fiscal 2014:

	Fiscal year ended December 25, 2014	December 31, 2015	$ Change	% Change
Net sales	$ 584,588	$ 784,012	$ 199,424	34.1%

Net sales in fiscal 2015 increased $199.4 million, or 34.1%, compared to fiscal 2014. All of our product categories experienced comparable store sales increases during the period, driven by increases in tile, decorative accessories, and installation materials and tools that were above our average for fiscal 2015. Our comparable store sales increased 13.5%, or $78.8 million, while our non-comparable store sales contributed $120.6 million. The increase in comparable store sales was primarily driven by an increase in comparable customer transactions of 11.7% and to a lesser extent by comparable average ticket growth of 1.4%. Comparable customer transactions and average ticket are measured at the time of sale, which may be slightly different than our reported sales due to timing of when final delivery of the product has occurred. We believe the increase in net sales and average ticket was due to an improved U.S. flooring market and the execution of our key strategic investments, including hiring key personnel in all departments and improving our assortment by buying better products that offer more value, features and benefits. We also took over the management of all our distribution centers, which led to better in-stock selection and faster replenishment. Non-comparable store sales were driven by the opening of ten new stores during fiscal 2015. The 53rd week in fiscal 2015 added approximately $11.9 million in net sales.

Gross Profit and Gross Margin

The following table summarizes our change in gross profit and gross margin for fiscal 2015 and fiscal 2014:

(in thousands)	Fiscal year ended December 25, 2014	Fiscal year ended December 31, 2015	$ Change	% Change
Gross profit	$ 229,537	$ 312,622	$ 83,085	36.2%
Gross margin	39.3%	39.9%		

Gross profit for fiscal 2015 increased $83.1 million, or 36.2%, compared to fiscal 2014. This increase in gross profit was primarily the result of increased sales and higher product margins.

Gross margin for fiscal 2015 increased approximately 60 basis points to 39.9% from 39.3% in fiscal 2014. This increase in gross margin was primarily attributable to higher product margin of approximately 40 basis points and approximately 40 basis points due to lower inventory shrinkage and damage, partially offset by approximately 30 basis points of higher distribution center and supply chain costs.

Selling and Store Operating Expenses

The following table summarizes our selling and store operating expenses for fiscal 2015 and fiscal 2014:

(in thousands)	Fiscal year ended December 25, 2014	Fiscal year ended December 31, 2015	$ Change	% Change
Selling and store operating expenses	$ 146,485	$ 202,637	$ 56,152	38.3%
Selling and store operating expenses as a % of net sales	25.1%	25.8%		

Selling and store operating expenses in fiscal 2015 increased by $56.2 million, or 38.3% from fiscal 2014, due primarily to the addition of ten new stores in fiscal 2015, and to a lesser extent, increased expenses in our comparable stores, which drove an increase in comparable store sales of 13.5% and were incurred as a result of such increased net sales.

As a percentage of net sales, our selling and store operating expenses for fiscal 2015 increased approximately 70 basis points to 25.8% from 25.1% in fiscal 2014, due entirely to the addition of ten new stores. This was modestly offset by our comparable store selling and store operating expenses decreasing by 130 basis points as a percentage of comparable store sales. Our new stores have lower net sales and higher store operating expenses as a percentage of net sales than our total store average.

General and Administrative Expenses

The following table summarizes our change in general and administrative expenses for fiscal 2015 and fiscal 2014:

(in thousands)	Fiscal year ended December 25, 2014	Fiscal year ended December 31, 2015	$ Change	% Change
General and administrative expenses	$ 38,984	$ 49,917	$ 10,933	28.0%
General and administrative expenses as a % of net sales	6.6%	6.5%		

General and administrative expenses, which are typically expenses incurred outside of our stores, increased $10.9 million, or 28.0%, due to our continued investment in personnel to support store growth as well as higher incentive compensation accruals. Our general and administrative expenses as a percentage of net sales decreased by approximately 10 basis points primarily due to leveraging personnel and operating costs over increasing net sales.

Pre-Opening Expenses

The following table summarizes our change in pre-opening expenses for fiscal 2015 and fiscal 2014:

	Fiscal year ended			
(in thousands)	**December 25, 2014**	**December 31, 2015**	**$ Change**	**% Change**
Pre-opening expenses	$ 7,412	$ 7,380	$ (32)	(0.4)%
Pre-opening expenses as a % of net sales	1.3%	0.9%		

Pre-opening expenses in fiscal 2015 were flat compared to fiscal 2014. As a percentage of net sales, pre-opening expenses for fiscal 2015 decreased approximately 40 basis points from fiscal 2014 primarily due to leveraging expenses over increasing net sales. We had a minimal decrease in pre-opening expenses in fiscal 2015 compared to fiscal 2014 due to the timing of store openings. During fiscal 2015, we opened ten stores and incurred costs for two additional stores planned to open in 2016 compared to opening nine stores and incurring costs for one additional store that opened in 2015 during fiscal 2014.

Interest Expense

The following table summarizes our change in interest expense for fiscal 2015 and fiscal 2014:

	Fiscal year ended			
(in thousands)	**December 25, 2014**	**December 31, 2015**	**$ Change**	**% Change**
Interest expense	$ 8,949	$ 9,386	$ 437	4.9%

Interest expense in fiscal 2015 increased $0.4 million, or 4.9%. The increase in interest expense was due to our average total debt increasing to $161.1 million in fiscal 2015 compared to $147.9 million in fiscal 2014, offset by a reduction in the effective interest rate of 5.8% for fiscal 2015 from 6.1% for fiscal 2014.

Taxes

The following table summarizes our change in provision for income taxes and our effective tax rate for fiscal 2015 and fiscal 2014:

	Fiscal year ended			
(in thousands)	**December 25, 2014**	**December 31, 2015**	**$ Change**	**% Change**
Provision for income taxes	$ 9,634	$ 16,199	$ 6,565	68.1%
Effective tax rate	39.0%	37.7%		

The provision for income taxes increased $6.6 million, or 68.1%. The increase in the provision for income taxes for fiscal 2015 compared to fiscal 2014 is attributable to the increase in income before income taxes. The decrease in the effective tax rate was due to net favorable discrete items for fiscal 2015, primarily related to federal and state provision to return adjustments.

Seasonality

Historically, our business has had very little seasonality. Our specialty hard surface flooring and decorative home product offering makes us less susceptible to holiday shopping seasonal patterns compared to other retailers. However, we generally conduct a clearance event during our third fiscal quarter followed by a smaller clearance event towards the end of the year. The timing of these clearance events is driven by operational considerations rather than customer demand and could change from year to year.

Interim Results

The following table sets forth our historical quarterly results of operations as well as certain operating data for each of our most recent 12 fiscal quarters. This unaudited quarterly information has been prepared on the same basis as our annual audited financial statements appearing elsewhere in this document and includes all adjustments, consisting only of normally recurring adjustments, that we consider necessary to present fairly the financial information for the fiscal quarters presented.

The quarterly data should be read in conjunction with our audited consolidated and unaudited condensed consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	Fiscal 2014				Fiscal 2015				Fiscal 2016			
(in thousands, except operating data)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter(1)**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter(1)**
Net sales	$ 127,536	$ 144,540	$ 152,976	$ 159,536	$ 170,552	$ 191,440	$ 199,211	$ 222,809	$ 235,301	$ 265,853	$ 271,311	$ 278,294
Year-over-year increase	28.0%	30.1%	31.4%	36.4%	33.7%	32.4%	30.2%	39.7%	38.0%	38.9%	36.2%	24.9%
Gross profit	$ 51,508	$ 56,459	$ 58,593	$ 62,977	$ 67,450	$ 75,507	$ 79,295	$ 90,370	$ 93,897	$ 109,652	$ 110,967	$ 114,746
Year-over-year increase	32.1%	26.4%	37.3%	44.8%	31.0%	33.7%	35.3%	43.5%	39.2%	45.2%	39.9%	27.0%
Operating income	$ 5,811	$ 10,154	$ 8,641	$ 9,075	$ 8,700	$ 13,384	$ 11,633	$ 18,675	$ 13,962	$ 10,628	$ 24,569	$ 19,970
Net income	$ 2,188	$ 4,880	$ 4,124	$ 3,906	$ 3,963	$ 6,825	$ 6,052	$ 9,967	$ 7,101	$ 5,012	$ 14,219	$ 16,707

	Fiscal 2014				Fiscal 2015				Fiscal 2016			
Other financial data	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter(1)**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Comparable store sales growth	11.4%	15.7%	17.0%	18.5%	16.3%	12.9%	10.4%	14.9%	22.4%	22.6%	19.3%	14.0%
Number of stores open at end of period(2)	39	41	44	48	51	53	56	58	61	64	68	70
Adjusted EBITDA (in thousands)(3)	$ 11,748	$ 13,555	$ 12,467	$ 13,438	$ 13,254	$ 18,644	$ 16,889	$ 24,081	$ 20,101	$ 31,992	$ 28,161	$ 28,144
Adjusted EBITDA margin	9.2%	9.4%	8.1%	8.4%	7.8%	9.7%	8.5%	10.8%	8.5%	12.0%	10.4%	10.1%

(1) The 53rd week in fiscal 2015, which is included in the fourth quarter, represented $11.9 million in net sales, an estimated $2.1 million in operating income and an estimated $2.2 million in Adjusted EBITDA. When presenting comparable store sales for fiscal 2015 and fiscal 2016, we have excluded the last week of fiscal 2015.

(2) Represents the number of our warehouse-format stores and our one small-format standalone design center.

(3) EBITDA and Adjusted EBITDA (which are shown in the reconciliations below) have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to eliminate the impact of certain items that we do not consider indicative of our core operating performance. Reconciliations of these measures to the equivalent measures under GAAP are set forth in the table below.

EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance and enterprise value. We believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of our core operating performance and facilitate a comparison of our core operating performance on a consistent basis from period to period. We also use Adjusted EBITDA as a basis to determine covenant compliance with respect to our Credit Facilities, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures. EBITDA and Adjusted EBITDA are also used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as stock compensation expense, loss (gain) on asset disposal, executive recruiting/relocation, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

The reconciliations of net income to EBITDA and Adjusted EBITDA for the periods noted below are set forth in the table as follows:

	Fiscal 2014				Fiscal 2015				Fiscal 2016			
(in thousands)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter(1)**	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Net income	$ 2,188	$ 4,880	$ 4,124	$ 3,906	$ 3,963	$ 6,825	$ 6,052	$ 9,967	$ 7,101	$ 5,012	$ 14,219	$ 16,707
Depreciation and amortization(a)	2,440	2,449	2,882	3,302	3,547	4,131	4,421	4,695	5,337	6,447	6,154	7,151
Interest expense	2,265	2,346	2,164	2,174	2,279	2,320	2,267	2,520	2,486	2,475	2,401	5,441
Loss on early extinguishment of debt(b)	—	—	—	—	—	—	—	—	—	153	—	1,660
Income tax expense	1,358	2,928	2,353	2,995	2,458	4,239	3,314	6,188	4,375	2,988	7,949	(3,838)
EBITDA	8,251	12,603	11,523	12,377	12,247	17,515	16,054	23,370	19,299	17,075	30,723	27,121
Stock compensation expense(c)	542	539	620	622	964	748	775	771	755	706	745	1,023
Loss (gain) on asset disposal(d)	(20)	165	—	3	43	18	60	7	47	211	193	—
Executive severance(e)	2,975	—	—	—	—	363	—	(67)	—	—	—	—
Legal settlement(f)	—	—	—	—	—	—	—	—	—	14,000	(3,500)	—
Other(g)	—	248	324	436	—	—	—	—	—	—	—	—
Adjusted EBITDA	$ 11,748	$ 13,555	$ 12,467	$ 13,438	$ 13,254	$ 18,644	$ 16,889	$ 24,081	$ 20,101	$ 31,992	$ 28,161	$ 28,144

(a) Net of amortization of tenant improvement allowances and excludes deferred financing amortization, which is included as a part of interest expense in the table above.

(b) Loss recorded as a result of the non-cash write-off of certain deferred financing fees related to term borrowings outstanding at the time of the refinancing.

(c) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on timing of awards and forfeitures.

(d) The losses related primary to assets retired in connection with significant store remodels.

(e) Represents costs incurred in connection with separation agreements with former officers.

(f) Legal settlement related to classwide settlement to resolve a lawsuit.

(g) Other adjustments include amounts management does not consider indicative of our core operating performance. Amounts in fiscal 2014 relate primarily to costs in connection with a proposed initial public offering.

Liquidity and Capital Resources

Liquidity is provided primarily by our cash flows from operations and the ABL Facility. As of December 29, 2016, we had $122.2 million in unrestricted liquidity, consisting of $0.5 million in cash and cash equivalents and $121.7 million immediately available for borrowing under the ABL Facility without violating any covenants thereunder.

During fiscal 2016, we generated $89.5 million in cash provided by operating activities. Additionally, on September 30, 2016, we refinanced our existing indebtedness by amending our existing asset-based revolving credit facility with a $200 million asset-backed revolving credit facility (the "ABL Facility," and together with the Term Loan Facility, our "Credit Facilities"), and entering into the Term Loan Facility, a $350.0 million senior secured term loan facility maturing on September 30, 2023. We used cash from the Term Loan Facility as follows, (i) $202.5 million was used to fund the Special Dividend, (ii) $22.5 million was used to make related cash payments in respect of certain options to purchase our common stock in accordance with the terms of the 2011 Plan (the "Option Payments"), (iii) $77.6 million was used to repay and terminate the GCI Facility, (iv) $19.8 million was used to repay and terminate the Prior Term Loan Facility, and (v) $13.0 million was used to repay a portion of the Prior ABL Facility. We refer to the refinancing, Special Dividend and Option Payments collectively as the "2016 Refinancing." We used the cash provided by operating activities to (a) fund capital expenditures and (b) repay a portion of the Prior ABL Facility.

A portion of the Option Payments were for unvested options, and option holders are required to repay any amounts related to options that do not vest prior to such option holder's termination of employment. In the event that an option holder defaults on such repayment, we will record the amount as additional stock based compensation expense in that reporting period.

Our primary cash needs are for merchandise inventories, payroll, store rent, and other operating expenses and capital expenditures associated with opening new stores and remodeling existing stores, as well as information technology, e-commerce and store support center infrastructure. We also use cash for the payment of taxes and interest.

The most significant components of our operating assets and liabilities are merchandise inventories and accounts payable, and to a lesser extent accounts receivable, prepaid expenses and other assets, other current and non-current liabilities, taxes receivable and taxes payable. Our liquidity is not generally seasonal, and our uses of cash are primarily tied to when we open stores and make other capital expenditures. We believe that cash expected to be generated from operations and the availability of borrowings under the ABL Facility will be sufficient to meet liquidity requirements, anticipated capital expenditures and payments due under our Credit Facilities for at least the next 12 months.

Merchandise inventory is our most significant working capital asset and is considered "in-transit" or "available for sale," based on whether we have physically received the products at an individual store location or in one of our four distribution centers. In-transit inventory generally varies due to contractual terms, country of origin, transit times, international holidays, weather patterns and other factors, but for the last two years, less than 20% of our inventory was in-transit, while over 80% of our inventory was available for sale in our stores or at one of our four distribution centers.

We measure realizability of our inventory by monitoring sales, gross margin, inventory aging, weeks of supply or inventory turns as well as by reviewing SKUs that have been determined by our merchandising team to be discontinued. Based on our analysis of these factors, we believe our inventory is realizable.

Twice a year, we conduct a clearance event with the goal of selling through discontinued inventory, followed by donations of the aged discontinued inventory that we are unable to sell. We generally conduct a larger clearance event during our third fiscal quarter followed by a smaller clearance event towards the end of the fiscal year. We define aged discontinued inventory as inventory in discontinued status for more than 12 months that we intend to donate. As of December 29, 2016, we had $0.4 million of aged discontinued inventory.

Total capital expenditures in fiscal 2017 are planned to be between approximately $95 million to $104 million and will be funded primarily by cash generated from operations. We intend to make the following capital expenditures in fiscal 2017:

- Open 14 stores and start construction on stores opening in early 2018 using approximately $50 million to $54 million of cash;
- Invest in existing store remodeling projects and our distribution centers using approximately $32 million to $35 million of cash; and
- Invest in information technology infrastructure, e-commerce and other store support center initiatives using approximately $13 million to $15 million of cash.

During the fourth quarter of fiscal 2017, we plan to relocate all the existing inventory from our currently leased distribution center in Savannah, Georgia to a newly leased distribution center in Savannah, Georgia that is currently under construction and, in connection therewith, we anticipate incurring related costs of less than $1 million in fiscal 2017. Additionally, in fiscal 2018, we plan to relocate all the existing inventory from our currently leased distribution center in Miramar, Florida to the newly leased distribution center in Savannah, Georgia and, in connection therewith, we anticipate incurring related costs of less than $1 million in fiscal 2018.

Cash Flow Analysis

A summary of our operating, investing and financing activities are shown in the following table:

	Fiscal year ended		
(in thousands)	**12/25/2014**	**12/31/2015**	**12/29/2016**
Net cash provided by operating activities	$ 43,594	$ 20,380	$ 89,456
Net cash used in investing activities	(39,069)	(45,021)	(74,648)
Net cash (used in) provided by financing activities	(4,421)	24,680	(14,675)
Increase in cash and cash equivalents	$ 104	$ 39	$ 133

Net Cash Provided By Operating Activities

Cash from operating activities consists primarily of net income adjusted for non-cash items, including depreciation and amortization, stock-based compensation, deferred taxes and the effects of changes in operating assets and liabilities.

Net cash provided by operating activities was $89.5 million for fiscal 2016 and $20.4 million for fiscal 2015. The net cash provided by operating activities was primarily the result of an increase in net income and improved working capital management with better inventory management in anticipation of factory closures for Chinese New Year in fiscal 2016 as well as timing of tax payments.

Net cash provided by operating activities was $20.4 million for fiscal 2015 and $43.6 million for fiscal 2014. The decrease in fiscal 2015 compared to fiscal 2014 reflects the increased inventory receipts received at the end of fiscal 2015 to improve in-stock positions in anticipation of Chinese New Year factory closures in early 2016, income tax payments made in fiscal 2015, partially offset by an increase in accounts payable due to the increased inventory and associated changes in working capital.

Net Cash Used in Investing Activities

Investing activities consist primarily of capital expenditures for new store openings, existing store remodels (including leasehold improvements, new racking, new fixtures, new vignettes and new design centers) and new infrastructure and information systems.

Capital expenditures were $74.6 million compared to $45.0 million for fiscal 2016 and fiscal 2015, respectively. The growth is primarily related to opening more new stores in fiscal 2016 as well as capital expenditures for stores opening in early fiscal 2017 compared to the same period in fiscal 2015. For fiscal 2016, approximately 46% of capital expenditures was for new stores, 33% was for existing store remodel and distribution center investments, and the remainder was for information technology and e-commerce investments.

Capital expenditures were $45.0 million compared to $39.1 million for fiscal 2015 and fiscal 2014, respectively. The increase in capital expenditures for fiscal 2015 was primarily due to a large investment in our distribution centers and existing store expenditures. For fiscal 2015, approximately 55% of capital expenditures was for new stores, 34% was for existing store remodel and distribution center investments, and the remainder was for information technology and e-commerce investments. For fiscal 2014, approximately 62% of capital expenditures was for new stores, 23% was for existing store remodel investments, and the remainder was for information technology and e-commerce investments.

Net Cash (Used In) Provided By Financing Activities

Financing activities consist primarily of borrowings and related repayments under our credit agreements, as well as dividends paid to common stockholders.

Net cash used in financing activities was $14.7 million for fiscal 2016 and net cash provided by financing activities was $24.7 million for fiscal 2015. The net cash used in financing activities for fiscal 2016 was primarily due to (i) the Special Dividend, (ii) the Option Payments, (iii) $20.3 million to repay and terminate the GCI Facility, (iv) $78.0 million to repay and terminate the Prior Term Loan Facility and (v) $42.9 million to pay down a portion of the ABL Facility, mostly offset by borrowing $350.0 million on the Term Loan Facility.

Net cash provided by financing activities was $24.7 million for fiscal 2015 and net cash used in financing activities was $4.4 million for fiscal 2014. The increase in fiscal 2015 compared to fiscal 2014 was driven primarily by proceeds from borrowings under our credit agreements. The cash provided by operations for fiscal 2014 allowed us to make capital investments, as well as, pay down a portion of the Prior Term Loan Facility.

Our Credit Facilities

We have two arrangements governing our material outstanding indebtedness: our ABL Facility and our Term Loan Facility.

The indebtedness outstanding under our Credit Facilities is secured by substantially all of our assets. In particular, the indebtedness outstanding under (i) the ABL Facility is secured by a first-priority security interest in all of our current assets, including inventory and accounts receivable, and a second-priority security interest in the collateral that secures the Term Loan Facility on a first-priority basis, and (ii) the Term Loan Facility is secured by a first-priority security interest in all of our fixed assets and intellectual property, and a second- priority interest in the collateral that secures the ABL Facility on a first- priority basis.

The Term Loan Facility requires quarterly repayments of approximately $875 thousand, which commenced on December 31, 2016, with the remainder due and payable at maturity.

As of December 29, 2016, the Term Loan Facility bore interest based on one of the following rates, at our option:

i) Adjusted LIBOR Rate plus a margin of 4.25%

ii) Base Rate plus a margin of 3.25%. Base Rate defined as the greater of the following:

(a) the base rate in effect on such day,

(b) the federal funds rate plus 0.50%,

(c) the adjusted LIBOR rate for the interest period of one month plus a margin of 1.00%.

The ABL Facility initially accrued interest ranging from LIBOR + 1.50% to LIBOR + 2.00%, and as of December 29, 2016 was subject to a pricing grid based on average daily availability under such facility ranging from LIBOR + 1.25% to 1.50%. The ABL Facility allows us to borrow up to $200 million, subject to the borrowing base requirements, set forth in the credit agreement governing the ABL Facility. As of December 29, 2016, we had the ability to access $121.7 million of unused borrowings under the ABL Facility without violating any covenants thereunder and had $10.1 million in outstanding letters of credit.

The credit agreements governing our Credit Facilities contain customary restrictive covenants that, among other things and with certain exceptions, limit our ability to (i) incur additional indebtedness and liens in connection therewith; (ii) pay dividends and make certain other restricted payments; (iii) effect mergers or consolidations; (iv) enter into transactions with affiliates; (v) sell or dispose of property or assets; and (vi) engage in unrelated lines of business. In addition, these credit agreements subject us to certain reporting obligations and require that we satisfy certain financial covenants, including, among other things:

- a requirement that if borrowings under the ABL Facility exceed 90% of availability, we will maintain a certain fixed charge coverage ratio (defined as consolidated EBITDA less non-financed capital expenditures and income taxes paid to consolidated fixed charges, in each case as more fully defined in the credit agreement governing the ABL Facility).

The Term Loan Facility has no financial maintenance covenants. As of December 29, 2016, we were in compliance in all material respects with the covenants of the Credit Facilities and no Event of Default (as defined in the credit agreements governing our Credit Facilities) had occurred.

For more information on our Credit Facilities, see "Prospectus Summary—Recent Developments—Repricing of Term Loan Facility" and "Use of Proceeds."

Contractual Obligations

We enter into long-term obligations and commitments in the normal course of business, primarily debt obligations and non-cancelable operating leases. As of December 29, 2016, without giving effect to this offering, our contractual cash obligations over the next several periods were as follows:

	Payments due by period						
(in thousands)	Total	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Thereafter
Term loans	$ 350,000	$ 3,500	$ 3,500	$ 3,500	$ 4,375	$ 2,625	$ 332,500
Revolving loan	50,000	—	—	—	—	50,000	—
Estimated interest(1)	122,951	18,530	18,344	18,158	19,540	16,266	32,113
Operating leases(2)	717,537	63,340	71,913	73,580	71,598	67,875	369,231
Letters of credit	10,119	10,119	—	—	—	—	—
Purchase obligations(3)	157,384	157,384	—	—	—	—	—
Total	$ 1,407,991	$ 252,873	$ 93,757	$ 95,238	$ 95,513	$ 136,766	$ 733,844

(1) For purposes of this table, interest has been estimated based on interest rates in effect for our indebtedness as of December 29, 2016, and estimated borrowing levels in the future. Actual borrowing levels and interest costs may differ.

(2) We enter into operating leases during the normal course of business. Most lease arrangements provide us with the option to renew the leases at defined terms. The future operating lease obligations would change if we were to exercise these options, or if we were to enter into additional operating leases.

(3) Purchase obligations include all legally binding contracts such as firm commitments for inventory purchases, container commitments, software and license commitments and legally binding service contracts. Purchase orders that are not binding agreements are excluded from the table above.

Off-Balance Sheet Arrangements

We do not have any relationship with unconsolidated entities or financial partnerships for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect amounts reported in our consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions, and such differences could be material to the consolidated financial statements.

Management evaluated the development and selection of its critical accounting policies and estimates and believes that the following involve a higher degree of judgment or complexity and are the most significant to reporting our results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. More information on all of our significant account policies can be found in Note 1—*Nature of Business* and Note 2—*Summary of Significant Accounting Policies* to our audited consolidated financial statements included elsewhere in this prospectus.

Revenue Recognition

Retail sales at our stores are recorded at the point of sale and are net of sales discounts and estimated returns. We recognize revenue and the related cost of sales when both collection or reasonable assurance of collection of payment and final delivery of the product have occurred. For orders placed through our website and shipped to our customers, we recognize revenue and the related cost of sales at the time we estimate the customer receives the merchandise, which is typically within a few days of shipment. In certain cases, we arrange and pay for freight to deliver products to our customers, and bill the customer for the estimated freight cost, which is included in net sales. Sales taxes collected are not recognized as revenue as these amounts are ultimately remitted to the appropriate taxing authorities.

We reserve for future returns of previously sold merchandise based on historical experience and various other assumptions that we believe to be reasonable. This reserve reduces sales and cost of sales, accordingly. Merchandise exchanges of similar product and price are not considered merchandise returns and, therefore, are excluded when calculating the sales returns reserve.

Gift Cards and Merchandise Credits

We sell gift cards to our customers in our stores and through our website and issue merchandise credits in our stores. We account for the programs by recognizing a liability at the time the gift card is sold or the merchandise credit is issued. The liability is relieved and revenue is recognized upon redemption. Prior to February 1, 2013, we recognized revenue on unredeemed gift cards based on the estimated rate of gift card breakage, which was applied over the period of estimated performance. Net sales related to the estimated breakage are included in net sales in the consolidated statement of income. On February 1, 2013, we entered into an agreement with an unrelated third-party who became the issuer of our gift cards going forward and also assumed the existing liability for unredeemed gift cards for which there were no currently existing claims under unclaimed property statutes. We are no longer the primary obligor for the third-party issued gift cards and are therefore not subject to claims under unclaimed property statutes, as the agreement effectively transfers the ownership of such unredeemed gift cards and the related future escheatment liability, if any, to the third-party. Accordingly, gift card breakage income of $0.6 million, $0.5 million, and $0.4 million was recognized in fiscal 2016, fiscal 2015, and fiscal 2014, respectively, for such unredeemed gift cards.

Inventory Valuation and Shrinkage

Inventories consist of merchandise held for sale and are stated at the lower of cost and net realizable value. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recorded in cost of sales in the consolidated statement of income as a loss in the period in which it occurs. We determine inventory costs using the weighted average cost method. We capitalize transportation, duties and other costs to get product to our retail locations. We provide provisions for losses related to shrinkage and other amounts that are otherwise not expected to be fully recoverable. These provisions are calculated based on historical shrinkage, selling price, margin and current business trends. The estimates have calculations that require management to make assumptions based on the current rate of sales, age, salability and profitability of inventory, historical percentages that can be affected by changes in our merchandising mix, customer preferences, rates of sell through and changes in actual shrinkage trends. We do not believe there is a reasonable likelihood that there will be a material change in the assumptions we use to calculate our inventory provisions. However, if actual results are not consistent with our estimates and assumptions, we may be exposed to losses or gains that could be material.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in the period that includes the enactment date of such a change.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the associated temporary differences became deductible. On a quarterly basis, we evaluate whether it is more likely than not that our deferred tax assets will be realized in the future and conclude whether a valuation allowance must be established.

We include any estimated interest and penalties on tax-related matters in income taxes payable and income tax expense. Current guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under the relevant authoritative literature, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50 percent likelihood of being sustained.

Goodwill and Other Indefinite-Lived Intangible Assets

We have identified each of the five geographic regions (the East, Northeast, Southeast, Central and West) of our operating segment as separate components and have determined that these components have similar economic characteristics and therefore should be aggregated into one reporting unit. We reached this conclusion based on the level of similarity of a number of quantitative and qualitative factors, including net sales, gross profit margin percentage, the manner in which we operate our business, the similarity of hard surface flooring products, operating procedures, marketing initiatives, store layout, employees, customers and methods of distribution, as well as the level of shared resources between the components.

We complete an impairment test of goodwill and other indefinite-lived intangible assets at least annually or more frequently if indicators of impairment are present. We obtain independent third-party valuation studies to assist us with determining the fair value of goodwill and indefinite-lived intangible assets. Our goodwill and other indefinite-lived intangible assets subject to impairment testing arose primarily as a result of our acquisition of F&D in November 2010.

We qualitatively assess goodwill to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying value. We also perform a two-step quantitative impairment test on goodwill. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired, and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

We estimate the fair value of our reporting unit using a combination of the income approach and the market approach. The income approach utilizes a discounted cash flow model incorporating management's expectations for future revenue, operating expenses, earnings before interest, taxes, depreciation and amortization, taxes and capital expenditures. We discount the related cash flow forecasts using our estimated weighted-average cost of capital at the date of valuation. The market approach utilizes comparative market multiples in the valuation estimate. Multiples are derived by relating the value of guideline companies in our industry and with similar growth prospects, based on either the market price of publicly traded shares or the prices of companies being acquired in the marketplace, to various measures of their earnings and cash flow. Such multiples are then applied to our historical and projected earnings and cash flow in developing the valuation estimate.

Preparation of forecasts and the selection of the discount rates involve significant judgments about expected future business performance and general market conditions. Significant changes in our forecasts, the discount rates selected or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Based on the goodwill asset impairment analysis performed quantitatively on October 23, 2015, we determined that the fair value of our reporting unit is substantially in excess of the carrying value. No events or changes in circumstances have occurred since the date of our most recent annual impairment test to indicate that the fair value of a reporting unit would be less than its carrying amount.

We annually evaluate whether indefinite-lived assets continue to have an indefinite life or have impaired carrying values due to changes in the asset(s) or their related risks. The impairment review is performed by comparing the carrying value to the estimated fair value, determined using a discounted cash flow methodology. If the recorded carrying value of the indefinite-lived asset exceeds its estimated fair value, an impairment charge is recorded to write the asset down to its estimated fair value.

Our goodwill and other indefinite-lived intangible assets impairment loss calculations contain uncertainties because they require management to make significant judgments estimating the fair value of our reporting unit and indefinite-lived intangible assets, including the projection of future cash flows, assumptions about which market participants are the most comparable, the selection of discount rates and the weighting of the income and market approaches. These calculations contain uncertainties because they require management to make assumptions such as estimating economic factors and the profitability of future business operations and, if necessary, the fair value of a reporting unit's assets and liabilities among others. Further, our ability to realize the future cash flows used in our fair value calculations is affected by factors such as changes in economic conditions, changes in our operating performance and changes in our business strategies. Significant changes in any of the assumptions involved in calculating these estimates could affect the estimated fair value of our reporting unit and indefinite-lived intangible assets and could result in impairment charges in a future period.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use in our goodwill or other tests of impairment. Based on the results of our annual impairment tests for goodwill and other indefinite-lived intangible assets, no impairment was recorded. Based on this assessment, we believe that our goodwill and other indefinite-lived intangible assets are not at risk of impairment. However, if actual results are not consistent with our estimates or assumptions or there are significant changes in any of these estimates, projections or assumptions, it could have a material effect on the fair value of these assets in future measurement periods and result in an impairment, which could materially affect our results of operations.

Long-Lived Assets

Long-lived assets, such as fixed assets and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset, a product recall or an adverse action by a regulator. If the sum of the estimated undiscounted future cash flows related to the asset is less than the asset's carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, usually determined by the estimated discounted cash flow analysis of the asset.

Since there is typically no active market for our definite-lived intangible assets, we estimate fair values based on expected future cash flows at the time they are identified. We estimate future cash flows based on store-level historical results, current trends and operating and cash flow projections. We amortize these assets with finite lives over their estimated useful lives on a straight-line basis. This amortization methodology best matches the pattern of economic benefit that is expected from the definite-lived intangible assets. We evaluate the useful lives of its intangible assets on an annual basis.

Stock-Based Compensation

We account for employee stock options in accordance with relevant authoritative literature. Given the absence of a public trading market for our common stock, the fair value of the common stock underlying our share-based awards was determined by our compensation committee, with input from management as well as valuation reports prepared by an unrelated nationally recognized third-party valuation specialist, in each case using the income and market valuation approach. We believe that our compensation committee has the relevant experience and expertise to determine the fair value of our common stock. In accordance with the American Institute of Certified Public Accountants Accounting and Valuation Guide: *Valuation of Privately-Held-Company Equity Securities Issued as Compensation,* our compensation committee exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock including:

- valuations of our common stock performed by an unrelated nationally recognized third-party valuation specialist;
- our historical and projected operating and financial results, including capital expenditures;

- current business conditions and performance, including dispositions and discontinued operations;
- present value of estimated future cash flows;
- the market performance and financial results of comparable publicly-traded companies;
- amounts of indebtedness;
- industry or company-specific considerations;
- likelihood of achieving a liquidity event, such as an initial public offering or a sale of the company;
- lack of marketability of our common stock; and
- the U.S. and global capital market conditions.

These estimates will not be necessary to determine the fair value of new awards once the underlying shares begin trading publicly.

Stock options are granted with exercise prices equal to or greater than the estimated fair market value on the date of grant as authorized by our board of directors or compensation committee. Options granted have vesting provisions ranging from three to five years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting. We have selected the Black-Scholes option pricing model for estimating the grant date fair value of stock option awards granted. We have considered the retirement and forfeiture provisions of the options and utilized our historical experience to estimate the expected life of the options. We base the risk-free interest rate on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. We estimate the volatility of the share price of our common stock by considering the historical volatility of the stock of similar public entities. We estimate the dividend yield to be zero as we do not intend to pay dividends in the future. In determining the appropriateness of the public entities included in the volatility assumption we considered a number of factors, including the entity's life cycle stage, growth profile, size, financial leverage and products offered. Stock-based compensation cost is measured at the grant date based on the value of the award, net of estimated forfeitures, and is recognized as expense over the requisite service period based on the number of years for which the requisite service is expected to be rendered.

Self-Insurance Reserves

We are partially self-insured for workers' compensation and general liability claims less than certain dollar amounts and maintains insurance coverage with individual and aggregate limits. We also have a basket aggregate limit to protect against losses exceeding $5.0 million (subject to adjustment and certain exclusions) for workers' compensation claims and general liability claims. Our liabilities represent estimates of the ultimate cost for claims incurred, including loss adjusting expenses, as of the balance sheet date. The estimated liabilities are not discounted and are established based upon analysis of historical data, actuarial estimates, regulatory requirements, an estimate of claims incurred but not yet reported and other relevant factors. The liabilities are reviewed by management utilizing third-party actuarial studies on a regular basis to ensure that they are appropriate. While we believe these estimates are reasonable based on the information currently available, if actual trends, including the severity or frequency of claims, medical cost inflation or fluctuations in premiums, differ from our estimates, our results of operations could be impacted.

Recently Issued Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This standard simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU No. 2017-04 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted after January 1, 2017. The amendments in this update should be applied using a prospective approach. The adoption of ASU No. 2017-04 is not expected to have a material impact on our Consolidated Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." This standard update requires an entity to recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs. ASU No. 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The amendments in this update should be applied using a modified retrospective approach. The adoption of ASU No. 2016-16 is not expected to have a material impact on our Consolidated Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." The standard update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The amendments in this update should be applied using a retrospective approach. The adoption of ASU No. 2016-15 is not expected to have a material impact on our Consolidated Statements of Cash Flows.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employees Share-Based Payment Accounting." The update is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. Depending on the amendment, methods used to apply the requirements of the update include modified retrospective, retrospective, and prospective. We elected to early adopt this standard during 2016. The adoption of this standard resulted in an immaterial modified retrospective adjustment on our consolidated balance sheet as of the beginning of fiscal 2016.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU No. 2016-02 requires that lessees recognize lease assets and lease liabilities for all leases with greater than 12 month terms on the balance sheet. The guidance also requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. This new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those years, with early adoption permitted. The standard must be applied using a modified retrospective approach. We are currently evaluating the impact that ASU No. 2016-02 will have on our Consolidated Financial Statements. When implemented, we believe the new standard will have a material impact on our consolidated balance sheet. We are currently evaluating the effect that implementation of this standard will have on our consolidated statements of income, cash flows, financial position and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU No. 2015-11 provides new guidance for entities using first-in, first-out or average cost to simplify the subsequent measurement of inventory, which proposes that inventory should be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance eliminates the option to subsequently measure inventory at replacement cost or net realizable value less an approximately normal profit margin. This new guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those years, with early adoption permitted. The amendments in this update should be applied prospectively. The adoption of ASU No. 2015-11 is not expected to have a material impact on our Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 provides new guidance related to the core principle that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services provided. In July 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date, and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. In March 2016, the FASB issued ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies the guidance in ASU No. 2014-09 and has the same effective date as the original standard. In April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing." In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The 2016 updates to the revenue recognition guidance relate to principal versus agent assessments, identifying performance obligations, the accounting for licenses, and certain narrow scope improvements and practical expedients. This new standard could impact the timing and amounts of revenue recognized. As we evaluate the impact of this standard, the more significant change relates to the timing of revenue recognized for certain transactions for which we allow customers to store their merchandise at the retail store for final delivery at a later date. We are continuing to evaluate the impact this standard, and related amendments and interpretive guidance, will have on our consolidated financial statements. We plan to adopt the new standard on a modified retrospective basis beginning the first day of fiscal 2018.

Quantitative and Qualitative Disclosure of Market Risk

Foreign Currency Risk

We contract for production with third parties primarily in Asia and Europe. While substantially all of these contracts are stated in U.S. dollars, there can be no assurance that the cost for the future production of our products will not be affected by exchange rate fluctuations between the U.S. dollar and the local currencies of these contractors. Due to the number of currencies involved, we cannot quantify the potential impact of future currency fluctuations on net income (loss) in future years. To date, such exchange fluctuations have not had a material impact on our financial condition or results of operations.

Interest Rate Risk

Our operating results are subject to risk from interest rate fluctuations on our Credit Facilities, which carry variable interest rates. As of December 29, 2016, our outstanding variable rate debt aggregated approximately $400.0 million. Based on December 29, 2016 debt levels, an increase or decrease of 1% in the effective interest rate would cause an increase or decrease in interest cost of approximately $4.0 million over the next 12 months. To lessen our exposure to changes in interest rate risk, we entered into $205.0 million interest rate cap agreements in November 2016 with Bank of America and Wells Fargo (collectively, the "Cap Agreements") that cap our LIBOR at 2.0% beginning in December 2016.

Impact of Inflation/Deflation

We do not believe that inflation has had a material impact on our net sales or operating results for the past three fiscal years. However, substantial increases in costs, including the price of raw materials, labor, energy and other inputs used in the production of our merchandise, could have a significant impact on our business and the industry in the future. Additionally, while deflation could positively impact our merchandise costs, it could have an adverse effect on our average unit retail price, resulting in lower net sales and operating results.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Internal Control over Financial Reporting

The process of improving our internal controls has required and will continue to require us to expend significant resources to design, implement and maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. There can be no assurance that any actions we take will be completely successful. We will continue to evaluate the effectiveness of our disclosure controls and procedures and internal control over financial reporting on an ongoing basis. As part of this process, we may identify specific internal controls as being deficient.

We have begun documenting and testing internal control procedures in order to comply with the requirements of Section 404(a) of the Sarbanes-Oxley Act. Section 404 requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent auditors addressing these assessments. We must comply with Section 404 no later than the time we file our annual report for fiscal 2018 with the SEC.

BUSINESS

Our Company

Founded in 2000, Floor & Decor is a high-growth, differentiated, multi-channel specialty retailer of hard surface flooring and related accessories with 72 warehouse-format stores across 17 states. We believe that we offer the industry's broadest in-stock assortment of tile, wood, laminate and natural stone flooring along with decorative and installation accessories at everyday low prices positioning us as the one-stop destination for our customers' entire hard surface flooring needs. We appeal to a variety of customers, including Pro, DIY and BIY. Our Pro customers are loyal, shop often and help promote our brand. The combination of our category and product breadth, low prices, in-stock inventory in project-ready quantities, proprietary credit offerings, free storage options and dedicated customer service positions us to gain share in the attractive Pro customer segment. We believe our DIY customers spend significant time planning their projects while conducting extensive research in advance. We provide our customers with the education and inspiration they need before making a purchase through our differentiated online and in-store experience.

Our warehouse-format stores, which average approximately 72,000 square feet, are typically larger than any of our specialty retail flooring competitors' stores. Other large format home improvement retailers only allocate a small percentage of their floor space to hard surface flooring and accessories. When our customers walk into a Floor & Decor store for the first time, we believe they are amazed by our visual presentation, our store size, our everyday low prices and the breadth and depth of our merchandise. We believe that our inspiring design centers, creative and informative visual merchandising, and accessible price points greatly enhance our customers' experience. Our stores are easy to navigate and designed to interactively showcase the wide array of designs and product styles a customer can create with our flooring and decorative accessories. We engage our customers both through our trained store associates and designers who can assist in narrowing choices and making the process of home renovation easier, as well as our staff dedicated to serving Pro customers. By carrying a deep level of hard surface flooring inventory and wide range of tools and accessories, we seek to offer our customers immediate availability on everything they need to complete their entire flooring or remodeling project. In addition to our stores, our website *FloorandDecor.com* showcases our products, offers informational training and design ideas and has our products available for sale, which a customer can pick up in-store or have delivered. Our ability to purchase directly from manufacturers through our direct sourcing model enables us to be fast to market with a balanced assortment of bestseller and unique, hard to find items that are the latest trend-right products. We believe these factors create a differentiated value proposition for Floor & Decor and drive customer loyalty with our Pro, DIY and BIY hard surface flooring customers in our markets, as evidenced by our track record of consistent double digit comparable store sales growth. Based on these characteristics, we believe Floor & Decor is redefining and expanding the addressable market size of the hard surface flooring category and that we have an opportunity to significantly expand our store base to approximately 400 stores nationwide within the next 15 years, as described in more detail below.

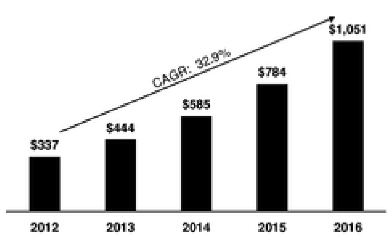
Our company was founded in 2000 by our Vice Chairman Vincent West, who opened the first Floor & Decor store in Atlanta, Georgia, with the vision of being the low-price leader for hard surface flooring. As we have grown, we have implemented a customer-focused and decentralized approach to managing our business. We provide our store leadership and regional operating teams with regular training and sophisticated information technology systems. We also train and incentivize our store associates to deliver a superior experience to our customers. Taken together, these elements create a customer-centric culture that helps us achieve our operational and financial goals.

Over the last five years, we have invested significant resources across our business and infrastructure to support innovation and growth. We believe that these investments will continue to strengthen our customer value proposition and further differentiate Floor & Decor from our competition, positioning us for continued market share gains. We have made significant investments in product innovation across all categories, improving our assortment and seeking to provide more value to our Pro, DIY and BIY customers. We have also invested in technology and personnel to support our stores. From fiscal 2011 to fiscal 2014, our general and administrative expenses and capital expenditures grew at a rate exceeding our net sales growth. We believe that these investments have enabled us to drive successful, scalable growth, as demonstrated by the doubling of our average net sales per store between fiscal 2011 and fiscal 2016 (for all stores open prior to fiscal 2011). We believe that our investment in our business will continue to improve our customer value proposition, differentiating us and strengthening our competitive advantage.

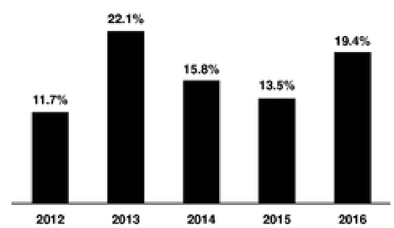
We believe our strong financial results are a reflection of our consistent and disciplined culture of innovation and reinvestment, creating a differentiated business model in the hard surface flooring category, as evidenced by the following:

- eight consecutive years of double digit comparable store sales growth averaging 15.3% per year (and averaging 16.5% per year for fiscal 2012 to fiscal 2016), with a 19.4% increase in fiscal 2016;
- while our newer stores generally have higher comparable store sales growth, our stores opened prior to 2012 averaged comparable store sales growth of 15.5% for fiscal 2016;
- store base expansion from 30 warehouse-format stores at the end of fiscal 2012 to 69 at the end of fiscal 2016, representing a CAGR of 23.1%; we added 12 warehouse-format stores during fiscal 2016, representing a 21.1% growth in units compared to fiscal 2015;
- total net sales growth from $336.7 million to $1,050.8 million from fiscal 2012 to fiscal 2016, representing a CAGR of 32.9%;
- net income growth from $12.8 million to $43.0 million from fiscal 2012 to fiscal 2016, representing a CAGR of 35.3%;
- Adjusted EBITDA growth from $32.6 million to $108.4 million from fiscal 2012 to fiscal 2016, representing a CAGR of 35.1%, which includes significant investments in our sourcing and distribution network, integrated IT systems and corporate overhead to support our future growth. Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of net income to Adjusted EBITDA, see Note 8 to the information contained in "Selected Consolidated Financial Data."

Net Sales (in millions)



Comparable Store Sales Growth



Our Competitive Strengths

We believe our strengths, described below, set us apart from our competitors and are the key drivers of our success.

Unparalleled Customer Value Proposition. Our customer value proposition is a critical driver of our business. The key components include:

Differentiated Assortment Across a Wide Variety of Hard Surface Flooring Categories Our stores are generally larger than those of our specialty retail flooring competitors, and we allocate substantially more square footage to hard surface flooring and accessories than large home improvement retailers. We believe we have the most comprehensive in-stock, trend-right product assortment in the industry within our categories with on average approximately 3,500 SKUs in each store, which based on our market experience is a far greater in-stock offering than any other flooring retailer. Additionally, we customize our product assortment at the store level for the regional preferences of each market. We have an ongoing product line review process across all categories that allows us to identify and interpret emerging trends in hard surface flooring. We work with our suppliers to quickly introduce new products and styles in our stores. We appeal to a wide range of customers through our "good/better/best" merchandise selection, as well as through our broad range of product styles from classic to modern, as well as new trend-right products. We consistently innovate with proprietary brands and products that appeal to certain customers with over 50 proprietary brands, including AquaGuard® and NuCore®.

Low Prices. We provide everyday low prices in the retail hard surface flooring market. Our merchandising and individual store teams competitively shop each market so that we can offer our flooring products and related accessories at low prices. We also work with our vendors to identify and create new, affordable products in categories traditionally considered high-end to further democratize hard surface flooring by providing a greater number of options to a larger customer base. We believe we are unique in our industry in employing an "everyday low price" strategy, where we strive to offer our products at consistently everyday low prices throughout the year instead of engaging in frequent promotional activities. Our ability to provide these low prices is supported by our direct-sourcing model, which strives to eliminate third-party intermediaries and shortens time to market. We believe this strategy creates trust with our Pro, DIY and BIY customers because they consistently receive low prices at Floor & Decor without having to wait for a sale or negotiate to obtain the lowest price.

One-Stop Project Destination with Immediate Availability. We carry an extensive range of products, from flooring and decorative accessories to thin set, underlayment, grout and tools, to fulfill a customer's entire flooring project. Our large in-stock assortment, including decorative and installation accessories, differentiates us from our competitors. Our stores stock job-size quantities to immediately fulfill a customer's entire flooring project. In the instance where product is not available in the store, our four regional distribution centers and neighboring stores can quickly ship a product to meet a customer's needs. On average, each warehouse-format store carries approximately 3,500 SKUs, which equates to 1.3 million square feet of flooring products or $2.5 million of inventory at cost. Customers also have access to all of our inventory for in-store pick up or delivery through *FloorandDecor.com.*

Unique and Inspiring Shopping Environment. Our stores average approximately 72,000 square feet and are typically designed with warehouse features including high ceilings, clear signage, bright lighting and industrial racking and are staffed with knowledgeable store associates. We offer an easy-to-navigate store layout with clear lines of sight and departments organized by our major product categories of tile, wood, laminate, natural stone, decorative accessories and installation accessories. We believe our unique signage, which clearly displays individual product features and benefits, improves the ease of shopping and facilitates customer decision making. We use merchandise displays and point of sale marketing throughout our stores to highlight product features, benefits and design elements. These features educate and enable customers to visualize how the product would look in their homes or businesses. Furthermore, we encourage customers to interact with our merchandise, to experiment with potential designs and to see the actual product they will purchase, an experience that is not possible in flooring stores that do not carry in-stock inventory in project-ready quantities. The majority of our stores have design centers that showcase project ideas to further inspire our customers, and we employ experienced designers in all of our stores to provide free design consulting. Additionally, we provide a robust online experience for potential customers on *FloorandDecor.com*. For our DIY customers, we also offer weekly "how-to" installation classes on Saturdays. We believe inspiring and educating customers within our stores and on our website provides us with a significant competitive advantage in serving our customers.

Extensive Service Offering to Enhance the Pro Customer Experience. Our focus on meeting the unique needs of the Pro customer, and by extension the BIY customer, drives our estimated sales mix of approximately 60% Pro and BIY customers, which we believe represents a higher percentage than our competitors. We provide an efficient one-stop shopping experience for our Pro customers, offering low prices on a broad selection of high-quality flooring products, deep inventory levels to support immediate availability of our products, modest financial credit, free storage for purchased inventory, the convenience of early store hours and, in most stores, separate entrances for merchandise pick-up. Additionally, each store has a dedicated Pro sales force with technology to service our Pro customer more efficiently, and we have rolled out Pro Zones, which are areas offering a variety of services to Pro customers, in a majority of our stores. We believe by serving the needs of Pro customers, we drive repeat and high-ticket purchases, customer referrals and brand awareness from this attractive and loyal customer segment.

Decentralized Culture with an Experienced Store-Level Team and Emphasis on Training. We have a decentralized culture that empowers managers at the store and regional levels to make key decisions to maximize the customer experience. Our store managers, who carry the title Chief Executive Merchant, have significant flexibility to customize product mix, pricing, marketing, merchandising, visual displays and other elements in consultation with their regional leaders. We tailor the merchandising assortment for each of our stores for local market preferences, which we believe differentiates us from our national competitors that tend to have standard assortments across markets. Throughout the year, we train all of our employees on a variety of topics, including product knowledge, leadership and store operations. Our store managers and store department managers are an integral part of our company, and many have over 15 years of relevant industry experience in retail. We have made important investments in the training and development of our people, including the creation of a full time training department. Approximately 70% of our new store management positions are filled through internal promotions. We also have incentive compensation programs for all employees, regardless of position or title. We train prospective store managers at our Floor & Decor University, which is part of an extensive training program. Once a year, we hold a four day training session with our senior management, regional directors and store managers, where we focus on the upcoming year's strategic priorities to keep our entire business aligned. We believe our decentralized culture and coordinated training foster an organization aligned around providing a superior customer experience, ultimately contributing to higher net sales and profitability.

Sophisticated, Global Supply Chain. Our merchandising team has developed direct sourcing relationships with manufacturers and quarries in over 18 countries. Through these relationships, we believe we understand the best places to procure our various product categories. We currently source our products from more than 180 vendors worldwide and have developed long-term relationships with many of them. We often collaborate with our vendors to design and manufacture products for us to address emerging customer preferences that we observe in our stores and markets. We procure the majority of our products directly from the manufacturers, which eliminates additional costs from exporters, importers, wholesalers and distributors. We believe direct sourcing is a key competitive advantage, as many of our specialty retail flooring competitors are too small to have the scale or the resources to work directly with suppliers. Over the past several years, we have established a Global Sourcing and Compliance Department to, among other things, enhance our policies and procedures to address compliance with appropriate regulatory bodies, including compliance with the requirements of the Lacey Act, the CARB and the EPA. We also utilize third -party consultants for audits, testing and surveillance to ensure product safety and compliance. Additionally, we have invested in technology and personnel to collaborate throughout the entire supply chain process to support our direct sourcing model, which has improved our ability to find, manage and source trend-right merchandise quickly and at lower costs, allowing us to offer products at low prices while maintaining attractive gross margins.

Highly Experienced Management Team with Proven Track Record. Led by our Chief Executive Officer, Tom Taylor, our management team brings substantial expertise from leading retailers and other companies across core functions, including store operations, merchandising, marketing, real estate, e-commerce, supply chain management, finance, legal and information technology. Tom Taylor, who joined us in 2012, spent 23 years at The Home Depot, where he most recently served as Executive Vice President of Merchandising and Marketing with responsibility for all stores in the United States and Mexico. Over the course of his career at The Home Depot, Tom Taylor helped expand the store base from fewer than 15 stores to over 2,000 stores. Our Executive Vice President and Chief Merchandising Officer, Lisa Laube, has over 30 years of merchandising and leadership experience with leading specialty retailers, including most recently as President of Party City. Our Executive Vice President and Chief Financial Officer, Trevor Lang, brings more than 20 years of accounting and finance experience, including 17 years of Chief Financial Officer and Vice President of Finance experience at public companies, including most recently as the Chief Financial Officer and Chief Administrative Officer of Zumiez Inc. Our entire management team drives our organization with a focus on strong merchandising, superior customer experience, expanding our store footprint, and fostering a strong, decentralized culture. We believe our management team is an integral component of our achieving strong financial results.

Our Growth Strategy

We expect to continue to drive our strong net sales and profit growth through the following strategies:

Open Stores in New and Existing Markets. We believe there is an opportunity to significantly expand our store base in the United States from 72 warehouse-format stores currently to approximately 400 stores nationwide over the next 15 years based on our internal research with respect to housing density, demographic data, competitor concentration and other variables in both new and existing markets. We plan to target new store openings in both existing and new, adjacent and underserved markets. We have a disciplined approach to new store development, based on an analytical, research-driven site selection method and a rigorous real estate approval process. We believe our new store model delivers strong financial results and returns on investment, targeting net sales on average of $10 million to $13 million and positive four-wall Adjusted EBITDA in the first year, pre-tax payback in two to three years and cash-on-cash returns of greater than 50% in the third year. On average, our stores opened after 2011 have exceeded this model. Over the past several years, we have made significant investments in personnel, information technology, warehouse infrastructure and connected customer strategies to support our current growth and the expansion of our stores. We intend to grow our store base by approximately 20% annually over the next several years. The performance of our new stores opened over the last three years, the performance of our older stores over that same time frame, our disciplined real estate strategy and the track record of our management team in successfully opening retail stores support our belief in the significant store expansion opportunity.

Increase Comparable Store Sales. We expect to grow our comparable store sales by continuing to offer our customers a dynamic and expanding selection of compelling, value-priced hard surface flooring and accessories while maintaining strong service standards for our customers. We regularly introduce new products into our assortment through our category product line review process, including collaboration with our vendors to bring to market innovative products such as water-resistant laminates. Because almost half of our stores have been opened for less than three years, we believe they will continue to drive comparable store sales growth as they ramp to maturity. While our newer stores generally have higher comparable store sales growth, our stores opened prior to 2012 averaged comparable store sales growth of 15.5% for fiscal 2016. We believe that we can continue to enhance our customer experience by focusing on service, optimizing sales and marketing strategies, investing in store staff and infrastructure, remodeling existing stores and improving visual merchandising and the overall aesthetic appeal of our stores. We also believe that growing our proprietary credit offering, further integrating connected customer strategies and enhancing other key information technology, will contribute to increased comparable store sales. As we increase awareness of Floor & Decor's brand, we believe there is a significant opportunity to gain additional market share, especially from independent flooring retailers and large format home improvement retailers. We are also adding adjacent categories that align with flooring projects like frameless glass in the bathroom and customized countertops for the kitchen. We believe the combination of these initiatives plus the expected growth of the hard surface flooring category described in more detail under "Our Industry" below will continue to drive strong comparable store sales growth.

Continue to Invest in the Pro Customer. We believe our differentiated focus on Pro customers has created a competitive advantage for us and will continue to drive our net sales growth. We will invest in gaining and retaining Pro customers due to their frequent and high-ticket purchases, loyalty and propensity to refer other potential customers. We have made important investments in the Pro services regional team to better recruit and train the Pro services team in each store, new technology such as integrated CRM software to help us further penetrate and grow our Pro business, dedicated phone lines for our Pro customers to call and text, commercial credit and open account terms, jobsite delivery, a dedicated website for Pro customers, training on technical flooring installation solutions, and tools to facilitate large commercial jobs sourced throughout the store. We plan to further invest in initiatives to increase speed of service, improve financing solutions, leverage technology, elevate our Pro branding, dedicate additional store and regional staffing to support Pro customers and enhance the in-store experience for our Pro customers. We have implemented a "Pro Zone" in a majority of our stores that focuses on the specific needs of the Pro customer. Additionally, we communicate our value proposition and various Pro-focused offerings by hosting a number of Pro networking events. Building on our success in serving the Pro customer, in 2016 we entered the adjacent commercial sales channel, thus increasing the size of the addressable market we serve. Our commercial effort, which we have branded F&D Commercial, initially targets corporate customers with large flooring needs across the hospitality, multi-family and retail sectors. We believe Pro customers will continue to be an integral part of our sales growth, and the commercial channel will provide incremental revenue and profit opportunities in the future.

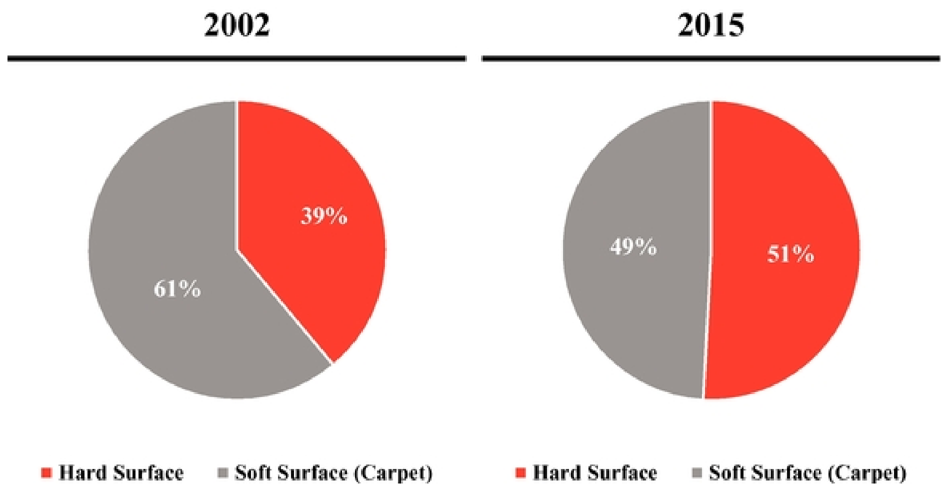
Expand Our "Connected Customer" Experience. Floor & Decor's online experience allows our Pro, BIY and DIY customers to explore our product selection and design ideas before and after visiting our stores and offers the convenience of making online purchases for delivery or pick up in-store. We believe our online platform reflects our brand attributes and provides a powerful tool to educate, inspire and engage our consumers, and we view our website and multi-channel strategies as leading our brand. Our research indicates that 71% of our shoppers have visited our website. We continuously invest in our connected customer strategies to improve how our customers experience our brand. For example, we regularly update our website, which provides our customers with inspirational vignettes, videos, products and education. Additional initiatives include: (i) implementing our new CRM to obtain a single view of our customers, (ii) developing personalized content based on location, purchase and browsing history, (iii) developing more relevant content and improved search and purchasing tools to help customers add decorative and installation accessories, (iv) creating frequently asked questions to help customers choose the best product for their jobs and (v) implementing online scheduling tools to access our designers. We believe this reinforces our unique customer value proposition and ultimately drives sales. Currently, e-commerce sales represent less than 5% of our total net sales. While the hard surface flooring category has a relatively low penetration of e-commerce sales due to the nature of the product, we believe our connected customer presence represents an attractive growth opportunity to drive consumers to Floor & Decor.

Enhance Margins Through Increased Operating Leverage Since 2011, we have invested significantly in our sourcing and distribution network, integrated IT systems and corporate overhead to support our growth. We expect to leverage these investments as we grow our net sales. Additionally, we believe operating margin improvement opportunities will include enhanced product sourcing processes and overall leveraging of our store-level fixed costs, existing infrastructure, supply chain, corporate overhead and other fixed costs resulting from increased sales productivity. We anticipate that the planned expansion of our store base and growth in comparable store sales will also support increasing economies of scale.

Our Industry

Floor & Decor operates in the large, growing and highly fragmented $10 billion hard surface flooring market (in manufacturers' dollars), which is part of the larger $20 billion U.S. floor coverings market (in manufacturers' dollars) based on the Catalina Floor Coverings Report. We estimate that after the retail markup, we represent only approximately 5% of an estimated $17 billion market. The competitive landscape of the hard surface flooring market includes big-box home improvement centers, national and regional specialty flooring retailers, and independent flooring retailers. We believe we benefit from growth in the overall hard surface flooring market, which, based on the Catalina Floor Coverings Report, grew on average 8% per year from 2012 to 2016 and is estimated to grow on average 5% per year from 2017 through 2021. We believe that growth in the hard surface flooring market has been and will continue to be driven by home remodeling demand drivers such as the aging household inventory, millennials forming households, existing home sales, rising home equity values and the secular shift from carpet to hard surface flooring. In addition, we believe we have an opportunity to increase our market share as our competitors are unable to compete on our combination of price, service and in-stock assortment.

Based on our internal market research, key long-term industry trends include increasing spend on home renovations, aging of the existing housing stock, rising level of home ownership, growing average size of homes and favorable demographic trends. Based on the National Association of Home Builders Remodeling Market Index, current market conditions and future market indicators suggest that remodeling demand is accelerating in a strengthening home remodel cycle. For more than a decade, hard surface flooring has consistently taken share from carpet as a percentage of the total floor coverings market, increasing from 39% of the market in 2002 to 51% in 2015 based on the Catalina Floor Coverings Report. Historically, mix shift towards hard surface flooring has been driven by product innovation, changing consumer preferences, better hygiene qualities, increasing ease of installation and higher durability. Product innovation, which has been aided by the increasing use of technology such as inkjet tile printing, waterproof wood-look flooring and water-resistant laminates, and non-traditional uses of hard surface flooring including walls, fireplaces and patios have increased the size of the hard surface flooring market and has allowed us to better serve customer needs.



We believe we have an opportunity to continue to gain share in the hard surface flooring market with the largest selection of tile, wood, laminate, natural stone, decorative accessories and installation accessories. Our strong focus on the customer experience drives us to remain innovative and locally relevant while maintaining low prices and in-stock merchandise in a one-stop shopping destination.

Our Products

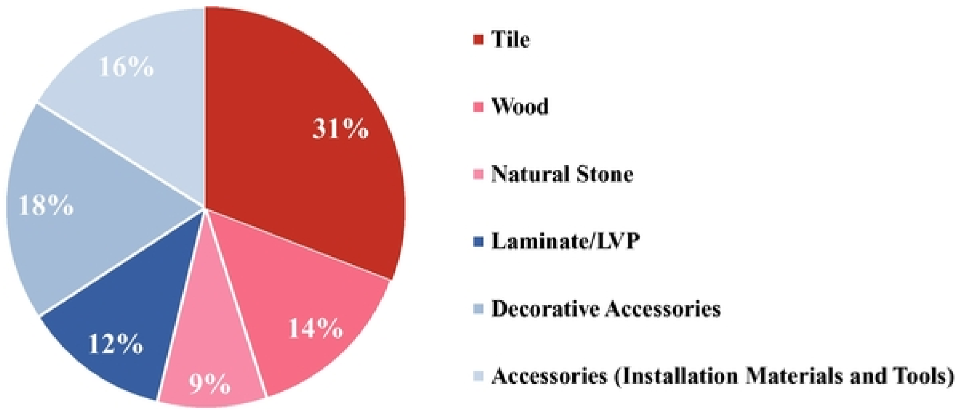
We offer an assortment of tile, wood, laminate and natural stone flooring, along with decorative and installation accessories at everyday low prices. Our objective is to carry a broad and deep product offering in order to be the one-stop destination for our customer's entire project needs. We seek to showcase products in our stores and online to provide multiple avenues for inspiration throughout a customer's decision-making process.

Our strategy is to fulfill the product needs of our Pro, DIY and BIY customers with our extensive assortment, in-stock inventory and merchandise selection across a broad range of price points. We offer bestseller products in addition to the more unique, hard to find items that we believe our customers have come to expect from us. We source our products from around the world, constantly seeking new and exciting merchandise to offer our customers. Our goal is to be at the forefront of hard surface flooring trends in the market, while offering low prices given our ability to source directly from manufacturers and quarries.

We utilize a regional merchandising strategy in order to carry products in our stores that cater to the preferences of our local customer base. This strategy is executed by our experienced merchandising team, which consists of store support center merchants and regional merchants, who work with our individual stores to ensure they have the appropriate product mix for their location. Our store support center merchants are constantly seeking new products and following trends by attending trade shows and conferences, as well as by shopping the competition, while our store associates are in touch with customers in the store. We schedule regular meetings to review information gathered and make future product development decisions. This constant connectivity between our stores, regional merchants, store support center merchants and our vendors allows us to quickly bring new and compelling products to market.

Table of Contents

Our fiscal 2016 net sales by key product categories are set forth below:



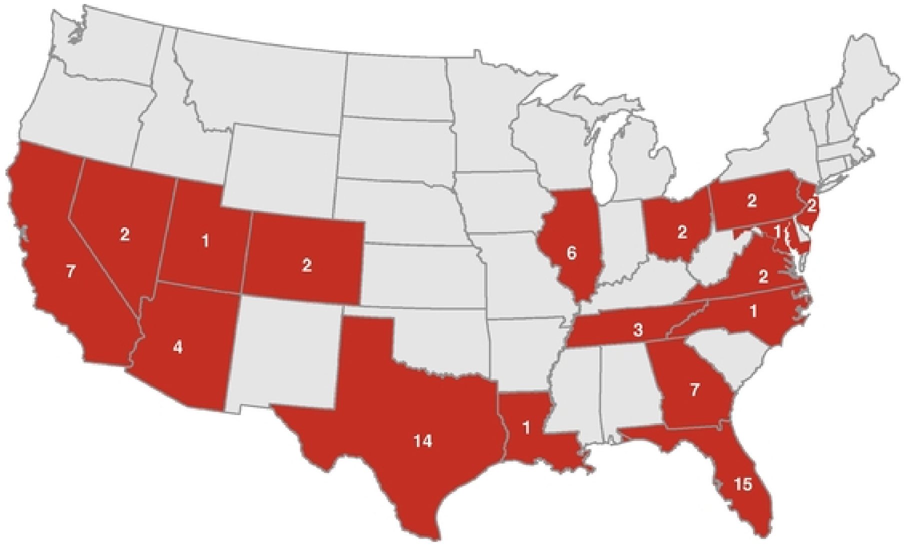
Category	Products Offered	Select Product Highlights
Tile	Porcelain, White Body, Ceramic	We offer a wide selection of Porcelain, White Body and Ceramic tiles from 4"x4" all the way up to 24"x72". We source many products directly from Italy, where many design trends in tile originate. We offer traditional stone looks as well as wood-looking planks and contemporary products like cement-look and vein cut styles. We work with many factories in the United States, China, Italy, Mexico, Brazil and other countries to bring the most in-demand styles at low prices.
Wood	Solid Prefinished Hardwood, Solid Unfinished Hardwood, Engineered Hardwood, Bamboo, Cork	We sell common species such as Oak, Walnut, Birch and Maple but also exotics such as Bamboo, Brazilian Cherry, African Mahogany and Taun, all in multiple colors. Our wood flooring comes in multiple widths from $2^{1}/4$" up to $9^{3}/4$" wide planks. Customers have the option of buying prefinished or unfinished flooring in many of our stores.
Natural Stone	Granite, Travertine, Marble, Slate	Natural stone is quarried around the world, and we typically buy directly from the source. For example, we buy marble from Italy, Spain, Turkey and China, travertine from Turkey, Peru and Mexico, and slate from India. We work with factories in these countries and others to cut stone tiles in many sizes, finishes and colors.

Category	Products Offered	Select Product Highlights
Laminate/Luxury Vinyl Plank ("LVP")	Laminate Flooring, Luxury Vinyl Wood Plank, Vinyl Composite Tile	Wood look Laminate, NuCore® and Luxury Vinyl Plank flooring is offered in styles that mimic our bestselling wood species, colors and finishes. Our product offers easy locking installation, many are water-resistant and all are great for customers who want the beauty of real hardwood but the ease and convenience that laminate, NuCore® and LVP offers.
Decorative Accessories	Glass Tile, Stone Mosaics, Decoratives, Prefabricated Countertops, Medallions, Wall Tile	With over 700 choices in glass, stone mosaics and decoratives, we can customize nearly any look or style a customer desires. This high margin, trend-forward, distinctive category is a favorite of our designers and offers customers an inexpensive way to quickly update a backsplash or shower.
Accessories (Installation Materials and Tools)	Grout, Adhesives, Mortar, Backer Board, Power Tools, Wood Moldings	This category offers everything a customer needs to complete his or her project, including backer board, mortar, grout, wood glues, molding and tools. We sell top brands, which we believe are highly valued by our customers.

Stores

We operate 72 warehouse-format stores across 17 states and one small 5,500 square foot design center. Most of our stores are situated in highly visible retail and industrial locations. Our warehouse-format stores average approximately 72,000 square feet and carry on average approximately 3,500 flooring, decorative and installation accessory SKUs, which equates to approximately 1.3 million square feet of flooring products or $2.5 million of inventory at cost.

The map below reflects our store base:



Each of our stores is led by a store manager who holds the title Chief Executive Merchant and is supported by an operations manager, department managers and a Pro sales manager. Our store managers focus on providing superior customer service and creating customized store offerings that are tailored to meet the specific needs of their stores. Beyond the store managers, each store is staffed with associates, the number of whom vary depending on sales volume and size of the store. We dedicate significant resources to training all of our new store managers through Floor & Decor University and in the field across all product areas, with store-level associates receiving certification on specific product areas. Ongoing training and continuing education is provided for all employees throughout the year.

We believe there is an opportunity to significantly expand our store base in the United States from our 72 warehouse-format stores currently to approximately 400 stores nationwide within the next 15 years based on our internal research with respect to housing density, demographic data, competitor concentration and other variables in both new and existing markets. Over the next several years, we plan to grow our store base by approximately 20% per year, with approximately half being opened in existing geographies and approximately half being opened in new markets. We have developed a disciplined approach to new store development, based on an analytical, research-driven method to site selection and a rigorous real estate review and approval process. By focusing on key demographic characteristics for new site selection, such as aging of homes, length of home ownership and median income, we expect to open stores with attractive returns.

When opening new stores, inventory orders are placed several months prior to a new store opening. Significant investment is made in building out or constructing the site, hiring and training employees in advance, and advertising and marketing the new store through pre-opening events to draw the flooring industry community together. Each new store is thoughtfully designed with store interiors that include interchangeable displays on wheels, racking to access products and stand-up visual displays to allow ease of shopping and an exterior highlighted by a large, bold Floor & Decor sign. The majority of our stores have design centers that showcase project ideas to further inspire our customers, and in all of our stores, we employ experienced designers to provide design consulting to our customers free of charge. We have rolled out Pro Zones, which are dedicated areas offering a variety of services to Pro customers, in a majority of our stores.

Our new store model targets a store size of 60,000-80,000 square feet, total initial net cash investment of approximately $4 million to $5 million, targeting net sales on average of $10 million to $13 million and positive four-wall Adjusted EBITDA in the first year, pre-tax payback in two to three years and cash-on-cash returns of greater than 50% in the third year. On average, our stores opened after 2012 have exceeded this model. We believe the success of our stores across geographies and vintages supports the portability of Floor & Decor into a wide range of markets. The performance of our new stores is inherently uncertain and is subject to numerous factors that are outside of our control. As a result, we cannot assure you that our new stores will achieve our target results.

Connected Customer

Our website and our call center are important parts of our integrated connected customer strategy. We aim to elevate the customer experience through our website *FloorandDecor.com*. Growing our e-commerce sales provides us with additional opportunity to enhance our connected customer experience for our customers. Home renovation and remodeling projects typically require significant investments of time and money from our DIY customers, and they consequently plan their projects carefully and conduct extensive research online. *FloorandDecor.com* is an important tool for engaging them throughout this process, educating them on our product offerings and providing them with design ideas. Our Pro customers use the website to browse our broad product assortment, to continually educate themselves on new techniques and trends and to share our virtual catalogue and design ideas with their customers. In addition, sales associates at our call center are available to assist our customers with their projects and questions. We designed the website to be a reflection of our stores and to promote our wide selection of high quality products and low prices. To this end, we believe the website provides the same region-specific product selection that customers can expect in our stores, but also the opportunity to extend our assortment by offering the entire portfolio of products.

In addition to highlighting our broad product selection, we believe *FloorandDecor.com* offers a convenient opportunity for customers to purchase products online and pick them up in our stores. For fiscal 2016, approximately 90% of our e-commerce sales were picked up in-store. As we continue to grow, we believe connected customer will become an increasingly important part of our strategy.

Marketing and Advertising

We use a multi-platform approach to increasing Floor & Decor's brand awareness, while historically maintaining a low average advertising to net sales ratio of approximately 3%. We use traditional advertising media, combined with social media and online marketing, to share the Floor & Decor story with a growing audience. We take the same customized approach with our marketing as we do with our product selection; each region has a varied media mix based on local trends and what we believe will most efficiently drive sales. To further enhance our targeting efforts, our store managers have significant input into the store's marketing spend.

A key objective of our messaging is to make people aware of our stores, products and services. Based on internal research, we estimate the conversion rate from a customer visiting one of our stores to purchasing our products is 79%.

As part of our focus on local markets, our stores have events that promote Floor & Decor as a hub for the local home improvement community. We feature networking events for Pro customers, giving them a chance to meet our sales teams, interact with others in the home improvement industry and learn about our newest products. For DIY customers, we regularly offer how-to classes on product installation. We believe these events serve to raise the profile of the Floor & Decor stores in our communities while showcasing our tremendous selection of products and services.

We want our customers to have a great experience at their local Floor & Decor store. With our TV and radio commercials, print and outdoor ads, in-store flyers, online messaging and community events, we show our customers that we are a trusted resource with a vast selection, all at a low price.

Sourcing

Floor & Decor has a well-developed and geographically diverse supplier base. We source our industry leading merchandise assortment from over 180 suppliers in over 18 countries, and maintain good relationships with our vendors. No supplier accounts for more than 10% of our net sales. We continue to increase our sourcing from suppliers outside of the United States, and where appropriate, we are focused on bypassing agents, brokers, distributors and other middlemen in our supply chain in order to reduce costs and lead time. Over the past several years, we have established a Global Sourcing and Compliance Department to, among other things, develop and implement policies and procedures to address compliance with appropriate regulatory bodies, including compliance with the requirements of the Lacey Act, CARB and the EPA. In addition we utilize third -party consultants for audits, testing and surveillance to ensure product safety and compliance. Additionally, we have invested in technology and personnel to collaborate throughout the entire supply chain process. We believe that our direct sourcing model and the resulting relationships we have developed with our suppliers are distinct competitive advantages. The cost savings we achieve by directly sourcing our merchandise enable us to offer our customers low prices. Additionally, our close relationships with suppliers allow us to collaborate with them directly to develop and quickly introduce innovative and quality products that meet our customers' evolving tastes and preferences at low prices. We plan to continue increasing the percentage of merchandise that we directly source from suppliers.

Distribution and Order Fulfillment

We have invested significant resources to develop and enhance our distribution network. We have four distribution centers strategically located across the United States in port cities near Savannah, Georgia; Miami, Florida; Houston, Texas; and Los Angeles, California. Third-party brokers arrange the shipping of our international and domestic purchases to our distribution centers and stores and bill us for shipping costs according to the terms of the purchase agreements with our suppliers. We are typically able to transport inventory from our distribution centers to our stores in less than one week. This quick turnaround time enhances our ability to maintain project-ready quantities of the products stocked in our stores. To further strengthen our distribution capabilities, we have converted all of our distribution centers to Company-operated facilities. In conjunction with the change in responsibility, we have implemented a new warehouse management and transportation management system tailored to our unique needs across all four distribution centers. We believe the system will increase service levels, reduce shrinkage and damage, help us better manage our inventory and allow us to better implement our connected customer initiatives. We recently moved our West Coast distribution center from Carson, California to Moreno Valley, California. We are in the process of exiting the previously occupied 220,000 square foot leased distribution center located in Carson, California in the first quarter of 2017. We have signed a lease for a new 1.4 million square foot distribution center that is being constructed in Savannah, Georgia. We plan to relocate all the existing inventory from our currently leased 378,000 square foot distribution center located in Savannah, Georgia starting in the fourth quarter of 2017 and commencing in the early part of the first quarter of 2018. After this relocation occurs, we plan to cancel our lease in the current 378,000 square foot distribution center in Savannah, Georgia. Concurrent with this relocation, we plan to shut down our 322,000 square foot leased distribution center, in Miramar, Florida and consolidate this inventory in our new 1.4 million square foot leased distribution center in Savannah, Georgia. After this relocation occurs, we plan to exit our current 322,000 square foot leased distribution center in Miramar, Florida.

We believe that our current distribution network, along with these planned changes, is sufficient to support our growth over the next few years. However, we continue to seek opportunities to enhance our distribution capabilities and align them with our strategic growth initiatives, including distribution center capacity.

Management Information Systems

We believe that technology plays a crucial role in the continued growth and success of our business. We have sought to integrate technology into all facets of our business, including supply chain, merchandising, store operations, point-of-sale, e-commerce, finance, accounting and human resources. The integration of technology allows us to analyze the business in real time and react accordingly. Our sophisticated inventory management system is our primary tool for forecasting, placing orders and managing in-stock inventory. The data-driven platform includes sophisticated forecasting tools based on historical trends in sales, inventory levels and vendor lead times at the store and distribution center level by SKU, allowing us to support store managers in their regional merchandising efforts. We rely on the forecasting accuracy of our system to maintain the in-stock, project-ready quantities that our customers rely on. In addition, our employee training certifications are entirely electronic, allowing us to effectively track the competencies of our staff and manage talent across stores. We believe that our systems are sufficiently scalable to support the continued growth of the business.

Competition

The retail hard surface flooring market is highly fragmented and competitive. We face significant competition from large home improvement centers, national and regional specialty flooring chains and independent flooring retailers. Some of our competitors are organizations that are larger, are better capitalized, have existed longer, have product offerings that extend beyond hard surface flooring and related accessories, and have a more established market presence with substantially greater financial, marketing, personnel and other resources than we have. In addition, while the hard surface flooring category has a relatively low threat of new internet-only entrants due to the nature of the product, the growth opportunities presented by e-commerce could outweigh these challenges and result in increased competition in this portion of our connected customer strategy. Further, because the barriers to entry into the hard surface flooring industry are relatively low, manufacturers and suppliers of flooring and related products, including those whose products we currently sell, could enter the market and start directly competing with us.

We believe that the key competitive factors in the retail hard surface flooring industry include:

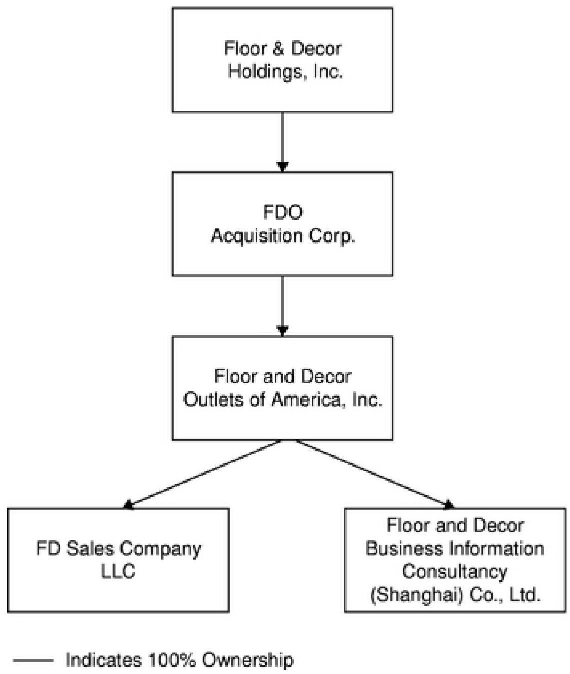
- product assortment;
- product innovation;
- in-store availability of products in project-ready quantities;
- product sourcing;
- product presentation;
- customer service;
- store management;
- store location; and
- low prices.

We believe that we compete favorably with respect to each of these factors by providing a highly diverse selection of products to our customers, at an attractive value, in appealing and convenient retail stores.

Our Structure

Floor & Decor Holdings, Inc. (formerly known as FDO Holdings, Inc.) was incorporated as a Delaware corporation in October 2010 in connection with our Sponsors' acquisition of F&D in November 2010, which in turn converted from a Georgia corporation into a Delaware corporation in connection therewith.

The following chart illustrates our current corporate structure:



Employees

As of December 29, 2016, we had 4,391 employees, 2,881 of whom were full-time and none of whom were represented by a union. Of these employees, 3,877 work in our stores, 375 work in corporate, store support, infrastructure, e-commerce or similar functions, and 139 work in distribution centers. We believe that we have good relations with our employees.

Properties

We have 72 U.S. warehouse-format stores located in seventeen states, as shown in the chart below:

State	Number of Stores
Arizona	4
California	7
Colorado	2
Florida	15
Georgia	7
Illinois	6
Louisiana	1
Maryland	1
Nevada	2
New Jersey	2
North Carolina	1
Ohio	2
Pennsylvania	2
Tennessee	3
Texas	14
Utah	1
Virginia	2
Total:	**72**

We opened 12 new stores during fiscal 2016 and have opened three new stores since then. In addition to our warehouse-format stores, we operate one separate small 5,500 square foot design center located in New Orleans, Louisiana. Our headquarters, which we refer to as our store support center, is approximately 106,600 square feet and is located in Smyrna, Georgia. Additionally, we operate an approximately 37,000-square foot product review center in Smyrna, Georgia.

We lease our store support center, all of our stores and our distribution centers. Our leases generally have a term of ten to fifteen years, and generally have at least two renewal options for five years. Most of our leases provide for a minimum rent and typically include escalating rent increases. Our leases also generally require us to pay insurance, utilities, real estate taxes and repair and maintenance expenses.

Government Regulation

We are subject to extensive and varied federal, state and local laws and regulations, including those relating to employment, the environment, protection of natural resources, import and export, advertising, labeling, public health and safety, product safety, zoning and fire codes. We operate our business in accordance with standards and procedures designed to comply with applicable laws and regulations. Compliance with these laws and regulations has not historically had a material effect on our financial condition or operating results; however, the effect of compliance in the future cannot be predicted.

Our operations and properties are also subject to federal, state and local laws and regulations governing the environment, environmental protection of natural resources and health and safety, including the use, storage, handling, generation, transportation, treatment, emission, release, discharge and disposal of hazardous materials, substances and wastes and relating to the investigation and clean-up of contaminated properties. Except to the extent of the capital expenditures related to our initiatives described below, compliance with these laws and regulations has not historically had a material effect on our financial condition or operating results, but we cannot predict the effect of compliance in the future.

In particular, certain of our products are subject to laws and regulations relating to the importation, exportation, acquisition or sale of certain plants and plant products, including those illegally harvested (which is prohibited by the Lacey Act), and the emissions of hazardous materials (which in California is governed by regulations promulgated by CARB and federally by regulations promulgated by the EPA). We have established a Global Sourcing and Compliance Department to, among other things, address these requirements, and we work with third-party consultants to assist us in designing and implementing compliance programs relating to the requirements of the Lacey Act, CARB and the EPA. Further, we could incur material compliance costs or be subject to compliance liabilities or claims in the future, especially in the event new laws or regulations are adopted or there are changes in existing laws and regulations or in their interpretation.

Our suppliers are also subject to the laws and regulations of their home countries, including in particular laws regulating forestry and the environment. We also support social and environmental responsibility among our supplier community and endeavor to enter into vendor agreements with our suppliers that contain representations and warranties concerning environmental, labor and health and safety matters.

Insurance and Risk Management

We use a combination of insurance and self-insurance to provide for potential liability for workers' compensation, general liability, product liability, director and officers' liability, team member healthcare benefits, and other casualty and property risks. Changes in legal trends and interpretations, variability in inflation rates, changes in workers' compensation and general liability premiums and deductibles, changes in the nature and method of claims settlement, benefit level changes due to changes in applicable laws, insolvency of insurance carriers, and changes in discount rates could all affect ultimate settlements of claims. We evaluate our insurance requirements on an ongoing basis to ensure we maintain adequate levels of coverage.

Legal Proceedings

We are engaged in various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contracts, products liabilities, intellectual property matters and employment related matters resulting from our business activities. As with most actions such as these, an estimation of any possible and/or ultimate liability cannot always be determined. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Trademarks and other Intellectual Property

As of April 17, 2017, we have 50 registered marks and several pending trademark applications in the United States. We regard our intellectual property, including our over 50 proprietary brands, as having significant value, and our brand is an important factor in the marketing of our products. Accordingly, we have taken, and continue to take, appropriate steps to protect our intellectual property.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information regarding our executive officers and directors as of April 17, 2017:

Name	Age	Position
Executive Officers		
Thomas V. Taylor	51	Chief Executive Officer and a Director
Trevor S. Lang	46	Executive Vice President and Chief Financial Officer
Lisa G. Laube	54	Executive Vice President and Chief Merchandising Officer
Brian K. Robbins	59	Executive Vice President—Supply Chain
David V. Christopherson	42	Senior Vice President, Secretary and General Counsel
Directors who are not officers		
Norman H. Axelrod	64	Chairman of the Board
George Vincent West	62	Vice Chairman of the Board
Brad J. Brutocao	43	Director
Michael Fung	66	Director
David B. Kaplan	49	Director
Rachel H. Lee	32	Director
John M. Roth	58	Director
Peter M. Starrett	69	Director
Richard L. Sullivan	60	Director
Felicia D. Thornton	53	Director

Executive Officers

Each of our executive officers serves at the direction of our board of directors and holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

Thomas V. Taylor, Jr., 51, has served as our Chief Executive Officer and a member of our board of directors since December 2012. Prior to joining us, Mr. Taylor began his career at age 16 in 1983 at a Miami Home Depot store. He worked his way up through various manager, district manager, vice president, president, and senior vice president roles to eventually serve as the Executive Vice President of Operations with responsibility for all 2,200 Home Depot stores and then the Executive Vice President of Merchandising and Marketing, again for all stores. After leaving Home Depot in 2006, for the next six years, Mr. Taylor was a Managing Director at Sun Capital Partners. During his tenure, he was a board member for over twenty portfolio companies in the United States and Europe. Mr. Taylor's significant experience as a board member and his expertise in the home improvement retail industry led to the conclusion that he should serve as a member of our board of directors.

Trevor S. Lang, 46, is our Executive Vice President and Chief Financial Officer. Mr. Lang joined the Company as Senior Vice President and Chief Financial Officer in 2011, and was promoted to Executive Vice President of Professional Services and Chief Financial Officer in October 2014 in connection with his assuming responsibility for leading our in-store Pro and Commercial businesses. From 2007 to 2011, he served as the Chief Financial Officer of Zumiez Inc. and also served as its Chief Administrative Officer beginning in April 2010. Previously, he had served as Vice President of Finance for Carter's, Inc. since 2003. At Carter's, Mr. Lang was responsible for the management of the corporate accounting and finance functions. From 1999 until joining Carter's in 2003, Mr. Lang served in a progressive series of Vice President roles in the finance area at Blockbuster Inc., culminating in his role as Vice President Operations Finance where he was responsible for accounting and reporting for over 5,000 company-owned and franchised stores. From 1994 until 1999, Mr. Lang worked in the audit division of Arthur Andersen reaching the level of audit manager. Mr. Lang is a 1993 graduate of Texas A&M University with a B.B.A. in Accounting. He is also a Certified Public Accountant.

Lisa G. Laube, 54, has served as our Executive Vice President and Chief Merchandising Officer since 2012. She is responsible for Merchandising, Marketing, Inventory and E-Commerce. From 2005 to 2011, Ms. Laube was President of Party City where she was responsible for Merchandising, Marketing and E-Commerce and prior to that she was the company's Chief Merchandising Officer. From 2002 to 2004, she was the Vice President of Merchandising for White Barn Candle Company, a division of Bath and Body Works. Prior to that, Ms. Laube worked from 1996 to 2002 at Linens 'n Things beginning as a Buyer and progressing to General Merchandising Manager. From 1988 to 1996, she was a Buyer at Macy's in the Textiles division. Ms. Laube began her career at Rich's department store in the Executive Training Program. She graduated from the Terry School of Business, University of Georgia in 1985 with a B.B.A. in Marketing.

Brian K. Robbins, 59, has served as our Executive Vice President of Supply Chain since 2013. Prior to joining us, Mr. Robbins was a senior supply chain or merchandising executive with three portfolio companies of Cerberus Capital Management since 2009. He had also held senior supply chain roles with GE and DuPont, and was a Merchandise Vice President with Home Depot. Early in his career, Mr. Robbins received his CPA certificate and held various accounting positions with Grant Thornton, Scripps Howard and PricewaterhouseCoopers. Mr. Robbins is a graduate of Miami University with a B.S. degree in Education, majoring in Industrial Management.

David V. Christopherson, 42, is our Senior Vice President, General Counsel and Secretary. He joined the Company as General Counsel and Secretary in 2013 and was promoted to Senior Vice President in February 2015. Mr. Christopherson was the Vice President, General Counsel and Secretary of Teavana Holdings, Inc. from 2011 to 2013 and the Deputy General Counsel of Swett & Crawford from 2007 to 2011. He was previously an attorney with the law firms King & Spalding and Sullivan & Cromwell. Mr. Christopherson received an A.B. in Political Science from Davidson College and a J.D. from Harvard Law School.

Board of Directors

Information pertaining to Mr. Taylor may be found in the section entitled "Management—Executive Officers."

Norman H. Axelrod, 64, has served as our Chairman since December 2011 and as a member of our board of directors since November 2010. Beginning in 1988, Mr. Axelrod served as Chief Executive Officer and a member of the board of directors of Linens 'n Things, Inc., a retailer of home textiles, housewares and decorative home accessories, was appointed as Chairman of its board of directors in 1997, and served in such capacities until its acquisition in February 2006. Mr. Axelrod also serves on the boards of directors of the parent entities of Smart & Final Stores, Inc., a warehouse-style food and supply retailer, Guitar Center, Inc., a musical instruments retailer, 99 Cents Only Stores LLC, a deep-discount retailer, Jaclyn, Inc., a handbags and apparel company, and The Neiman Marcus Group LLC, a luxury retailer. Mr. Axelrod has also previously served as the Chairman of the boards of directors of GNC Holdings, Inc., a specialty retailer of health and wellness products, National Bedding Company LLC, a mattress and bedding product manufacturer, and Simmons Company, a mattress and bedding product manufacturer, and as a member of the boards of directors of Reebok International Ltd., a leading worldwide designer and marketer of sports, fitness and casual footwear, apparel and equipment, and Maidenform Brands, Inc., an intimate apparel retailer. Mr. Axelrod has provided consulting services to certain Ares entities. Mr. Axelrod received a B.S. in Management and Marketing from Lehigh University and an M.B.A. from New York University. Mr. Axelrod's vast experience led to the conclusion that he should serve as a member of our board of directors.

George Vincent West, 62, has served on our board of directors since he founded us in 2000. He served as our Chief Executive Officer from 2000 to 2002, as co-Chief Executive Officer from 2008 to 2010 and as Chief Executive Officer from 2010 through 2012. Currently, Mr. West serves as the Vice Chairman of our board of directors, a position that he has held since December 2012. Mr. West began his business career starting a successful retail glassware business in Atlanta. He was eventually recruited to work for his family building materials business, West Building Materials, which operated in five southeastern states, and eventually became its President. Mr. West also developed and sold a multistate billboard company and has developed several real estate projects across the state of Georgia, the most recent being Utana Bluffs, a boutique mountain home community in the north Georgia Mountains. Mr. West graduated from the Terry College of Business at the University of Georgia in 1977. Mr. West's experience and intimate knowledge of the Company led to the conclusion that he should serve as a member of our board of directors.

Brad J. Brutocao, 43, has served as a member of our board of directors since November 2010. Mr. Brutocao joined Freeman Spogli in 1997 and has been a Partner since 2008. Prior to joining Freeman Spogli, Mr. Brutocao worked at Morgan Stanley & Co., a financial services firm, in the Mergers and Acquisitions and Corporate Finance departments. Mr. Brutocao currently serves on the boards of directors of the parent entities of Arhaus LLC, a home furnishings retailer, Boot Barn, Inc., a retailer of western and work footwear and apparel, Plantation Products LLC, a supplier of lawn and garden consumables, Regent Holding, a supplier of home décor and accent products, and City Barbeque, a fast-casual restaurant concept. Mr. Brutocao received a B.A. in Business Economics from the University of California, Los Angeles. Mr. Brutocao's experience managing investments in, and serving on the boards of, companies operating in the retail and consumer industries led to the conclusion that he should serve as a member of our board of directors.

Michael Fung, 66, has served as a member of our board of directors since April 2017. Mr. Fung has been the Interim Chief Operating Officer and Chief Financial Officer for The Neiman Marcus Group LLC, a luxury retailer, since November 2016. Previously, Mr. Fung served as the Interim Chief Financial Officer and Treasurer for 99 Cents Only Stores LLC, a deep-discount retailer, from June to November 2015 and as the Interim Executive Vice President and Chief Administrative Officer from January to September 2013. Mr. Fung served as Senior Vice President and Chief Financial Officer at Walmart U.S., a multinational retailer, from 2006 until his retirement in February 2012, as Senior Vice President, Internal Audit Services from 2003 to 2006, and as Vice President, Finance and Administration of Global Procurement from 2001 to 2003. Before joining Walmart, Mr. Fung spent five years as Vice President and Chief Financial Officer of Sensient Technologies Corporation, a global manufacturer and marketer of colors, flavors and fragrances, preceeded by three years as Senior Vice President and Chief Financial Officer of Vanstar Corporation, a developer of information technology and networking solutions and four years as Vice President and Chief Financial Officer of Bass Pro Shops, Inc., a hunting, fishing and outdoor gear retailer. Mr. Fung currently serves as a member of the boards of directors of Franklin Covey Co., a provider of time management and assessment products, and 99 Cents Only Stores LLC. Mr. Fung is the immediate past Chair and member of the Board for the Asian and Pacific Islander American Scholarship Fund. Mr. Fung is also a member of the Committee of 100 and the University of Illinois Foundation. Mr. Fung is a Certified Public Accountant (Inactive) in the State of Illinois. He received his B.S. in Accounting from the University of Illinois at Chicago and his M.B.A. from the University of Chicago. Mr. Fung's operating experience at retailers and his service on boards of directors led to the conclusion that he should serve as a member of our board of directors.

David B. Kaplan, 49, has served as a member of our board of directors since October 2010, including as Chairman from October 2010 to December 2011. Mr. Kaplan is a Co-Founder of Ares, and a Director and Partner of Ares Management GP LLC, Ares Management's general partner. He is a Partner of Ares Management, Co-Head of its Private Equity Group and a member of its

Management Committee. He additionally serves on several of the Investment Committees for certain funds managed by the Private Equity Group. Mr. Kaplan joined Ares in 2003 from Shelter Capital Partners, LLC, where he was a Senior Principal from June 2000 to April 2003. From 1991 through 2000, Mr. Kaplan was affiliated with, and a Senior Partner of, Apollo Management, L.P. and its affiliates, during which time he completed multiple private equity investments from origination through exit. Prior to Apollo Management, L.P., Mr. Kaplan was a member of the Investment Banking Department at Donaldson, Lufkin & Jenrette Securities Corp., an investment banking and securities firm. Mr. Kaplan currently serves as Chairman of the board of directors of the parent entities of Neiman Marcus Group, Inc., a luxury retailer, and Smart & Final Stores, Inc., a warehouse-style food and supply retailer, and as a member of the boards of directors of ATD Corporation, a replacement tire distributor, 99 Cents Only Stores LLC, a deep-discount retailer, and the parent entity of Guitar Center, Inc., a musical instruments retailer. Mr. Kaplan's previous public company board of directors experience includes Maidenform Brands, Inc., an intimate apparel retailer, where he served as the company's Chairman, GNC Holdings, Inc., a specialty retailer of health and wellness products, Dominick's Supermarkets, Inc., a grocery store retailer, Stream Global Services, Inc., a business process outsourcing provider, Orchard Supply Hardware Stores Corporation, a home improvement retailer, and Allied Waste Industries Inc., a waste services company. Mr. Kaplan also serves on the board of directors of Cedars-Sinai Medical Center, is a Trustee of the Center for Early Education and serves on the President's Advisory Group of the University of Michigan. Mr. Kaplan graduated with High Distinction, Beta Gamma Sigma, from the University of Michigan, School of Business Administration with a B.B.A. concentrating in Finance. Mr. Kaplan's over 25 years of experience managing investments in, and serving on the boards of directors of, companies operating in various industries led to the conclusion that he should serve as a member of our board of directors.

Rachel H. Lee, 32, has served as a member of our board of directors since October 2015. Ms. Lee is a Principal in the Private Equity Group of Ares. Prior to joining Ares in 2008, Ms. Lee was an investment banking generalist at J.P. Morgan, where she participated in the execution of a variety of transactions including leveraged buyouts, mergers and acquisitions, and debt and equity financings across various industries. Ms. Lee also serves on the board of directors of Farrow & Ball Ltd., a manufacturer of paints and wallpapers. She holds a B.S.B.A. from the University of Southern California Marshall School of Business in Corporate Finance and a B.S. from the University of Southern California Leventhal School of Accounting in Accounting. Ms. Lee's experience working with and serving as a director of various companies operating in various industries controlled by private equity sponsors led to the conclusion that she should serve as a member of our board of directors.

John M. Roth, 58, has served as a member of our board of directors since November 2010. Mr. Roth joined Freeman Spogli in 1988 and has been a Partner since 1993, he previously served as President and Chief Operating Officer and now serves as Chief Executive Officer. From 1984 to 1988, Mr. Roth was employed by Kidder, Peabody & Co. Incorporated in the Mergers and Acquisitions Group. Mr. Roth has served on the board of directors of El Pollo Loco Holdings, Inc., a differentiated quick service restaurant concept, since December 2007. Mr. Roth previously served on the board of directors of hhgregg, Inc., an electronics and appliances retailer. Mr. Roth received an M.B.A. and a bachelor's degree from the Wharton School of the University of Pennsylvania. With his extensive experience as a board member of numerous retail and consumer businesses and his experience and insights into strategic expansion opportunities, capital markets and capitalization strategies, Mr. Roth is well qualified to serve on our board of directors.

Peter M. Starrett, 69, has served as a member of our board of directors since November 2010. In 1998, Mr. Starrett founded Peter Starrett Associates, a retail advisory firm, and currently serves as its President. In connection with his activities at Peter Starrett Associates, Mr. Starrett also provides consulting services to certain Freeman Spogli affiliated entities. From 1990 to 1998, Mr. Starrett served as the President of Warner Bros. Studio Stores Worldwide, a specialty retailer. Previously, he was

Chairman and Chief Executive Officer of The Children's Place, a specialty retailer. Prior to that, Mr. Starrett held senior executive positions at both Federated Department Stores and May Department Stores, each a department store retailer. Mr. Starrett is Chairman of the board of directors of Boot Barn, Inc., a specialty apparel and footwear retailer. From May to November of 2012, Mr. Starrett served as Boot Barn, Inc.'s interim Chief Executive Officer. In addition, he is a member of the board of directors of several private companies. Previously, he was also the Chairman of the board of directors of Pacific Sunwear, Inc. and served on the board of directors of hhgregg, Inc., an electronics and appliances retailer. Mr. Starrett received a B.S.B.A. from the University of Denver and an M.B.A. from Harvard Business School. Mr. Starrett's extensive experience as an officer and a director of both public and private companies in the retail industry led to the conclusion that he should serve as a member of our board of directors.

Richard L. Sullivan, 60, has served as a member of our board of directors since April 2017. Mr. Sullivan has been the President and CEO of the parent entity of PGA TOUR Superstore, a nationwide specialty golf retailer, since 2009. Previously, Mr. Sullivan was the Chief Marketing Officer for Home Depot Inc. from 1992 to 2002. From 2002 to 2008, Mr. Sullivan served as the Executive Vice President and Chief Marketing Officer overseeing sales, marketing and other business related functions for the Atlanta Falcons and team owner Arthur Blank. Mr. Sullivan was elected Vice Chairman of the board of directors of the National Golf Foundation in January 2016 and serves as a member of its compensation committee. He received his B.S. in Accounting from Roger Williams University. Mr. Sullivan's business experience, including in home improvement and specialty retailers, led to the conclusion that he should serve as a member of our board of directors.

Felicia D. Thornton, 53, has served as a member of our board of directors since April 2017. Ms. Thornton has been the Chief Financial Officer and Treasurer for 99 Cents Only Stores LLC, a deep-discount retailer, since November 2015. Previously, Ms. Thornton served as Co-Chief Executive Officer, President and Chief Operating Officer for DeMoulas Super Market, Inc., ("DeMoulas"), a supermarket chain, from June 2014 to December 2014 and as the Chief Executive Officer of Knowledge Universe U.S., a private childhood education company, from 2006 to 2011. Ms. Thornton served as Chief Financial Officer and led overall strategy for Albertsons, a grocery and drugstore company, from 2001 to 2006. Ms. Thornton served in a variety of executive strategic and financial roles from 1992 to 2000 for Ralphs Grocery Company, Inc., a grocery store chain, and for Fred Meyer, a retail supermarket company, both of which eventually became part of The Kroger Company, a global retailer of grocery, multi-department, discount, convenience and jewelry stores, where Ms. Thornton served as Group Vice President responsible for retail operations. Ms. Thornton has served as a member of the boards of directors of public and private companies, including Nordstrom, Inc., a luxury retailer, from November 2010 to May 2012 and for Knowledge Universe Education, Inc. from November 2006 to May 2012. Ms. Thornton also served as an Advisor to the Special Committee of the board of directors of DeMoulas from April 2014 to June 2014. Ms. Thornton received a B.S. in Economics from Santa Clara University and an M.B.A. from the University of Southern California. Ms. Thornton's extensive executive experience in retail, and particularly in large high growth multi-unit retailers, led to the conclusion that she should serve as a member of our board of directors.

Board Composition

Our business and affairs are managed by our board of directors, which consists of 11 directors. The size of our board of directors may range from three to 12 members, the exact number of which will be set from time to time by our board of directors.

Pursuant to the terms of the Investor Rights Agreement, each Sponsor is entitled to nominate (a) five directors for election to our board of directors for so long as it holds 40% or more of our outstanding common stock, (b) three directors for election to our board of directors for so long as it holds 30% or more of our outstanding common stock, (c) two directors for election to our board of directors for so long as it holds 15% or more of our outstanding common stock and (d) one director for election to our board of directors for so long as it holds 5% or more of our outstanding common stock. In particular, Ares has nominated Messrs. Axelrod, Kaplan and Starrett and Mses. Lee and Thornton for election to our board of directors, and Freeman Spogli has nominated Messrs. Brutocao and Roth for election to our board of directors. Pursuant to the terms of the Investor Rights Agreement, each Sponsor will agree to vote in favor of the other Sponsor's nominees and for the election of our then-current chief executive officer to our board of directors.

Upon the closing of this offering, our board of directors will be divided into three classes. The members of each class will serve for a staggered, three-year term. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms, subject to our Sponsors' rights to remove their respective nominees, at the annual meeting of stockholders in the year in which their term expires. There will be no cumulative voting at the election of directors. Consequently, at each annual meeting, the successors to the directors whose terms are then expiring will be decided by a majority of the votes cast at the meeting. The classes will be composed as follows:

- Messrs. Axelrod, Brutocao and Sullivan and Ms. Thornton will be Class I directors, whose terms will expire at the first annual meeting of stockholders following this offering;

- Messrs. Fung, Roth and Taylor and Ms. Lee will be Class II directors, whose terms will expire at the second annual meeting of stockholders following this offering;

- Messrs. Kaplan, Starrett and West will be Class III directors, whose terms will expire at the third annual meeting of stockholders following this offering;

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in control.

Pursuant to the terms of the Investor Rights Agreement, directors nominated by our Sponsors may be removed with or without cause by the affirmative vote of the Sponsor entitled to nominate such director. In all other cases and at any other time, directors may only be removed for cause by the affirmative vote of at least a majority of the voting power of our common stock.

Director Independence

Our board of directors has reviewed the independence of our directors and has considered whether any director has a material relationship with us that could compromise that director's ability to exercise independent judgment in carrying out that director's responsibilities. Our board of directors has affirmatively determined that each of Messrs. Axelrod, Brutocao, Fung, Kaplan, Roth, Starrett and Sullivan and Mses. Lee and Thornton qualifies as an "independent director," as defined in the corporate governance rules of the New York Stock Exchange.

Controlled Company Exception

Upon the closing of this offering, we will be deemed a "controlled company" under the rules of the New York Stock Exchange, and we will qualify for, but do not intend to rely on, the "controlled company" exemption to the board of directors and committee composition requirements under the rules of the New York Stock Exchange. If we were to rely on this exemption, we would be exempt from the requirements that (1) our board of directors be comprised of a majority of independent directors, (2) we have a nominating and corporate governance committee composed entirely of independent directors, (3) our compensation committee be comprised solely of independent directors and (4) we conduct an annual performance evaluation of the nominating and corporate governance committee and the compensation committee. The "controlled company" exception does not modify the independence requirements for the audit committee, and we intend to comply with the requirements of the Sarbanes-Oxley Act and the rules of the New York Stock Exchange, which require that our audit committee be composed of at least three members and entirely of independent directors within one year from the date of this prospectus.

Since we do not intend to rely on the "controlled company" exemption under the rules of the New York Stock Exchange, the board of directors will take all actions necessary to comply with such rules, including appointing a majority of independent directors to the board and establishing certain committees composed entirely of independent directors within the time frames set forth under the rules of the New York Stock Exchange.

Board Leadership Structure

Our board of directors has no policy with respect to the separation of the offices of Chief Executive Officer and Chairman of the Board. It is the board of directors' view that rather than having a rigid policy, the board of directors, with the advice and assistance of the nominating and corporate governance committee, and upon consideration of all relevant factors and circumstances, will determine, as and when appropriate, whether the two offices should be separate.

Currently, our leadership structure separates the offices of Chief Executive Officer and Chairman of the Board with Mr. Taylor serving as our Chief Executive Officer and Mr. Axelrod as Chairman of the Board. We believe this is appropriate as it provides Mr. Taylor with the ability to focus on our day-to-day operations while Mr. Axelrod focuses on oversight of our board of directors.

Risk Oversight

Our board of directors plays an active role in overseeing management of our risks. Our board of directors regularly reviews information regarding our credit, compliance, liquidity and operations, as well as the risks associated with each. Our compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements and our audit committee is responsible for overseeing the management of financial, legal and regulatory risks and our enterprise risk management process generally. Upon the closing of this offering, our nominating and corporate governance committee will be responsible for managing risks associated with the independence of the board of directors. While each committee will be responsible for evaluating certain risks and overseeing the management of such risks, our full board of directors plans to keep itself regularly informed regarding such risks through committee reports and otherwise.

Board Committees

Our board of directors has the authority to appoint committees to perform certain management and administration functions. Our board of directors has the following standing committees: an audit committee, a compensation committee and, upon the closing of this offering, will have a nominating and corporate governance committee. The composition and responsibilities of each standing committee are described below. Members will serve on these committees until their resignation or until otherwise determined by the board of directors.

Audit Committee

Upon the closing of this offering, the audit committee of our board of directors (the "Audit Committee") will consist of Messrs. Starrett and Sullivan and Mr. Fung who will act as its chair. Our board of directors determined that each of Messrs. Fung and Sullivan qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K, has the attributes set forth in such section and is financially literate, as required by the rules of the New York Stock Exchange. In addition, our board of directors has determined that each of Messrs. Starrett and Sullivan is independent as independence is defined under the rules of the New York Stock Exchange and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Within one year of the date of this prospectus, we expect to have a fully independent audit committee in accordance with the rules of the New York Stock Exchange and Rule 10A-3(b)(1) under the Exchange Act.

The principal duties and responsibilities of our Audit Committee are as follows:

- to monitor our financial reporting process and internal control system;
- to appoint and replace our independent registered public accounting firm from time to time, determine their compensation and other terms of engagement and oversee their work;
- to oversee the performance of our internal audit function; and
- to oversee our compliance with legal, ethical and regulatory requirements.

The Audit Committee will have the power to investigate any matter brought to its attention within the scope of its duties. It will also have the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Compensation Committee

Upon the closing of this offering, the compensation committee of our board of directors (the "Compensation Committee") will consist of Mr. Brutocao, Ms. Lee and Mr. Axelrod, who will act as its chair.

The principal duties and responsibilities of our Compensation Committee are as follows:

- to provide oversight on the development and implementation of the compensation policies, strategies, plans and programs for our key employees and outside directors and disclosure relating to these matters;
- to review and approve the compensation of our chief executive officer and the other executive officers of us and our subsidiaries; and
- to provide oversight concerning the compensation of our chief executive officer, succession planning, performance of the chief executive officer and related matters.

Nominating and Corporate Governance Committee

Upon the closing of this offering, the nominating and corporate governance committee of our board of directors will consist of Ms. Lee, Mr. Roth and Ms. Thornton, who will act as its chair.

The principal duties and responsibilities of the nominating and corporate governance committee will be as follows:

- to establish criteria for board and committee membership and recommend to our board of directors proposed nominees for election to the board of directors and for membership on committees of the board of directors; and
- to make recommendations to our board of directors regarding board governance matters and practices.

Code of Conduct and Ethics

Our board of directors will adopt a code of conduct and ethics that applies to all of our employees, including those officers responsible for financial reporting. The code of conduct and ethics will be available on our website at *www.FloorandDecor.com*. We intend to disclose any amendments to the code, or any waivers of its requirements, on our website to the extent required by applicable SEC rules or the rules of the New York Stock Exchange. The inclusion of our website address in this prospectus does not include or incorporate by reference the information on or accessible through our website into this prospectus.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, or in the past year has served, as a member of the board or compensation committee of any entity that has one or more executive officers serving on our board or compensation committee.

EXECUTIVE AND DIRECTOR COMPENSATION

Introduction

In this Compensation Discussion and Analysis, we address our philosophy, programs and processes related to the compensation paid or awarded for fiscal 2016 to our named executive officers listed in the Summary Compensation Table for Fiscal 2016 that follows this discussion.

Our named executive officers ("NEOs") for fiscal 2016, which consist of our principal executive officer, our principal financial officer and our three other most highly compensated executive officers for fiscal 2016, are:

- Thomas V. Taylor, who serves as Chief Executive Officer and a member of our board of directors and is our principal executive officer;
- Trevor S. Lang, who serves as Executive Vice President and Chief Financial Officer and is our principal financial officer;
- Lisa G. Laube, who serves as Executive Vice President and Chief Merchandising Officer;
- Brian K. Robbins, who serves as Executive Vice President—Supply Chain; and
- David V. Christopherson, who serves as Senior Vice President, Secretary and General Counsel.

Fiscal 2016 Compensation

Compensation Philosophy and Objectives

Our Compensation Committee worked with Korn Ferry Hay Group ("Hay Group"), our independent compensation consultant, to develop and formalize our fiscal 2016 compensation philosophy and to implement compensation arrangements that reflect this philosophy. Our compensation philosophy reflects the following general principles:

- *Simplicity and transparency:* Base salary, bonuses and stock option awards should be easy to understand, and total compensation should be market and performance-based.
- *Attractive compensation for talent:* The more senior the executive, the more pay should be "at risk."
- *Pay for performance:* Compensation should only be paid (with the possibility of no incentive payments) when financial performance is achieved that aligns with the strategic and financial priorities set by the Board.
- *Operating income is an appropriate measure of performance:* Incentive compensation should be tied to operating income because it is a measure of profitability scrutinized by public companies and excludes uncontrollable factors like taxes and interest rates.

Determination of Compensation

Prior to this offering, we were privately held, and the Compensation Committee reviewed and recommended the compensation of our NEOs. Following this offering, the Compensation Committee will continue to review and recommend the compensation of our NEOs and will regularly report its compensation decisions and recommendations to our board of directors.

In addition, Hay Group had been retained by us to provide advice on compensation for a private company, with such advice being utilized by the Compensation Committee to assist in developing our approach to executive officer and director compensation. In addition to advising our Compensation Committee, Hay Group performs other compensation consulting services for us.

Following the IPO, the Compensation Committee expects to retain Hay Group as its compensation consultant to provide advice on compensation for a public company.

In making executive compensation determinations for fiscal 2016, we relied on the significant experience of our directors in establishing compensation across many companies in multiple industries, as well as the input of our Chief Executive Officer, who has many years of experience in our industry. As a private company, our Compensation Committee analyzed market data for executive compensation focusing on retail companies with $250 million to $1.9 billion in annual revenue. The Compensation Committee reviewed compensation data from the public filings for the following companies:

Big 5 Sporting Goods	Kirkland's
Conn's	Lumber Liquidators
The Container Store	Mattress Firm
Ethan Allen Interiors	Restoration Hardware
Flexsteel Industries	Select Comfort
Haverty Furniture	Sportsman's Warehouse
Hibbett Sports	Tile Shop

While the Compensation Committee considered this data from time to time to generally inform decisions relating to NEO compensation, it did not seek to benchmark our NEO compensation to any particular level. Following this offering, the Compensation Committee expects to periodically evaluate competitive market data to include the most suitable peer group as well as other market data deemed relevant. The Compensation Committee will review our NEO compensation against an appropriate peer group on a more formal basis and will also consider other relevant market data to ensure that our named executive officer compensation is competitive and sufficient to recruit and retain our NEOs.

The Compensation Committee expects to periodically review and update this peer group and to utilize Hay Group for benchmarking and peer group analysis in determining and developing compensation packages for our NEOs.

In connection with this offering, the Compensation Committee, in consultation with Hay Group, revised our peer group to add Party City, Pier 1 and La-Z-Boy, and removed Kirkland's, Sportsman's Warehouse and Flexsteel Industries in order to more closely align the peer group with our revenue, and removed Mattress Firm because it was acquired on August 8, 2016.

Elements of Our Executive Compensation Program

For fiscal 2016, our executive compensation program consisted of the following elements:

- base salary;
- annual cash incentive bonuses;
- stock options;
- health and retirement benefits; and
- severance payments.

We do not have formal policies relating to the allocation of total compensation among the various elements of our compensation program. We generally allocate compensation between short-term and long-term components and between cash and equity in order to maximize executive performance and retention. Long-term compensation and equity awards comprise an increasingly larger proportion of total compensation of our senior executives as position level increases based on our belief that these at-risk elements of compensation more closely align management's interests with our financial performance and with our employees' interests.

Base Salary. Base salary is a visible and stable foundation of our compensation program. The base salaries of our NEOs are intended to reflect the position, duties and responsibilities of each executive and the market for base salaries of similarly situated executives at other companies of similar size and in similar industries. On a prospective basis, we will continue to evaluate the mix of base salary, short-term incentive compensation and long-term incentive compensation to appropriately align the interests of our NEOs with those of our stockholders. As of the end of fiscal 2016, Mr. Taylor received a base salary at an annual rate of $700,000, Ms. Laube received a base salary at an annual rate of $490,000, Mr. Lang received a base salary at an annual rate of $410,000, Mr. Robbins received a base salary at an annual rate of $351,527, and Mr. Christopherson received a base salary at an annual rate of $309,000. These amounts reflect merit-based salary increases approved by the Compensation Committee in February 2016 of 3% for Ms. Laube, 2.5% for Mr. Lang, 5% for Mr. Robbins and 3% for Mr. Christopherson. Mr. Taylor's base salary did not change in fiscal 2016.

In February 2017, the Compensation Committee approved base salary increases for Messrs. Taylor, Lang, Robbins and Christopherson. During fiscal year 2017, the NEOs will receive the following base salaries: Mr. Taylor, $850,000 (an approximately 21.5% increase over his fiscal year 2016 base salary), Mr. Lang, $422,300 (a 3% increase over his fiscal year 2016 base salary), Mr. Robbins, $360,315 (an approximately 2.5% increase over his fiscal year 2016 base salary) and Mr. Christopherson, $321,360 (a 4% increase over his fiscal year 2016 base salary). Ms. Laube's base salary remained unchanged from fiscal year 2016.

Discretionary Bonus. On February 24, 2016, the Compensation Committee approved a discretionary bonus of $200,000 to Mr. Taylor to recognize his contribution to our exceptional performance in fiscal 2015.

Annual Cash Incentive Bonuses. Our NEOs are eligible to receive annual cash incentive bonuses. We consider annual cash incentive bonuses to be "at-risk" compensation. As "at-risk" compensation, we increase the size of the target bonus, as a percentage of base compensation, proportionate to each executive officer's position and responsibilities. The annual incentive bonuses are intended to reward our senior executives for achieving a target operating income objective established by the Compensation Committee at the beginning of the year. For fiscal 2016, Mr. Taylor was eligible to receive a bonus with a target amount equal to 100% of his base salary. For fiscal 2016, Ms. Laube and Messrs. Lang, Robbins and Christopherson were each eligible to receive a bonus with a target amount equal to 50% of his or her base salary.

In fiscal 2016, our target operating income as calculated with respect to the annual incentive bonuses was $64.6 million. Our actual and Adjusted operating income as calculated with respect to such annual cash incentive bonuses, or our Adjusted operating income, was $81.0 million, which was 125% of the target and resulted in a payout percentage of 201.4%. We define adjusted operating income as our operating income adjusted to eliminate the impact of certain items that we do not consider indicative of our core operating performance, which includes (a) provisions for legal settlement and other legal fees and expenses, (b) costs associated with the relocation of certain stores and distribution centers and (c) certain business and strategic consulting fees. In 2016, the majority of such adjustments was a credit for the cost to settle a putative class action lawsuit. See Note 6 to our consolidated financial statements for the year ended December 29, 2016. Accordingly, the NEOs received the following annual incentive bonuses:

Name	Target Annual Incentive Bonus	Actual Annual Incentive Bonus	Actual Payout Percentage
Thomas V. Taylor	$ 700,000	$ 1,410,122	201.4%
Trevor S. Lang	$ 204,038	$ 411,027	201.4%
Lisa G. Laube	$ 243,558	$ 490,637	201.4%
Brian Robbins	$ 174,152	$ 350,822	201.4%
David V. Christopherson	$ 153,635	$ 309,491	201.4%

In February 2017, the Compensation Committee adopted the 2017 Annual Performance Bonus Program (the "2017 Bonus Program"), pursuant to which executive officers, including the NEOs, will be eligible to earn annual cash incentive bonuses based upon our achievement of operating income for the 2017 fiscal year. For payouts at target, our operating income must be $100.3 million, with greater payouts possible in the event we exceed our target operating income objective. Under the 2017 Bonus Program, our operating income must be at least $81.1 million in order for any payouts to be made. Mr. Taylor is eligible to receive a bonus with a target amount equal to 100% of his base salary. Ms. Laube and Messrs. Lang, Robbins and Christopherson are each eligible to receive a bonus with a target amount equal to 60%, 60%, 55% and 50% of their respective base salaries.

Stock Option Awards. We generally grant stock options to our NEOs in connection with their hiring as a way of aligning our interests with those of our employees. Stock options generally become exercisable in equal annual installments of 20% each, on each of the first five anniversaries of their effective date as long as the NEO is continuously employed by us on each vesting date. For Mr. Taylor, certain stock options become exercisable in annual installments of 25% each on each of the first four anniversaries of their grant date so long as Mr. Taylor remains continuously employed by us on each vesting date. On September 30, 2016, in connection with a non-recurring extraordinary dividend, we adjusted the exercise price of certain outstanding stock options and made cash payments to certain stock option holders in accordance with the terms of the 2011 Plan to account for such dividend, including stock options held by the NEOs, in order to prevent substantial dilution or enlargement of the rights of such option holders. Certain option holders, including the NEOs, will, in the event of a termination of employment prior to March 31, 2018, be required to repay dividend payments received in respect of stock options that were unvested as of September 30, 2016 and that remain unvested as of the date of termination. There was no incremental change to the fair value of the options in connection with the adjustment of the exercise price. On September 30, 2016, in connection with extraordinary individual and Company performance, we granted Messrs. Taylor, Lang, Robbins and Christopherson and Ms. Laube 268,397, 84,960, 54,065, 39,262 and 93,971 stock options, respectively (after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017). In connection with this offering, we intend to grant stock options to our NEOs under the 2017 Plan.

401(k) Plan. All full-time employees are eligible to participate in our 401(k) plan after 6 months of service and are eligible to receive matching contributions from us after one year of service. We match employee contributions in cash at a rate of 30% of the first 5% of base compensation that an employee contributes, with graded vesting over a six year period. Our NEOs are also eligible for our matches, subject to regulatory limits on contributions to 401(k) plans.

Employment Agreements. The following is a summary of the employment agreements that we have entered into with our NEOs. The summary below does not contain complete descriptions of all provisions of the employment agreements of our NEOs and is qualified in its entirety by reference to such employment agreements, copies of which will be filed as exhibits to the registration statement of which this prospectus forms a part. See "Where You Can Find More Information."

Thomas V. Taylor—Chief Executive Officer

We entered into an amended and restated employment agreement with Mr. Taylor on July 29, 2015 pursuant to which Mr. Taylor agreed to continue to serve as our Chief Executive Officer. Mr. Taylor's employment agreement has a term of three years, after which it will automatically renew each year for successive one-year terms unless either party provides written notice of non-renewal or his employment is otherwise terminated, in each case pursuant to the terms of the employment agreement.

If we terminate Mr. Taylor's employment without Cause or do not renew it or if Mr. Taylor resigns for Good Reason, he is entitled to receive (i) any accrued and unpaid base salary and benefits and payments pursuant to the terms of any benefit plan (collectively, the "Accrued Benefits"), and (ii) subject to Mr. Taylor executing a valid release of claims, severance pay equal to (w) two times Mr. Taylor's annual base salary, payable over 24 months; (x) any unpaid annual incentive bonus with respect to the most recently completed fiscal year if the bonus is unpaid on the date of termination; (y) a pro-rated portion of the average annual incentive bonus that Mr. Taylor earned over the two completed fiscal years prior to his date of termination; and (z) an amount equal to our portion of Mr. Taylor's health care premiums for 24 months following his date of termination. In addition, any vested stock options held by Mr. Taylor at the time of his termination of employment without Cause or for Good Reason will remain exercisable for a period of 90 days following the date of such termination.

We generally may terminate Mr. Taylor's employment for "Cause" immediately upon written notice of any of the following reasons: (i) his commission of, or being indicted for a felony, or his commission of a misdemeanor where imprisonment may be imposed (other than a traffic-related offense); (ii) any act of material misconduct or gross negligence in the performance of his duties or any act of moral turpitude; (iii) any act of theft, fraud or material dishonesty; (iv) his willful failure to perform any reasonable duties assigned by the board of directors, or his refusal to follow the directives of the board of directors that is not cured within 30 days; (v) any material breach of an agreement with us that is not cured within ten days; or (vi) his unlawful appropriation of a material corporate opportunity.

Mr. Taylor generally may terminate his employment for "Good Reason" in connection with any of the following without his consent: (i) a material diminution of his authority, duties or responsibilities; (ii) a material diminution of his base salary; (iii) a relocation of his office to a location that is more than 50 miles from the Atlanta, Georgia metropolitan area; or (iv) any material breach of Mr. Taylor's employment agreement by us that is not cured within 60 days.

In the event of Mr. Taylor's death or disability, Mr. Taylor or his personal representatives or heirs will receive (i) his Accrued Benefits, (ii) his base salary for 12 months, (iii) any unpaid annual incentive bonus with respect to the most recently completed fiscal year if the bonus is unpaid on the date of termination, and (iv) a pro-rated portion of the annual incentive bonus that Mr. Taylor would have earned if he had remained employed, payable at the time bonuses are paid to employees generally. Additionally Mr. Taylor's vested options will be exercisable for 12 months after his termination due to death or disability.

In the event that Mr. Taylor's employment is terminated by us without Cause or by Mr. Taylor for Good Reason within one year following a Change in Control (as defined in his amended and restated employment agreement), Mr. Taylor will be entitled to receive (i) the Accrued Benefits, and (ii) subject to Mr. Taylor executing a valid release of claims, severance pay equal to (v) two times Mr. Taylor's annual base salary; (w) any unpaid annual incentive bonus with respect to the most recently completed fiscal year if the bonus is unpaid on the date of termination; (x) a pro-rated portion of the average annual incentive bonus that Mr. Taylor earned over the two completed fiscal years prior to his date of termination; (y) an amount equal to our portion of Mr. Taylor's health care premiums for

24 months following his date of termination and (z) an amount equal to two times Mr. Taylor's target annual incentive bonus.

Trevor S. Lang—Executive Vice President and Chief Financial Officer

We entered into an amended and restated employment agreement with Mr. Lang on July 29, 2015 pursuant to which Mr. Lang agreed to continue to serve as our Executive Vice President and Chief Financial Officer. Mr. Lang's employment agreement had an initial term of one year, but automatically renewed on July 29, 2016 and will continue to automatically renew each year for successive one-year terms unless either party provides written notice of non-renewal or his employment is otherwise terminated, in each case pursuant to the terms of the employment agreement.

If we terminate Mr. Lang's employment without Cause or do not renew it or if Mr. Lang resigns for Good Reason, he is entitled to receive (i) any Accrued Benefits, and (ii) subject to Mr. Lang executing a valid release of claims, severance pay equal to Mr. Lang's annual base salary, payable over 12 months. In addition, any vested stock options held by Mr. Lang at the time of his termination of employment without Cause or for Good Reason remain exercisable for a period of 90 days following the date of such termination.

We may terminate Mr. Lang's employment for "Cause" immediately upon written notice of any of the following reasons: (i) his (x) commission of, or being indicted for a felony, or (y) commission of a misdemeanor where imprisonment may be imposed (other than a traffic-related offense); (ii) any act of material misconduct or gross negligence in the performance of his duties or any act of moral turpitude; (iii) any act of theft, fraud or material dishonesty; (iv) his willful failure to perform any reasonable duties assigned by the Chief Executive Officer, or his refusal to follow the directives of the Chief Executive Officer that is not cured within 30 days; (v) any material breach of an agreement with us that is not cured within ten days; or (vi) his unlawful appropriation of a material corporate opportunity.

Mr. Lang generally may terminate his employment for "Good Reason" in connection with any of the following without his consent: (i) a material diminution of his authority, duties or responsibilities; (ii) a material diminution of his base salary; (iii) a relocation of his office to a location that is more than 50 miles from the Atlanta, Georgia metropolitan area; or (iv) any material breach of Mr. Lang's employment agreement by us, in each case that is not cured within 60 days.

Lisa G. Laube—Executive Vice President and Chief Merchandising Officer

We entered into an amended and restated employment agreement with Ms. Laube on July 29, 2015 pursuant to which Ms. Laube agreed to continue to serve as our Executive Vice President and Chief Merchandising Officer. Ms. Laube's employment agreement had an initial term of one year, but automatically renewed on July 29, 2016 and will continue to automatically renew each year for successive one-year terms unless either party provides written notice of non-renewal or her employment is otherwise terminated, in each case pursuant to the terms of the employment agreement.

If we terminate Ms. Laube's employment without Cause or do not renew it or if Ms. Laube resigns for Good Reason, she is entitled to receive (i) any Accrued Benefits, and (ii) subject to Ms. Laube executing a valid release of claims, severance pay equal to Ms. Laube's annual base salary, payable over 12 months. In addition, any vested stock options held by Ms. Laube at the time of her termination of employment without Cause or for Good Reason remain exercisable for a period of 90 days following the date of such termination.

We generally may terminate Ms. Laube's employment for "Cause" immediately upon written notice of any of the following reasons: (i) her (x) commission of, or being indicted for a felony, or (y) commission of a misdemeanor where imprisonment may be imposed (other than a traffic-related offense); (ii) any act of material misconduct or gross negligence in the performance of her duties or any act of moral turpitude; (iii) any act of theft, fraud or material dishonesty; (iv) her willful failure to perform any reasonable duties assigned by the Chief Executive Officer, or her refusal to follow the directives of the Chief Executive Officer that is not cured within 30 days; (v) any material breach of an agreement with us that is not cured within ten days; or (vi) her unlawful appropriation of a material corporate opportunity.

Ms. Laube generally may terminate her employment for "Good Reason" in connection with any of the following without her consent: (i) a material diminution of her authority, duties or responsibilities; (ii) a material diminution of her base salary; (iii) a relocation of her office to a location that is more than 50 miles from the Atlanta, Georgia metropolitan area; or (iv) any material breach of Ms. Laube's employment agreement by us, in each case that is not cured within 60 days.

Brian Robbins—Executive Vice President—Supply Chain

We entered into an employment agreement with Mr. Robbins on July 29, 2015 pursuant to which Mr. Robbins agreed to serve as our Executive Vice President—Supply Chain. Mr. Robbins's employment agreement had an initial term of one year, but automatically renewed on July 29, 2016 and will continue to automatically renew each year for successive one-year terms unless either party provides written notice of non-renewal or his employment is otherwise terminated, in each case pursuant to the terms of the employment agreement.

If we terminate Mr. Robbins's employment without Cause or do not renew it or if Mr. Robbins resigns for Good Reason, he is entitled to receive (i) any Accrued Benefits, and (ii) subject to Mr. Robbins executing a valid release of claims, severance pay equal to Mr. Robbins's annual base salary, payable over 12 months. In addition, any vested stock options held by Mr. Robbins at the time of his termination of employment without Cause or for Good Reason remain exercisable for a period of 90 days following the date of such termination.

We may terminate Mr. Robbins's employment for "Cause" immediately upon written notice of any of the following reasons: (i) his (x) commission of, or being indicted for a felony, or (y) commission of a misdemeanor where imprisonment may be imposed (other than a traffic-related offense); (ii) any act of material misconduct or gross negligence in the performance of his duties or any act of moral turpitude; (iii) any act of theft, fraud or material dishonesty; (iv) his willful failure to perform any reasonable duties assigned by the Chief Executive Officer, or his refusal to follow the directives of the Chief Executive Officer that is not cured within 30 days; (v) any material breach of an agreement with us that is not cured within ten days; or (vi) his unlawful appropriation of a material corporate opportunity.

Mr. Robbins generally may terminate his employment for "Good Reason" in connection with any of the following without his consent: (i) a material diminution of his authority, duties or responsibilities; (ii) a material diminution of her base salary; (iii) a relocation of his office to a location that is more than 50 miles from the Atlanta, Georgia metropolitan area; or (iv) any material breach of Mr. Robbins's employment agreement by us, in each case that is not cured within 60 days.

David V. Christopherson—Senior Vice President and General Counsel

We entered into an amended and restated employment agreement with Mr. Christopherson on July 29, 2015 pursuant to which Mr. Christopherson agreed to continue to serve as our Senior Vice President and General Counsel. Mr. Christopherson's employment agreement had an initial term of one year, but automatically renewed on July 29, 2016 and will continue to automatically renew each year for successive one-year terms unless either party provides written notice of non-renewal or his employment is otherwise terminated, in each case pursuant to the terms of the employment agreement.

If we terminate Mr. Christopherson's employment without Cause or do not renew it or if Mr. Christopherson resigns for Good Reason, he is entitled to receive (i) any Accrued Benefits, and

(ii) subject to Mr. Christopherson executing a valid release of claims, severance pay equal to Mr. Christopherson's annual base salary, payable over 12 months. In addition, any vested stock options held by Mr. Christopherson at the time of his termination of employment without Cause or for Good Reason remain exercisable for a period of 90 days following the date of such termination.

We may terminate Mr. Christopherson's employment for "Cause" immediately upon written notice of any of the following reasons: (i) his (x) commission of, or being indicted for a felony, or (y) commission of a misdemeanor where imprisonment may be imposed (other than a traffic-related offense); (ii) any act of material misconduct or gross negligence in the performance of his duties or any act of moral turpitude; (iii) any act of theft, fraud or material dishonesty; (iv) his willful failure to perform any reasonable duties assigned by the Chief Financial Officer or Chief Executive Officer, or his refusal to follow the directives of the Chief Executive Officer that is not cured within 30 days; (v) any material breach of an agreement with us that is not cured within ten days; or (vi) his unlawful appropriation of a material corporate opportunity.

Mr. Christopherson generally may terminate his employment for "Good Reason" in connection with any of the following without his consent: (i) a material diminution of his authority, duties or responsibilities; (ii) a material diminution of his base salary; (iii) a relocation of his office to a location that is more than 50 miles from the Atlanta, Georgia metropolitan area; or (iv) any material breach of Mr. Christopherson's employment agreement by us, in each case that is not cured within 60 days.

Restrictive Covenants

Each of the NEOs are subject to certain non-compete and non-solicitation restrictions while employed and for one year after termination of employment (or, in the case of Mr. Taylor, for three years after termination of employment). In addition, each NEO is subject to confidentiality and non-disparagement restrictions.

Tax Considerations

As a general matter, our board of directors and the Compensation Committee review and consider the various tax and accounting implications of compensation programs we utilize.

Section 162(m) ("Section 162(m)") of the Internal Revenue Code of 1986, as amended (the "Code") generally disallows public companies a tax deduction for compensation in excess of $1,000,000 paid to their chief executive officers and the three other most highly compensated executive officers (excluding the chief financial officer) unless certain performance and other requirements are met. Our intent generally is to design and administer executive compensation programs in a manner that will preserve the deductibility of compensation paid to our named executive officers, and we believe that a substantial portion of our current executive compensation program (including the stock options and other awards that may be granted to our named executive officers as described above) satisfies the requirements for exemption from the $1,000,000 deduction limitation. We intend to comply with applicable laws in order to rely on the transition rules under Section 162(m) for newly public companies. To the extent the transition rules under Section 162(m) apply to us, the $1,000,000 deduction limitation would not apply. However, we reserve the right to design programs that recognize a full range of performance criteria important to our success, even where the compensation paid under such programs may not be deductible.

Hedging and Pledging Policy

Our insider trading policy expressly prohibits transactions involving hedging or pledging of shares of our common stock by Covered Persons (defined as our and our subsidiaries' officers, directors and employees, as well as their immediate families and members of their households).

Stock Ownership Guidelines

To further align the long-term interests of our executives and our stockholders, in connection with this offering, we intend to adopt stock ownership guidelines applicable to our Chief Executive Officer, other executive officers and non-employee directors. The guidelines require our executives and non-executive directors to maintain the following beneficial ownership of shares of our common stock (measured in market value):

Group	Required ownership
Chief Executive Officer	5 times annual base salary
Executive Vice Presidents	3 times annual base salary
Senior Vice Presidents	2 times annual base salary
Non-employee directors	5 times annual cash retainer

Our executives and non-employee directors have until May 2022 or, if later, five years from the effective date of their respective election, appointment or promotion, as the case may be, to satisfy these stock ownership guidelines. For the purposes of these stock ownership guidelines, the annual consulting fee received by Mr. West under his consulting agreement with us will be deemed to be his annual cash retainer. For purposes of determining ownership levels, shares of common stock owned outright, unvested shares of restricted stock and shares underlying vested and certain unvested, in-the-money options to purchase common stock are included. Unvested stock options and shares of common stock underlying an award subject to performance-vesting for which the performance criteria have not been satisfied are not included.

Compensation Risk Assessment

Our Compensation Committee, Management and Hay Group have conducted risk assessments of our compensation plans and practices, and our Compensation Committee and management have concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company.

Role of the Compensation Committee in Executive Compensation

As described above, during fiscal 2016, our Compensation Committee made all decisions regarding the compensation of our NEOs. It is the Compensation Committee's responsibility to:

- oversee the design of our executive compensation programs, policies and practices;
- determine the types and amounts of most compensation for executive officers; and
- review and approve the adoption, termination and amendment of, and to administer and, as appropriate, make recommendations to our board of directors regarding, our incentive compensation and equity plans.

The Compensation Committee considered and approved the executive salary and bonus potential increases. In addition, as described above, the Compensation Committee has directly engaged Hay Group to assist in its review of compensation for our executive officers.

Role of Executive Officers in Determining Compensation for Our Executive Officers

Our Compensation Committee made all decisions regarding the compensation of our executive officers, after considering recommendations by Mr. Taylor (other than with respect to his own compensation). Our human resources department supports the Compensation Committee's work, and in some cases acts under delegated authority to administer compensation programs.

Compensation Committee Interlocks and Insider Participation

In fiscal 2016, none of our executive officers served as a director or member of the compensation committee of another entity whose executive officers served on our board of directors or the Compensation Committee.

COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Summary Compensation Table for Fiscal 2016

The following table contains information about the compensation paid to or earned by each of our NEOs during fiscal 2016.

Name and Principal Position	Fiscal Year	Salary($)	Bonus ($)	Option awards ($)(1)	Non-equity incentive plan compensation ($)	Change in pension value and nonqualified deferred compensation earnings ($)	All other compensation ($)(2)(3)	Total($)
Thomas V. Taylor—*Chief Executive Officer*	2016	700,000	—	1,096,026	1,410,122	—	3,906,220	7,112,368
Trevor S. Lang—*Executive Vice President and Chief Financial Officer*	2016	408,077	—	346,944	411,027	—	1,536,308	2,702,356
Lisa G. Laube—*Executive Vice President and Chief Merchandising Officer*	2016	487,115	—	383,741	490,637	—	1,798,881	3,160,374
Brian K. Robbins—*Executive Vice President Supply Chain*	2016	348,303	—	220,782	350,822	—	285,203	1,205,110
David V. Christopherson —*Senior Vice President, Secretary and General Counsel*	2016	307,269	—	160,330	309,491	—	180,938	958,028

(1) Amounts set forth in the Option Awards column represents the aggregate grant date fair value of awards granted in Fiscal 2016 computed in accordance with the FASB Accounting Standards Codification Topic 718 ("FASB ASC Topic 718"). All assumptions made in the valuations are contained and described in footnote 8 to the Company's financial statements for the year ended December 29, 2016. The amounts shown in the table reflect the total fair value on the date of grant and do not necessarily reflect the actual value, if any, that may be realized by the NEOs.

(2) In connection with a non-recurring extraordinary dividend, we adjusted the exercise price of certain outstanding stock options and made cash payments to certain stock option holders on September 30, 2016. Such cash payments were made to the NEOs in the following amounts: Mr. Taylor: $3,905,392; Mr. Lang: $1,533,118; Ms. Laube: $1,795,403; Mr. Robbins: $281,020; and Mr. Christopherson: $177,979.

(3) Amounts in this column also include (i) 401(k) employer matching contributions of $2,650 for each of Ms. Laube and Messrs. Lang, Robbins and Christopherson and (ii) employer-paid group term life insurance premiums of $828, $540, $1,533, $309 and $828 for Messrs. Taylor, Lang, Robbins and Christopherson and Ms. Laube, respectively.

Grants of Plan-Based Equity Awards Table

The following table contains information about each grant of an award made to our NEOs under any incentive plan in fiscal 2016 (after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017):

Name	Grant Date or Performance Period	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/share)(2)	Grant Date Fair Value of Option Awards ($)(3)
		Threshold ($)	Target ($)	Maximum ($)			
Thomas V. Taylor	9/30/16	N/A	700,000	N/A	268,397	9.99	1,096,026
Trevor S. Lang	9/30/16	N/A	204,999	N/A	84,960	9.99	346,944
Lisa G. Laube	9/30/16	N/A	244,999	N/A	93,971	9.99	383,741
Brian K. Robbins	9/30/16	N/A	175,763	N/A	54,065	9.99	220,782
David V. Christopherson	9/30/16	N/A	154,500	N/A	39,262	9.99	160,330

(1) Constitutes threshold, target and maximum award opportunities for our NEOs under the 2016 Cash Incentive Program. See "—Fiscal 2016 Compensation—Elements of Our Executive Compensation Program—Annual Incentive Bonuses" for information regarding the criteria applied in determining amounts payable under the awards. The actual amounts paid with respect to these awards are included in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table for Fiscal 2016.

(2) The exercise price of option awards is based on a good faith determination of fair market value of one share of our common stock as determined by the Compensation Committee on September 30, 2016 based on an appraisal prepared by an independent third party valuation firm.

(3) Pursuant to the SEC rules, option awards are valued in accordance with ASC 718. All assumptions made in the valuations are contained and described in footnote 8 to the Company's financial statements for the year ended December 29, 2016. The amounts shown in the table reflect the total fair value on the date of grant and do not necessarily reflect the actual value, if any, that may be realized by the NEOs.

Table of Contents

Outstanding Equity Awards at Fiscal Year-End 2016

The following table contains information about stock options that have not been exercised and were outstanding as of the last day of fiscal 2016 for each of our NEOs (after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017).

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Thomas V. Taylor(1)	805,193	—	3.15	December 13, 2022
	804,871	—	4.85	December 13, 2022
	—	268,397	9.99	September 30, 2026
Trevor S. Lang(2)	287,063	—	2.85	July 11, 2021
	344,991	—	4.33	July 11, 2021
	—	84,960	9.99	September 30, 2026
Lisa G. Laube(3)	296,074	74,019	2.85	February 23, 2022
	296,074	74,019	4.33	February 23, 2022
	—	93,971	9.99	September 30, 2026
Brian K. Robbins(4)	—	14,481	3.79	September 13, 2023
	43,446	14,481	6.22	September 13, 2023
	—	4,827	6.90	September 13, 2023
	14,482	4,827	9.33	September 13, 2023
	—	25,745	5.26	May 20, 2024
	25,746	12,872	7.69	May 20, 2024
	—	54,065	9.99	September 30, 2026
David V. Christopherson(5)	—	9,654	3.79	September 13, 2023
	20,918	9,654	6.22	September 13, 2023
	—	3,218	6.90	September 13, 2023
	9,654	3,218	9.33	September 13, 2023
	—	9,654	5.26	April 22, 2025
	3,218	3,218	7.69	April 22, 2025
	—	10,298	5.26	May 20, 2024
	10,298	5,149	7.69	May 20, 2024
	—	39,262	9.99	September 30, 2026

(1) Stock options granted to Mr. Taylor on December 13, 2012 vested in equal annual installments of approximately 402,516 on each of December 3, 2013, 2014, 2015 and 2016, and stock options granted on September 30, 2016 will vest in equal annual installments of approximately 53,679 on each of September 30, 2017, 2018, 2019, 2020, and 2021, in each case subject to his continued employment with us.

(2) Stock options granted to Mr. Lang on July 11, 2011 vested in equal annual installments of approximately 138,060 on each of June 17, 2012, 2013, 2014, 2015 and 2016, and stock options granted on September 30, 2016 will vest in equal annual installments of approximately 16,992 on each of September 30, 2017, 2018, 2019, 2020, and 2021, in each case subject to his continued employment with us.

(3) Stock options granted to Ms. Laube on February 23, 2012 vested or vest in equal annual installments of approximately 148,037 on each of February 3, 2013, 2014, 2015, 2016 and 2017, and stock options granted on September 30, 2016 will vest in equal annual installments of

approximately 18,794 on each of September 30, 2017, 2018, 2019, 2020, and 2021, in each case subject to her continued employment with us.

(4) Stock options granted to Mr. Robbins on September 13, 2013 vested or vest in equal annual installments of approximately 19,309 on each of September 13, 2014, 2015, 2016, 2017 and 2018, stock options granted on May 20, 2014 vested or vest in equal annual installments of approximately 12,873 on each of May 20, 2015, 2016, 2017, 2018 and 2019, and stock options granted on September 30, 2016 will vest in equal annual installments of approximately 10,813 on each of September 30, 2017, 2018, 2019, 2020, and 2021, in each case subject to his continued employment with us.

(5) Stock options granted to Mr. Christopherson on September 13, 2013 vested or vest in equal annual installments of approximately 12,872 on each of September 13, 2014, 2015, 2016, 2017 and 2018, stock options granted on May 20, 2014 vested or vest in equal annual installments of approximately 5,149 on each of May 20, 2015, 2016, 2017, 2018 and 2019, stock options granted on April 22, 2015 will vest in equal annual installments of approximately 3,218 on each of April 22, 2016, 2017, 2018, 2019 and 2020, and stock options granted on September 30, 2016 will vest in equal annual installments of approximately 7,852 on each of September 30, 2017, 2018, 2019, 2020, and 2021, in each case subject to his continued employment with us.

Option Exercises During Fiscal Year 2016

The following table provides information regarding option exercises by the NEOs during fiscal 2016.

	Option Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)
Thomas V. Taylor	—	—
Trevor S. Lang	57,927	415,260
Lisa G. Laube	—	—
Brian K. Robbins	—	—
David V. Christopherson	8,045	30,333

(1) The value realized is computed as the difference between the fair market value of the underlying shares on the date of exercise and the exercise price times the number of options exercised.

Potential Payments upon Termination or Change in Control

In this section, we describe payments that may be made to our NEOs upon several events of termination, assuming the termination event occurred on the last day of fiscal 2016 (except as otherwise noted). See "—Fiscal 2016 Compensation—Elements of Our Executive Compensation Program—

Employment Agreements" for a description of the employment agreements and amounts payable upon certain terminations and, where applicable, upon a Change in Control.

Name	Cash Payments ($)	Continuation of Welfare Plans ($)
Thomas V. Taylor	2,079,622(1)	10,636(2)
Termination Without Cause/Company Non-Renewal/Resignation for	2,110,122(3)	
Good Reason	3,479,622(4)	10,636(2)
Death/Disability		
Termination Within One Year Following a Change in Control		
Trevor S. Lang	410,000(5)	
Termination Without Cause/Company Non-Renewal/Resignation for Good Reason		
Lisa G. Laube	490,000(5)	
Termination Without Cause/Company Non-Renewal/Resignation for Good Reason		
Brian K. Robbins	351,527(5)	
Termination Without Cause/Company Non-Renewal/Resignation for Good Reason		
David V. Christopherson	309,000(5)	
Termination Without Cause/Company Non-Renewal/Resignation for Good Reason		

(1) Represents an amount equal to (i) 2 times his base salary in effect at the end of the 2016 fiscal year, plus (ii) the average annual incentive bonus earned over the two completed fiscal years prior to the date of his termination.

(2) Represents our payment for the employer portion of the cost of continuation health coverage for his family for 24 months following his termination.

(3) Represents an amount equal to (i) his base salary in effect at the end of the 2016 fiscal year, plus (ii) the annual incentive bonus earned with respect to the year of his termination.

(4) Represents an amount equal to (i) 2 times his base salary in effect at the end of the 2016 fiscal year, (ii) the average annual incentive bonus earned over the two completed fiscal years prior to the date of his termination, plus (iii) an amount equal to two times his target bonus (at the target bonus rate for the fiscal year of his termination).

(5) Represents an amount equal to his or her base salary in effect at the end of the 2016 fiscal year.

Compensation of Our Directors for Fiscal 2016

Name	Fees Earned or Paid in Cash ($)	Option Awards (#)(1)	All Other Compensation ($)(2)	Total ($)
Norman Axelrod (Chairman)	100,000	—	897,702	997,702
Pamela Knous(3)	75,000	—	390,305	465,305
Peter Starrett	40,000	—	390,305	430,305
Vincent West	—	—	4,105,392	4,105,392
John Roth	—	—	—	—
Brad Brutocao	—	—	—	—
David Kaplan	—	—	—	—
Rachel Lee	—	—	—	—

(1) At December 29, 2016, the number of shares of our common stock underlying options held by each of the directors listed in the table was: Mr. Axelrod: 370,092; Ms. Knous: 160,910; Mr. Starrett: 160,910; and Mr. West: 1,610,064. Ms. Knous may exercise her vested options during the one year period following her resignation as a director effective January 18, 2017.

(2) In connection with a non-recurring extraordinary dividend, we made cash payments to certain stock option holders on September 30, 2016. Such cash payments were made to the following directors in the following amounts: Mr. Axelrod: $897,702; Ms. Knous: $390,305; Mr. Starrett: $390,305; and Mr. West: $3,905,392. Additionally, we paid Mr. West a $200,000 consulting fee pursuant to his consulting agreement with us.

(3) Ms. Knous resigned as a director effective January 18, 2017.

Director Compensation

For fiscal 2016, directors who were employees of Ares or Freeman Spogli or their respective affiliates or who were executives of the Company did not receive compensation for their services as directors. Directors who were not executives or consultants of the Company or employees of Ares or Freeman Spogli or their respective affiliates each earned director fees in fiscal 2016 as follows: Norman Axelrod, $100,000; Pamela Knous, $75,000; and Peter Starrett, $40,000.

In addition, George Vincent West is party to a consulting agreement with us, pursuant to which he receives annual consulting fees of $200,000. Either party may terminate the consulting agreement at any time upon 30 days written notice. Mr. West is subject to certain non-compete and non-solicitation restrictions while a consultant and for two years after the termination of his consultancy. In addition, Mr. West is subject to confidentiality and non-disparagement restrictions.

Certain of our directors received stock options prior to fiscal 2016 in connection with their service on the board of directors, or in the case of Mr. West, in connection with his services as our former Chief Executive Officer. See "Compensation of Our Directors for Fiscal 2016" above and "Principal Stockholders" below for more details.

Our board of directors utilized a review of director compensation from Hay Group to reassess director compensation. As a result of such review, effective January 1, 2017, we pay the following fees to each of our directors who are not executives or consultants of the Company or employees of Ares or Freeman Spogli or their respective affiliates (collectively, the "Non-Employee Directors"):

- an annual cash retainer of $60,000;
- an additional annual cash retainer of $80,000 to the chair of our board of directors;

- an additional annual cash retainer of $35,000 to the chair of our audit committee;
- an additional annual cash retainer of $10,000 to the chair of our compensation committee; and
- an additional annual cash retainer of $7,500 to a non-chair member of our audit committee.

Directors who are not Non-Employee Directors do not receive any compensation for their services as directors.

Upon the completion of this offering, our board of directors intends to approve a compensation program that will pay the following fees to each of our Non-Employee Directors:

- an annual cash retainer of $60,000;
- an additional annual cash retainer of $80,000 to the chair of our board of directors;
- an additional annual cash retainer of $15,000 to the chair of our audit committee;
- an additional annual cash retainer of $10,000 to the chair of our compensation committee;
- an additional annual cash retainer of $7,500 to a non-chair member of our audit committee
- an additional annual cash retainer of $7,500 to the chair of our nominating and corporate governance committee;
- an additional annual cash retainer of $5,000 to a non-chair member of our other committees; and
- a grant of restricted stock under the 2017 Plan in an amount equal to $65,000 per year.

Such restricted stock awards will vest ratably on each of the first four anniversaries of the date of approval by the Board.

Directors who are not Non-Employee Directors will not receive any compensation for their services as directors.

We also reimburse our directors for reasonable out-of-pocket expenses incurred in connection with the performance of their duties as directors, including travel expenses in connection with their attendance in-person at board and committee meetings.

Equity Plan Disclosure

2011 Stock Incentive Plan

We maintain a stock incentive plan, the 2011 Plan, pursuant to which, we may grant incentive stock options, non-qualified stock options and restricted stock to our employees, consultants and non-employee directors. We will cease granting awards under the 2011 Plan upon the implementation of the 2017 Plan, described below.

The material terms of the 2011 Plan are summarized below. The following summary is qualified in its entirety by reference to the complete text of the 2011 Plan, a copy of which will be filed as an exhibit to the registration statement of which this prospectus forms a part.

Administration of the Plan

The board of directors has authority to administer the 2011 Plan. The board of directors has delegated such authority to the compensation committee (the board of directors, or compensation committee, as applicable, the "Administrator"). The compensation committee and the board of directors are authorized to grant awards to eligible employees, consultants and non-employee directors.

The Administrator may also delegate the authority to grant awards covering a limited number of shares (not to exceed 1,000 per person) to the Chief Executive Officer, a committee of our officers or employees or one or more members of the board of directors. Any awards granted by such delegate must not be to any individuals subject to Section 16 of the Exchange Act or to any "covered employees" within the meaning of Section 162(m)(3) of the Code.

We intend to freeze the 2011 Plan in connection with this offering. Following the date the 2011 Plan is frozen, no further awards will be granted under the 2011 Plan but awards granted prior to the freeze date will continue in accordance with their terms and the terms of the 2011 Plan.

Number of Authorized Shares and Award Limits

The aggregate number of our shares of common stock that may be issued or used for reference purposes under the 2011 Plan may not exceed the sum of 38,905 shares (subject to adjustment as described below).

Our shares of common stock that are subject to awards under the 2011 Plan are counted against the overall limit as one share for every share granted or covered by an award.

The Administrator will, in accordance with the terms of the 2011 Plan, make appropriate adjustments to the above aggregate limits, to the number or kind of shares or other property (including cash) underlying awards and to the purchase price of shares underlying awards, in each case, to reflect any change in our capital structure or business by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of shares, recapitalization, or other change in our capital structure, or an extraordinary cash dividend.

Eligibility and Participation

All of our and our affiliates' current and prospective eligible employees and consultants, as well as our non-employee directors, are eligible to be granted non-qualified stock options and restricted stock under the 2011 Plan. Only our and our subsidiaries' eligible employees are eligible to be granted incentive stock options ("ISOs") under the 2011 Plan. Eligibility for awards under the 2011 Plan is determined by the Administrator in its sole discretion.

Types of Awards

Stock Options. The 2011 Plan authorizes the Administrator to grant ISOs to eligible employees and non-qualified stock options to purchase shares to eligible employees, consultants, prospective employees, prospective consultants and non-employee directors. The Administrator will determine the number of shares of common stock subject to each option, the term of each option, the exercise price (which may not be less than the fair market value of the shares of common stock at the time of grant, or 110 percent of fair market value in the case of ISOs granted to ten-percent stockholders), the vesting schedule and the other terms and conditions of each option. Options will be exercisable at such times and subject to such terms as are determined by the Administrator at the time of grant. The maximum term of options under the 2011 Plan is ten years (or five years in the case of ISOs granted to ten-percent stockholders). Upon the exercise of an option, the participant must make payment of the full exercise price, either in cash or by check, bank draft or money order; solely to the extent permitted by law, through the delivery of irrevocable instructions to a broker, reasonably acceptable to us, to promptly deliver to us an amount equal to the aggregate exercise price; or on such other terms and conditions as may be acceptable to the Administrator (including, without limitation, the relinquishment of options or by payment in full or in part in the form of shares of common stock).

Restricted Stock. The 2011 Plan authorizes the Administrator to grant restricted stock to eligible employees, consultants, prospective employees, prospective consultants and non-employee directors. Recipients of restricted stock enter into an agreement with us subjecting the restricted stock to transfer and other restrictions and providing the criteria or dates on which such awards vest and such restrictions lapse. The restrictions on restricted stock may lapse and the awards may vest over time, based on performance criteria or other factors, as determined by the Administrator at the time of grant. Except as otherwise determined by the Administrator, a holder of restricted stock has all of the attendant rights of a stockholder including the right to receive dividends, if any, the right to vote such shares and, subject to and conditioned upon the vesting and restrictions lapsing for the underlying shares, the right to tender such shares. However, the payment of dividends is deferred until and conditioned upon vesting and restrictions lapsing on the underlying restricted stock unless the Administrator, in its sole discretion, specifies otherwise at the time of grant.

Effect of Certain Transactions; Change in Control

In the event of a change in control, as defined in the 2011 Plan, the Administrator, in its sole discretion may, but is not obligated, to (i) accelerate, vest or cause the restrictions to lapse on outstanding awards, (ii) cancel awards in exchange for the fair value of the awards (for options, the fair value may mean the per share value paid in connection with the change in control less the per share exercise price of such options, if any, or for no value, if none), or (iii) provide that new awards will be substituted for outstanding awards.

Non-Transferability of Awards

Except as the Administrator may permit, at the time of grant or thereafter, awards granted under the 2011 Plan are generally not transferable by a participant other than by will or the laws of descent and distribution. Shares of common stock acquired by a permissible transferee will continue to be subject to the terms of the 2011 Plan and the applicable award agreement.

Term

Awards under the 2011 Plan may not be made after October 10, 2022, but awards granted prior to such date may extend beyond that date.

Amendment and Termination

Subject to the rules referred to in the balance of this paragraph, the board of directors may at any time amend, in whole or in part, any or all of the provisions of the 2011 Plan, or suspend or terminate it entirely, retroactively or otherwise. Except as required to comply with applicable law, no such amendment may adversely impair the rights of a participant with respect to awards previously granted without the consent of such participant. In addition, without the approval of stockholders, no amendment may be made that would: increase the aggregate number of shares of common stock that may be issued under the 2011 Plan; change the classification of individuals eligible to receive awards under the 2011 Plan; decrease the minimum exercise price of any stock option; extend the maximum term of any option; award any stock option as a replacement for a stock option that has a higher exercise price; or require stockholder approval in order for the 2011 Plan to continue to comply with Section 422 of the Code.

2017 Stock Incentive Plan

In anticipation of this offering, our board of directors has adopted the 2017 Plan contingent upon the consummation of this offering. Our stockholders are expected to approve the 2017 Plan contingent upon the consummation of this offering. We believe that a new omnibus incentive plan is appropriate in connection with a public offering of our common stock not only to continue to enable us to grant awards to management to reward and incentivize their performance and retention, but also to have a long-term equity plan that is appropriate for us as a publicly held company.

The material terms of the 2017 Plan are summarized below. The following summary is qualified in its entirety by reference to the complete text of the 2017 Plan, a copy of which will be filed as an exhibit to the registration statement of which this prospectus forms a part.

Administration of the Plan

The board of directors intends to appoint the compensation committee as the committee under the 2017 Plan with the authority to administer the 2017 Plan (we continue to refer to the board of directors or compensation committee, as applicable, as the "Administrator"). The Administrator is authorized to grant awards to eligible employees, consultants and non-employee directors.

Number of Authorized Shares and Award Limits

The aggregate number of our shares of common stock that may be issued or used for reference purposes under the 2017 Plan may not exceed 5,000,000 shares (subject to adjustment as described below).

Our shares of common stock that are subject to awards will be counted against the overall limit as one share for every share granted or covered by an award. If any award is cancelled, expires or terminates unexercised for any reason, the shares covered by such award will again be available for the grant of awards under the 2017 Plan, except that any shares that are not issued as the result of a net exercise or settlement or that are used to pay any exercise price or tax withholding obligation will not be available for the grant of awards. Shares of common stock that we repurchase on the open market with the proceeds of an option exercise price also will not be available for the grant of awards. Awards that may be settled solely in cash will not be deemed to use any shares.

The maximum number of our shares of common stock that may be subject to any award of stock options, any restricted stock or other stock-based award denominated in shares that may be granted under the 2017 Plan during any fiscal year to each employee or consultant is 1,000,000 shares per type of award; provided that the maximum number of our shares of common stock for all types of awards during any fiscal year is 1,000,000 shares per each employee or consultant and 1,000,000 shares per each director. The maximum number of our shares of common stock that may be granted pursuant to awards under the 2017 Plan during any fiscal year to any non-employee director is 1,000,000 shares. In addition, the maximum grant date value of any other stock-based awards denominated in cash and the maximum payment under any performance-based cash award granted under the 2017 Plan payable with respect to any fiscal year to an employee or consultant is $10,000,000.

The foregoing individual participant limits are cumulative; that is, to the extent that shares of common stock that may be granted to an individual in a fiscal year are not granted, the number of shares of common stock that may be granted to such individual is increased in the subsequent fiscal years during the term of the 2017 Plan until used. In addition, the foregoing limits (other than the limit on the maximum number of our shares of common stock for all types of awards during any fiscal year) will not apply (i) to options, restricted stock or other stock-based awards that constitute "restricted property" under Section 83 of the Code to the extent granted during the Reliance Period (as described below) or (ii) to performance-based cash awards or other types of other stock-based awards to the extent paid or otherwise settled during the Reliance Period.

For companies that become public in connection with an initial public offering, the deduction limit under Section 162(m) does not apply during a "reliance period" under the Treasury Regulations under Section 162(m) until the earliest of: (i) the expiration of the 2017 Plan, (ii) the date the 2017 Plan is materially amended for purposes of Treasury Regulation Section 1.162-27(h)(1)(iii); (iii) the date all shares of common stock available for issuance under the 2017 Plan have been allocated; or (iv) the date of the first annual meeting of our stockholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the initial public offering occurs (such period, the "Reliance Period").

The Administrator will, in accordance with the terms of the 2017 Plan, make appropriate adjustments to the above aggregate and individual limits (other than cash limitations), to the number and/or kind of shares or other property (including cash) underlying awards and to the purchase price of shares underlying awards, in each case, to reflect any change in our capital structure or business by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of shares, any recapitalization, merger, consolidation, spin off, split off, reorganization or any partial or complete liquidation, any sale or transfer of all or part of our assets or business, or any other corporate transaction or event that would be considered an "equity restructuring" within the meaning of FASB ASC Topic 718. In addition, the Administrator may take similar action with respect to other extraordinary events.

Eligibility and Participation

All of our and our affiliates' current and prospective employees and consultants, as well as our Compensated Directors, are eligible to be granted non-qualified stock options, restricted stock, performance-based cash awards and other stock-based awards under the 2017 Plan. Only our and our subsidiaries' employees are eligible to be granted ISOs under the 2017 Plan. Eligibility for awards under the 2017 Plan is determined by the Administrator in its discretion.

Types of Awards

Stock Options. The 2017 Plan authorizes the Administrator to grant ISOs to eligible employees and non-qualified stock options to purchase shares to employees, consultants, prospective employees, prospective consultants and Compensated Directors. The Administrator will determine the number of shares of common stock subject to each option, the term of each option, the exercise price (which may not be less than the fair market value of the shares of common stock at the time of grant, or 110 percent of fair market value in the case of ISOs granted to ten-percent stockholders), the vesting schedule and the other terms and conditions of each option. Options will be exercisable at such times and subject to such terms as are determined by the Administrator at the time of grant. The maximum term of options under the 2017 Plan is ten years (or five years in the case of ISOs granted to ten-percent stockholders). Upon the exercise of an option, the participant must make payment of the full exercise price, either in cash or by check, bank draft or money order; solely to the extent permitted by law and authorized by the Administrator, through the delivery of irrevocable instructions to a broker, reasonably acceptable to us, to promptly deliver to us an amount equal to the aggregate exercise price; or on such other terms and conditions as may be acceptable to the Administrator (including, without limitation, the relinquishment of options or by payment in full or in part in the form of shares of common stock).

Restricted Stock. The 2017 Plan authorizes the Administrator to grant restricted stock. Recipients of restricted stock enter into an agreement with us subjecting the restricted stock to transfer and other restrictions and providing the criteria or dates on which such awards vest and such restrictions lapse. The restrictions on restricted stock may lapse and the awards may vest over time, based on performance criteria or other factors (including, without limitation, performance goals that are intended to comply with the performance-based compensation exception under Section 162(m), as discussed below), as determined by the Administrator at the time of grant. Except as otherwise determined by the Administrator, a holder of restricted stock has all of the attendant rights of a stockholder including the right to receive dividends, if any, subject to and conditioned upon vesting and restrictions lapsing on the underlying restricted stock, the right to vote shares and, subject to and conditioned upon the vesting and restrictions lapsing for the underlying shares, the right to tender such shares. However, the Administrator may in its discretion provide at the time of grant that the right to receive dividends on restricted stock will not be subject to the vesting or lapsing of the restrictions on the restricted stock.

Other Stock-Based Awards. The 2017 Plan authorizes the Administrator to grant awards of shares of common stock and other awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, shares of common stock, including, but not limited to, shares of common stock awarded purely as a bonus and not subject to any restrictions or conditions; shares of common stock in payment of the amounts due under an incentive or performance plan sponsored or maintained by us or an affiliate; stock appreciation rights; stock equivalent units; restricted stock units; performance awards entitling participants to receive a number of shares of common stock (or cash in an equivalent value) or a fixed dollar amount, payable in cash, stock or a combination of both, with respect to a designated performance period; or awards valued by reference to book value of our shares of common stock. In general, other stock-based awards that are denominated in shares of common stock will include the right to receive dividends, if any, subject to and conditioned upon vesting and restrictions lapsing on the underlying award, but the Administrator may in its discretion provide at the time of grant that the right to receive dividends on a stock-denominated award will not be subject to the vesting or lapsing of the restrictions on the performance award.

Performance-Based Cash Awards

The 2017 Plan authorizes the Administrator to grant cash awards that are payable or otherwise based on the attainment of pre-established performance goals during a performance period. As noted above, following the Reliance Period, performance-based cash awards granted under the 2017 Plan that are intended to satisfy the performance-based compensation exception under Section 162(m) will vest based on attainment of specified performance goals established by the Administrator. These performance goals will be based on the attainment of a certain target level of, or a specified increase in (or decrease where noted), criteria selected by the Administrator.

Such performance goals may be based upon the attainment of specified levels of company, affiliate, subsidiary, division, other operational unit, business segment or administrative department performance under one or more of the measures described above relative to the performance of other companies. The Administrator may designate additional business criteria on which the performance goals may be based or adjust, modify or amend those criteria, to the extent permitted by Section 162(m). Unless the Administrator determines otherwise, to the extent permitted by Section 162(m), the Administrator will disregard and exclude the impact of special, unusual or non-recurring items, events, occurrences or circumstances; discontinued operations or the disposal of a business; the operations of any business that we acquire during the fiscal year or other applicable performance period; or a change in accounting standards required by generally accepted accounting principles or changes in applicable law or regulations.

Effect of Certain Transactions; Change in Control

In the event of a change in control, as defined in the 2017 Plan, except as otherwise provided by the Administrator, unvested awards will not vest. Instead, the Administrator may, in its sole discretion provide that outstanding awards will be: assumed and continued; purchased based on the price per share paid in the change in control transaction (less, in the case of options and SARs, the exercise price), as adjusted by the Administrator for any contingent purchase price, escrow obligations, indemnification obligations or other adjustments to the purchase price; and/or in the case of stock options or other stock-based appreciation awards where the change in control price is less than the applicable exercise price, cancelled. However, the Administrator may in its sole discretion provide for the acceleration of vesting and lapse of restrictions of an award at any time including in connection with a change in control.

Non-Transferability of Awards

Except as the Administrator may permit, at the time of grant or thereafter, awards granted under the 2017 Plan are generally not transferable by a participant other than by will or the laws of descent and distribution. Shares of common stock acquired by a permissible transferee will continue to be subject to the terms of the 2017 Plan and the applicable award agreement.

Term

Awards under the 2017 Plan may not be made after April 12, 2027, but awards granted prior to such date may extend beyond that date. We may seek stockholder reapproval of the performance goals in the 2017 Plan. If such stockholder approval is obtained, on or after the first stockholders' meeting in the fifth year following the year of the last stockholder approval of the performance goals in the 2017 Plan, awards under the 2017 Plan may be based on such performance goals in order to qualify for the "performance-based compensation" exception under Section 162(m).

Amendment and Termination

Subject to the rules referred to in the balance of this paragraph, our board of directors or the Administrator (to the extent permitted by law) may at any time amend, in whole or in part, any or all of the provisions of the 2017 Plan, or suspend or terminate it entirely, retroactively or otherwise. Except as required to comply with applicable law, no such amendment, suspension or termination may reduce the rights of a participant with respect to awards previously granted without the consent of such participant. In addition, without the approval of stockholders, no amendment may be made that would: increase the aggregate number of shares of common stock that may be issued under the 2017 Plan; increase the maximum individual participant share limitations for a fiscal year or year of a performance period; change the classification of individuals eligible to receive awards under the 2017 Plan; extend the maximum term of any option; reduce the exercise price of any option or SAR or cancel any outstanding "in-the-money" option or SAR in exchange for cash; substitute any option or SAR in exchange for an option or SAR (or similar other award) with a lower exercise price; alter the performance goals; or require stockholder approval in order for the 2017 Plan to continue to comply with Section 162(m) or Section 422 of the Code.

Following consummation of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register the full number of shares of common stock that will be available for issuance under the 2017 Plan, as described in the section titled "—2017 Plan—Number of Authorized Shares and Award Limits" above.

Federal Income Tax Implications of the Incentive Plans

The federal income tax consequences arising with respect to awards granted under the Incentive Plans will depend on the type of award. From the recipients' standpoint, as a general rule, ordinary income will be recognized at the time of payment of cash, or delivery of actual shares. Future appreciation on shares held beyond the ordinary income recognition event will be taxable at capital gains rates when the shares are sold. We, as a general rule, will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the recipient, and we will not be entitled to any tax deduction in respect of capital gain income recognized by the recipient. Exceptions to these general rules may arise under the following circumstances: (i) if shares, when delivered, are subject to a substantial risk of forfeiture by reason of failure to satisfy any employment or performance-related condition, ordinary income taxation and our tax deduction will be delayed until the risk of forfeiture lapses (unless the recipient makes a special election to ignore the risk of forfeiture); (ii) if an employee is granted an ISO, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if shares acquired upon exercise of the ISO are held longer than the later of one year from the date of exercise and two years from the date of grant; (iii) for awards granted after the Reliance Period, we may not be entitled to a tax deduction for compensation attributable to awards granted to one of our named executive officers (other than our Chief Financial Officer), if and to the extent such compensation does not qualify as "performance-based" compensation under Section 162(m), and such compensation, along with any other non-performance-based compensation paid in the same calendar year, exceeds $1 million; and (iv) an award may be taxable at 20% above ordinary income tax rates at the time it becomes vested, even if that is prior to the delivery of the cash or stock in settlement of the award, if the award constitutes "deferred compensation" under Section 409A of the Code, and the requirements of Section 409A of the Code are not satisfied. The foregoing provides only a general description of the application of federal income tax laws to certain awards under the Incentive Plans, and is not intended as tax guidance to participants in the Incentive Plans, as the tax consequences may vary with the types of awards made, the identity of the recipients and the method of payment or settlement. This summary does not address the effects of other federal taxes (including possible "golden parachute" excise taxes) or taxes imposed under state, local, or foreign tax laws.

IPO Awards under the 2017 Plan

Upon the completion of this offering, we expect to grant options to purchase an aggregate of approximately 1,549,922 shares of our common stock to certain of our eligible employees and approximately 19,115 shares of restricted stock to certain of our Non-Employee Directors, in each case pursuant to the 2017 Plan and based on an assumed public offering price of $17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus.

The actual exercise price (with respect to the options) and the number of shares of our common stock subject to such awards will be based upon the price at which the shares are sold to the public in this offering. These awards will vest subject to continued employment or service as a Non-Employee Director. Awards of restricted stock to certain of our Non-Employee Directors will generally vest ratably over four years. Stock option awards granted to our employees will generally vest ratably over five years except as described below.

We expect that options granted to Mr. Taylor in connection with this offering will vest in annual installments over a 5-year period at a rate of 0%/0%/20%/40%/40% on each anniversary of the date of grant, subject to acceleration as follows: (i) in the event of a Change in Control (as defined in the 2017 Plan), the options will be treated as having automatically vested and continue to vest at a rate of 20%/20%/20%/20%/20% on each anniversary of the date of grant; (ii) if Mr. Taylor's employment is terminated by the Company without Cause within the twelve month period following a Change in Control, all of the options will accelerate and become immediately exercisable and (iii) if Mr. Taylor's employment is terminated by the Company without Cause prior to a Change in Control, in determining which options are vested on the date of such termination, the options will be treated as having automatically vested at a rate of 20%/20%/20%/20%/20% on each anniversary of the date of grant.

We expect that the options granted to each of Mr. Lang and Ms. Laube in connection with this offering will vest over a 5-year period at a rate of 0%/10%/20%/30%/40% on each anniversary of the date of grant, subject to acceleration as follows: (i) in the event of a Change in Control (as defined in the 2017 Plan), the options will be treated as having automatically vested and continue to vest at a rate of 20%/20%/20%/20%/20% on each anniversary of the date of grant; and (ii) if the executive's employment is terminated by the Company without Cause prior to a Change in Control, in determining which options are vested on the date of such termination, the options will be treated as having automatically vested at a rate of 20%/20%/20%/20%/20% on each anniversary of the date of grant.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Pre-IPO Shareholders Agreement

We are party to a Shareholders Agreement, dated as of November 24, 2010 (as amended, the "Pre-IPO Shareholders Agreement"), among us and each of our stockholders, including Ares, Freeman Spogli and certain of our directors, executive officers and other employees. However, in connection with the closing of this offering, the Pre-IPO Shareholders Agreement will effectively be replaced by a registration rights agreement (the "Registration Rights Agreement") and a separate investor rights agreement (the "Investor Rights Agreement"), each as described in more detail below.

Registration Rights Agreement

Pursuant to the terms of the Registration Rights Agreement, Ares, Freeman Spogli and certain other signatories thereto will be entitled to various rights with respect to the registration of their shares under the Securities Act. Registration of these any of these shares under the Securities Act would result in such shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates.

Demand Registration Rights

At any time following the closing of this offering and the expiration of the applicable lock-up period, subject to certain conditions and restrictions contained in the Registration Rights Agreement, our Sponsors will be able to require us to use reasonable best efforts to register their common stock under the Securities Act.

Piggyback Registration Rights

In the event of a demand registration or if we propose to register any of our own securities under the Securities Act in a public offering, we will be required to provide notice to the holders of our common stock with registration rights under the Registration Rights Agreement and provide them with the right to include their shares in the registration statement, subject to certain conditions and exceptions contained in the Registration Rights Agreement.

Expenses

We will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of shares of our common stock held by the holders of our common stock with registration rights under the Registration Rights Agreement.

Investor Rights Agreement

Pursuant to the terms of the Investor Rights Agreement, each Sponsor is entitled to nominate (a) five directors for election to our board of directors for so long as it holds 40% or more of our outstanding common stock, (b) three directors for election to our board of directors for so long as it holds 30% or more of our outstanding common stock, (c) two directors for election to our board of directors for so long as it holds 15% or more of our outstanding common stock and (d) one director for election to our board of directors for so long as it holds 5% or more of our outstanding common stock. In particular, Ares has nominated Messrs. Axelrod, Kaplan and Starrett and Mses. Lee and Thornton for election to our board of directors, and Freeman Spogli has nominated Messrs. Brutocao and Roth for election to our board of directors. Pursuant to the terms of the Investor Rights Agreement, each Sponsor will agree to vote in favor of the other Sponsor's nominees and for the election of our then-current chief executive officer to our board of directors, and subject to any applicable securities exchange or equivalent listing requirements, we will agree to take all necessary and desirable actions to support the election of such director nominees, including soliciting proxies in favor of such nomineees, at each annual or special meeting of our stockholders called for the election of directors. The Investor Rights Agreement also provides that the size of our board of directors may not exceed 12 members unless otherwise agreed by our Sponsors. In addition, subject to certain conditions, the Investor Rights Agreement provides each Sponsor with certain rights with respect to board committee membership, except to the extent that such membership would violate applicable securities laws or stock exchange or stock market rules.

Directors nominated by our Sponsors may be removed with or without cause by the affirmative vote of the Sponsor entitled to nominate such director. In all other cases and at any other time, directors may only be removed for cause by the affirmative vote of at least a majority of the voting power of our common stock. We will be required to bear the expenses associated with any transactions contemplated under the Investor Rights Agreement.

Indemnification of Officers and Directors

Our certificate of incorporation and bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware law. In addition, we have entered into indemnification agreements with each of our directors and executive officers. See "Description of Our Capital Stock—Limitation on Liability and Indemnification" below for more details.

Reserved Share Program

The underwriters have reserved up to 2.9% of the shares of Class A common stock being offered by this prospectus for sale, at the initial public offering price, to our directors, officers, employees and other parties related to us as part of a reserved share program. The reserved share program will not limit the ability of our directors, officers, employees and other parties related to us to purchase more than $120,000 in value of our Class A common stock. We do not currently know the extent to which these related persons will participate in our reserved share program, if at all, or the extent to which they will purchase more than $120,000 in value of our Class A common stock.

Ordinary Course Transactions with Related Persons

From time to time, our and our Sponsors' directors, officers, employees and affiliates may enter into commercial transactions with us in the ordinary course of business, primarily for the purchase of inventory at our stores. We do not believe that any such transaction is significant enough to be material to us or the applicable related person.

Statement of Policy Regarding Transactions with Related Persons

Since November 2010, we have been subject to requirements for the approval of certain related party transactions set forth in the Pre-IPO Shareholders Agreement. Pursuant to the Pre-IPO Shareholders Agreement, the consent of Ares and Freeman Spogli or the affirmative vote of a majority of the directors nominated by Ares and a majority of the directors nominated by Freeman Spogli was required to approve a transaction with any of our affiliates. As disclosed above, the Pre-IPO Shareholders Agreement will effectively be replaced by the Registration Rights Agreement and the Investor Rights Agreement in connection with the closing of this offering, neither of which will have provisions governing related party transactions.

Upon the closing of this offering, the policies regarding transactions with related persons will be included in the charter of our audit committee and in our Corporate Governance Guidelines, each of which will require that any transaction with a "related person" (as defined in paragraph (a) of Item 404 Regulation S-K) that is brought to the audit committee's attention be reviewed and approved by the audit committee.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of April 17, 2017, by:

- each of our directors and named executive officers;
- all of our directors, executive officers and certain other officers as a group; and
- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our Class A common stock or our Class C common stock, which is convertible into shares of our Class A common stock.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options that are currently exercisable or exercisable within 60 days of April 17, 2017. Shares issuable pursuant to options are deemed outstanding for computing the percentage of the person holding such options, but are not outstanding for computing the percentage of any other person. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of Class A common stock and Class C common stock shown that they beneficially own, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose.

Our calculation of the percentage of beneficial ownership is based on shares of Class A common stock and shares of Class C common stock outstanding as of April 17, 2017, after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017 and assuming that all shares of our Class B common stock are automatically converted on a one-to-one basis into shares of our Class A common stock.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Floor & Decor Holdings, Inc., 2233 Lake Park Drive, Smyrna, GA 30080.

Name of Beneficial Owner	Number of Class A Shares Beneficially Owned(1)	Percentage Class A Beneficially Owned(1)	Number of Class C Shares Beneficially Owned(1)	Percentage Class C Beneficially Owned(1)	Total Shares Beneficially Owned(1)	Total Percentage Beneficially Owned(1)
Named Executive Officers and Directors:						
Thomas V. Taylor(2)	1,714,025	2.2%	—	*	1,714,025	2.0%
Trevor S. Lang(3)	780,947	1.0%	—	*	780,947	*
Lisa G. Laube(4)	869,173	1.1%	—	*	869,173	1.0%
Brian K. Robbins(5)	96,546	*	—	*	96,546	*
David V. Christopherson(6)	60,501	*	—	*	60,501	*
Norman H. Axelrod(7)	1,152,977	1.5%	—	*	1,152,977	1.4%
George Vincent West(8)	4,219,678	5.4%	—	*	4,219,678	5.0%
Brad J. Brutocao	—	*	—	*	—	*
Michael Fung	—	*	—	*	—	*
David B. Kaplan	—	*	—	*	—	*
Rachel H. Lee	—	*	—	*	—	*
John M. Roth	—	*	—	*	—	*
Peter M. Starrett(9)	421,871	*	—	*	421,871	*
Richard L. Sullivan	—	*	—	*	—	*
Felicia D. Thornton	—	*	—	*	—	*
All directors and executive officers as a group (15 persons)	9,315,718	11.3%	—	*	9,315,718	10.5%
5% Stockholders:						
Ares Corporate Opportunities Fund III, L.P.(10)(11)	52,192,278	67.6%	—	*	52,192,278	62.5%
FS Equity Partners VI, L.P. and FS Affiliates VI, L.P., as a group(10)(12)	19,037,764	24.6%	6,275,489	100.0%	25,313,253	30.3%

* Represents ownership of less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities.

(2) Consists of (i) 96,546 shares of Class A common stock directly held by The Taylor Grantor Retained Annuity Trust, of which Mr. Taylor is the trustee, (ii) 2,895 shares of Class A common stock transferred by Mr. Taylor to his children, over which Mr. Taylor has sole voting power, (iii) 4,519 shares of Class A common stock directly held by Mr. Taylor and (iv) 1,610,065 shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of April 17, 2017.

(3) Consists of (i) 146,319 shares of Class A common stock directly held by Mr. Lang, (ii) 2,574 shares of Class A common stock transferred by Mr. Lang to his children, over which Mr. Lang

has sole voting power and (iii) 632,054 shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of April 17, 2017.

(4) Consists of (i) 128,987 shares of Class A common stock directly held by Ms. Laube and (ii) 740,186 shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of April 17, 2017.

(5) Consists of (i) 0 shares of Class A common stock directly held by Mr. Robbins and (ii) 96,546 shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of April 17, 2017.

(6) Consists of (i) 8,045 shares of Class A common stock directly held by Mr. Christopherson and (ii) 52,456 shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of April 17, 2017.

(7) Consists of (i) 521,922 shares of Class A common stock directly held by Alison K. Axelrod 2012 Family Trust, of which Mr. Axelrod is the trustee, (ii) 260,961 shares of Class A common stock directly held by AS SKIP LLC, of which Mr. Axelrod is the managing member and (iii) 370,094 shares of Class A common stock that are currently exercisable or that will become exercisable by Mr. Axelrod within 60 days of April 17, 2017.

(8) Consists of (i) 1,747,005 shares of Class A common stock directly held by American West Investment Corporation, of which Mr. West is the president, (ii) 862,607 shares of Class A common stock directly held by West Family Partners, LLP, of which Mr. West is the general partner, and (iii) 1,610,066 shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of April 17, 2017.

(9) Consists of (i) 260,961 shares of Class A common stock directly held by the Starrett Family Trust, of which Mr. Starrett is the trustee, and (ii) 160,910 shares of Class A common stock issuable that are currently exercisable or that will become exercisable within 60 days of April 17, 2017.

(10) Pursuant to the terms of the Investor Rights Agreement, each Sponsor will agree to vote in favor of the other Sponsor's nominees and for the election of our then-current chief executive officer to our board of directors. As a result, each Sponsor may be deemed to be the beneficial owner of the shares of our Class A common stock owned by the other Sponsor. Each of Ares and Freeman Spogli expressly disclaims beneficial ownership of the shares of Class A common stock not directly held by it, and such shares have not been included in the table above for purposes of calculating the number of shares beneficially owned by Ares or Freeman Spogli. For a more detailed description of the Investor Rights Agreement, see "Certain Relationships and Related Party Transactions—Investor Rights Agreement."

(11) Shares of Class A common stock are held directly by Ares Corporate Opportunities Fund III, L.P. ("ACOF III"). The manager of ACOF III is ACOF Operating Manager III, LLC ("ACOF Operating Manager III"), and the sole member of ACOF Operating Manager III is Ares Management LLC. The sole member of Ares Management LLC is Ares Management Holdings L.P. ("Ares Management Holdings") and the general partner of Ares Management Holdings is Ares Holdco LLC ("Ares Holdco"). The sole member of Ares Holdco is Ares Holdings Inc. ("Ares Holdings"), whose sole stockholder is Ares Management, L.P. ("Ares Management"). The general partner of Ares Management is Ares Management GP LLC ("Ares Management GP") and the sole member of Ares Management GP is Ares Partners Holdco LLC ("Ares Partners" and, together with ACOF III, ACOF Operating Manager III, Ares Management LLC, Ares Management Holdings, Ares Holdco, Ares Holdings, Ares Management, and Ares Management GP, the "Ares Entities"). Ares Partners is managed by a board of managers, which is composed of Michael Arougheti, R. Kipp deVeer, David Kaplan,

Antony Ressler and Bennett Rosenthal. Decisions by Ares Partners' board of managers generally are made by a majority of the members, which majority, subject to certain conditions, must include Antony Ressler. Each of the Ares Entities (other than ACOF III with respect to the shares held directly by it) and the members of Ares Partners' board of managers and the other directors, officers, partners, stockholders, members and managers of the Ares Entities expressly disclaims beneficial ownership of the shares of Class A common stock. The address of each Ares Entity is 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

(12) FS Equity Partners VI, L.P. directly beneficially owns 18,262,008 shares, or 23.6%, of our Class A common stock and 6,019,774 shares, or 95.9%, of our Class C common stock, representing an aggregate of 24,281,782 shares, or 29.1%, of our common stock. FS Affiliates VI, L.P. directly beneficially owns 775,756 shares, or 1.0%, of our Class A common stock and 255,715 shares, or 4.1%, of our Class C common stock, representing an aggregate of 1,031,471 shares, or 1.2%, of our common stock. FS Capital Partners VI, LLC, as the general partner of FS Equity Partners VI, L.P. and FS Affiliates VI, L.P. (the "FS Funds"), has the sole power to vote and dispose of the shares of our common stock owned by the FS Funds. Messrs. Brad J. Brutocao, Bradford M. Freeman, Benjamin D. Geiger, Todd W. Halloran, Jon D. Ralph, John M. Roth, J. Frederick Simmons, Ronald P. Spogli and William M. Wardlaw are the managing members of FS Capital Partners VI, LLC, and Messrs. Brutocao, Freeman, Geiger, Halloran, John S. Hwang, Christian B. Johnson, Ralph, Roth, Simmons, Spogli and Wardlaw are the members of Freeman Spogli & Co., and as such may be deemed to be the beneficial owners of the shares of our common stock owned by the FS Funds. Messrs. Brutocao, Freeman, Geiger, Halloran, Hwang, Johnson, Ralph, Roth, Simmons, Spogli and Wardlaw each disclaims beneficial ownership in the shares except to the extent of his pecuniary interest in them. The business address of the FS Funds and FS Capital Partners VI, LLC is c/o Freeman Spogli & Co., 11100 Santa Monica Boulevard, Suite 1900, Los Angeles, California 90025.

DESCRIPTION OF CAPITAL STOCK

General

As of the closing of this offering, our authorized capital stock will consist of 500,000,000 shares of common stock, par value $0.001 per share, which is composed of 450,000,000 shares of our Class A common stock, 10,000,000 shares of our Class B common stock and 30,000,000 shares of our Class C common stock and 10,000,000 shares of undesignated preferred stock, par value $0.001 per share. Our shares of Class A common stock and Class C common stock are convertible into each other under certain circumstances described in more detail below and otherwise generally have the same rights except that shares of Class C Common Stock are non-voting while shares of Class A Common Stock are entitled to one vote per share. The following description summarizes the most important terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, you should refer to our certificate of incorporation and bylaws, which will be in place prior to the closing of this offering and included as exhibits to the registration statement of which this prospectus forms a part. The descriptions of our common stock and preferred stock below reflect changes to our capital structure that will be in effect prior to the closing of this offering.

Common Stock

As of April 17, 2017, after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017, there were 259,570.91 shares of our common stock outstanding, held by stockholders of record. Immediately after the closing of this offering, there will be 92,358,577 shares of our common stock outstanding, or 93,682,102 shares if the underwriters' option to purchase additional shares is exercised in full. All of such shares will be Class A shares of common stock except for 6,275,489 shares of Class C common stock owned by Freeman Spogli and its affiliates.

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine.

Voting Rights

Each holder of our Class A common stock is entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders. Holders of our Class C common stock are not entitled to vote, except as required under Delaware law. Our stockholders do not have cumulative voting rights.

Conversion Rights

Shares of our Class C common stock are automatically converted into shares of our Class A common stock on a one for one basis if the holder of such Class C common stock is not Freeman Spogli or any of its affiliates. In addition, Freeman Spogli or any of its affiliates may convert their shares of Class C common stock into shares of our Class A Common Stock, in whole or in part, at any time and from time to time at their option, on a one for one basis so long as at such time either Ares and its affiliates or Freeman Spogli and its affiliates do not own more than 24.9% of our Class A common stock after giving effect to any such conversion. In addition, shares of our Class A common stock held by Freeman Spogli or any of its affiliates are convertible into shares of our Class C common stock, in whole or in part, at any time and from time to time at the election of Freeman Spogli or any of its affiliates, on a one for one basis.

Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to redemption. The rights of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that our board of directors may designate and issue in the future.

Liquidation Rights

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding shares of preferred stock and payment of other claims of creditors.

Options

As of April 17, 2017, after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017 and assuming that all shares of our Class B common stock are automatically converted on a one-to-one basis into shares of our Class A common stock upon the closing of this offering pursuant to our certificate of incorporation, we had outstanding stock options to purchase an aggregate of 11,891,900 shares of our common stock under the 2011 Plan. Upon the closing of this offering, no additional shares of our common stock will be reserved for issuance under the 2011 Plan, and 5,000,000 shares of our common stock will be reserved for issuance under the 2017 Plan. See "Executive and Director Compensation—Equity Plan Disclosure" and "Shares Eligible for Future Sale."

Preferred Stock

As of April 17, 2017, there were no shares of preferred stock outstanding. Upon the closing of this offering, we will have no shares of preferred stock outstanding.

Our board of directors are authorized, subject to limitations prescribed by Delaware law, to issue up to 10,000,000 shares of our preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the Class A common stock.

The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and could adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

Registration Rights

Pursuant to the terms of the Registration Rights Agreement, the holders of approximately 81,548,874 shares of our common stock (after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017), or their transferees, are entitled to various rights with respect to the registration of their shares under the Securities Act.

For a more detailed description of the Registration Rights Agreement, see "Certain Relationships and Related Party Transactions—Registration Rights Agreement."

Investor Rights Agreement

Pursuant to the terms of the Investor Rights Agreement, Ares and Freeman Spogli will have certain rights and obligations with respect to voting for the nomination of certain directors and director nominees and with respect to board committee membership.

For a more detailed description of the Investor Rights Agreement, see "Certain Relationships and Related Party Transactions—Investor Rights Agreement."

Exclusive Venue

Our certificate of incorporation requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our certificate of incorporation or the bylaws or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers. Although we have included an exclusive venue provision in our certificate of incorporation, it is possible that a court could rule that such provision is inapplicable or unenforceable. In addition, this provision would not affect the ability of our stockholders to seek remedies under the federal securities laws.

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws

We are governed by the Delaware General Corporation Law (the "DGCL"). Our certificate of incorporation and bylaws contain certain provisions that could have the effect of delaying, deterring or preventing another party from acquiring control of us. These provisions, which are summarized below, may discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate more favorable terms with an unfriendly or unsolicited acquirer outweigh the disadvantages of potentially discouraging a proposal to acquire us.

Undesignated Preferred Stock

As discussed above, our board of directors has the ability to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire control of us. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of us.

Limits on Ability of Stockholders to Act by Written Consent or Call a Special Meeting

Our certificate of incorporation provides that our stockholders may not act by written consent unless our Sponsors collectively own a majority of our outstanding Class A common stock, which may lengthen the amount of time required to take stockholder actions. As a result, except for our Sponsors, a holder controlling a majority of our capital stock would not be able to amend our bylaws or remove directors without holding a meeting of our stockholders called in accordance with our bylaws. In addition, our certificate of incorporation provides that special meetings of the stockholders may be called only by the chairperson of our board or our board of directors. However, for so long as our Sponsors collectively own a majority of our outstanding Class A common stock, special meetings of our stockholders may be called by the affirmative vote of the holders of a majority of our outstanding Class A common stock. Stockholders may not call a special meeting, which may delay the ability of our stockholders to force consideration of a proposal or for holders controlling a majority of our capital stock to take any action, including the removal of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of our board of directors. These provisions may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

Board Classification

Our board of directors is divided into three classes, one class of which is elected each year by our stockholders. The directors in each class will serve for a three-year term. For more information on the classified board, see "Management—Board Composition." The classification of our board of directors and the limitations on the ability of our stockholders to remove directors could make it more difficult for a third -party to acquire, or discourage a third-party from seeking to acquire, control of us.

Removal of Directors; Vacancies

Pursuant to the terms of the Investor Rights Agreement, directors nominated by our Sponsors may be removed with or without cause by the affirmative vote of the Sponsor entitled to nominate such director. In all other cases and at any other time, directors may only be removed for cause by the affirmative vote of at least a majority of the voting power of our common stock. Our board of directors, or our Sponsors in the case of one of their respective board nominees, has the sole power to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise.

No Cumulative Voting

Our certificate of incorporation and bylaws do not permit cumulative voting in the election of directors. Cumulative voting allows a stockholder to vote a portion or all of the stockholder's shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder may not be able to gain as many seats on our board of directors as the stockholder would be able to gain if cumulative voting were permitted. The absence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on our board of directors to influence our board of directors' decision regarding a takeover or otherwise.

Amendment of Charter and Bylaw Provisions

In the event our Sponsors cease to collectively own a majority of our outstanding Class A common stock, the amendment of certain of the above provisions of our certificate of incorporation will require approval by holders of at least two-thirds of our outstanding Class A common stock. In addition, under the DGCL, an amendment to our certificate of incorporation that would alter or change the powers, preferences or special rights of our Class C common stock so as to affect them adversely also must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class. Our certificate of incorporation provides that our board of directors may from time to time adopt, amend, alter or repeal our bylaws by a vote of a majority of our board of directors without stockholder approval and that our stockholders may adopt, amend, alter or repeal our bylaws by the affirmative vote of the holders of at least two-thirds of our outstanding Class A common stock.

Delaware Anti-Takeover Statute

Our certificate of incorporation provides that we are not governed by Section 203 of the DGCL, which, in the absence of such provision, would have imposed additional requirements regarding mergers and other business combinations.

The provisions of our certificate of incorporation and bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, might also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions might also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

Corporate Opportunity

Our certificate of incorporation provides that no officer or director of ours who is also an officer, director, employee, managing director or other affiliate of our Sponsors will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to our Sponsors instead of us, or does not communicate information regarding a corporate opportunity to us that the officer, director, employee, managing director or other affiliate has directed to our Sponsors.

Limitations of Liability, Indemnification and Advancement

Our certificate of incorporation and bylaws provide that we will indemnify and advance expenses to our directors and officers, and may indemnify and advance expenses to our employees and other agents, to the fullest extent permitted by Delaware law, which prohibits our certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our certificate of incorporation will not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our certificate of incorporation and bylaws, we will also be empowered to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification and advancement of expenses required in our certificate of incorporation and bylaws, we intend to enter into indemnification agreements with each of our current directors and executive officers. These agreements will provide for the indemnification of, and the advancement of expenses to, such persons for all reasonable expenses and liabilities, including attorneys' fees, judgments, fines and settlement amounts, incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were serving in such capacity. We believe that these charter and bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability, indemnification and advancement provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification or advancement by any director or officer.

Listing

We intend to apply to list our Class A common stock on the New York Stock Exchange under the symbol "FND".

Transfer Agent and Registrar

Upon the closing of this offering, the transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company, LLC.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our capital stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Upon the closing of this offering, 92,358,577 shares of common stock will be outstanding, in each case assuming no exercise of the underwriters' option to purchase additional shares and assuming no exercise of outstanding options prior to the closing of this offering. In addition, as of the closing of this offering, there will be outstanding options to acquire 11,891,900 shares of common stock under the Incentive Plans. Of the outstanding shares, all of the shares of common stock sold in this offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144, may only be sold in compliance with the limitations described below.

The remaining shares of our common stock outstanding after this offering are restricted securities, as such term is defined in Rule 144, or are subject to lock-up agreements with the underwriters of this offering, as described below. Following the expiration of the lock-up period pursuant to any such lock-up agreements, restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 promulgated under the Securities Act ("Rule 701"), described in greater detail below.

Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock outstanding at the time of such sale, which will equal shares as of the closing of this offering (assuming no exercise of the underwriters' option to purchase additional shares); or

- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information, and notice provisions of Rule 144.

Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted shares will have entered into lock-up agreements, as described below and under "Underwriting," and their restricted shares will become eligible for sale only following expiration of the restrictions set forth in those agreements.

Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers, directors, or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under "Underwriting," and will become eligible for sale only following expiration of those agreements.

Lock-Up Agreements

We, our executive officers, directors and the holders of substantially all of our existing shares of Class A common stock have agreed not to, subject to certain limited exceptions, sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc. See "Underwriting—No Sales of Similar Securities."

Registration Rights

Pursuant to the terms of the Registration Rights Agreement, the holders of shares of our common stock, after giving effect to the 321.820-for-one stock split of our common stock effected on April 24, 2017, or their transferees, are entitled to various rights with respect to the registration of their shares under the Securities Act.

For a more detailed description of the Registration Rights Agreement, see "Certain Relationships and Related Party Transactions—Registration Rights Agreement."

Incentive Plans

As soon as practicable after the closing of this offering, we intend to file a Form S-8 registration statement under the Securities Act to register shares of our common stock issued or reserved for issuance under the Incentive Plans. The Form S-8 registration statement will become effective immediately upon filing, and shares covered by that registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above and under "Underwriting," and Rule 144 limitations applicable to affiliates. For a more complete discussion of our equity compensation plans, see "Executive and Director Compensation—Equity Plan Disclosure."

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following discussion is a summary of the material U.S. federal income tax consequences to non-U.S. holders (as defined below) with respect to the purchase, ownership and disposition of our common stock to be sold in this offering. This does not purport to be a complete analysis of all potential tax effects to non-U.S. holders of our common stock. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or foreign tax laws are not included in this discussion, and non-U.S. holders should consult their own tax advisors as to these matters. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service ("IRS") in effect as of the date of this prospectus. These authorities may change or be subject to differing interpretations. Any such change may be applied retroactively in a manner that could adversely affect a non-U.S. holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance that the IRS or a court will not take a contrary position regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to non-U.S. holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a non-U.S. holder's particular circumstances, including the impact of the unearned income Medicare contribution tax. In addition, this discussion does not address consequences relevant to non-U.S. holders subject to particular rules, including, without limitation:

- U.S. expatriates and certain former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies or other financial institutions;
- real estate investment trusts or regulated investment companies;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies" or corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes;
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level.

Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their own tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED AS TAX ADVICE. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a "non-U.S. holder" is any beneficial owner of our common stock that is neither a "U.S. person" nor a partnership for U.S. federal income tax purposes. A U.S. person is any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (i) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons (within the meaning of Section 7701(a)(30) of the Code), or (ii) has made a valid election under applicable Treasury Regulations to continue to be treated as a U.S. person.

Distributions

As described in the section captioned "Dividend Policy," we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future.

If we do, however, pay distributions on our common stock, such distributions of cash or property on our common stock (other than certain pro rata distributions of our stock) generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will constitute a return of capital and first be applied against and reduce a non-U.S. holder's adjusted tax basis in its common stock, but not below zero. Any remaining excess will be treated as capital gain and will be treated as described under the heading "—Sale or Other Taxable Disposition" below.

Subject to the discussion below on backup withholding and payments made to certain foreign accounts, dividends paid to a non-U.S. holder of our common stock that are not effectively connected with the non-U.S. holder's conduct of a trade or business within the United States will generally be subject to withholding of U.S. federal income tax at a rate of 30% of the gross amount of the dividends (or such lower rate as may be specified by an applicable income tax treaty). Non-U.S. holders may be entitled to a reduction in (under (a)) or an exemption from (under (a) or (b)) withholding on dividends as a result of either (a) qualifying for the benefits of an applicable income tax treaty or (b) the non-U.S. holder holding our common stock in connection with the conduct of a trade or business within the United States and dividends being paid in connection with that trade or business. To claim such a reduction in or exemption from withholding, the non-U.S. holder must provide the applicable withholding agent with a properly executed (i) IRS Form W-8BEN or W-8BEN-E (or applicable successor form) claiming an exemption from or reduction of the withholding tax under the benefit of an applicable income tax treaty, (ii) IRS Form W-8ECI (or applicable successor form) stating that the dividends are effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, as may be applicable. These certifications must be provided to the applicable withholding agent prior to the payment of dividends and must be updated periodically. Non-U.S. holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate or exemption under an applicable income tax treaty, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Subject to the discussion below on backup withholding and payments made to certain foreign accounts, if dividends paid to a non-U.S. holder are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable), then, although exempt from withholding of U.S. federal income tax (provided the non-U.S. holder provides appropriate certification, as described above), the non-U.S. holder will be subject to U.S. federal income tax on such dividends on a net income basis at the regular graduated U.S. federal income tax rates. In addition, a non-U.S. holder that is or is treated as a corporation for U.S. federal income tax purposes may be subject to an additional branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on its effectively connected earnings and profits for the taxable year that are attributable to such dividends, as adjusted for certain items. Non-U.S. holders should consult their own tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Sale or Other Taxable Disposition

Subject to the discussion below on backup withholding and payments made to certain foreign accounts, a non-U.S. holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable);

- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or

- our common stock constitutes a U.S. real property interest ("USRPI") within the meaning of the Foreign Investment in Real Property Tax Act by reason of our status as a U.S. real property holding corporation (a "USRPHC") for U.S. federal income tax purposes.

Gain described in the first bullet point above will generally be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on a portion of its effectively connected earnings and profits for the taxable year that are attributable to such gain, as adjusted for certain items.

A non-U.S. holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on any gain derived from the sale or other taxable disposition, which may be offset by certain U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder timely files U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we are not currently and do not anticipate becoming a USRPHC. Because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our other business assets and our non-U.S. real property interests, however, there can be no assurance we are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a non-U.S. holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such non-U.S. holder owned, actually or constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other disposition or the non-U.S. holder's holding period for such stock.

Non-U.S. holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Backup Withholding and Information Reporting

Subject to the discussion below regarding payments made to certain foreign accounts, a non-U.S. holder generally will not be subject to backup withholding with respect to payments of dividends on our common stock we make to the non-U.S. holder, provided the applicable withholding agent does not have actual knowledge or reason to know such holder is a U.S. person and the holder certifies its non-U.S. status by providing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or other applicable certification (or applicable successor form), or otherwise establishes an exemption. However, information returns will be filed with the IRS in connection with any dividends on our common stock paid to the non-U.S. holder, regardless of whether any tax was actually withheld. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

Information reporting and backup withholding may apply to the proceeds of a sale or other taxable disposition of our common stock within the United States, and information reporting may (although backup withholding generally will not) apply to the proceeds of a sale or other taxable disposition of our common stock outside the United States conducted through certain U.S.-related financial intermediaries, in each case, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. person on IRS Form W-8BEN, W8-BEN-E, W-8ECI or other applicable form or successor form (and the payer does not have actual knowledge or reason to know that the beneficial owner is a U.S. person) or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under the provisions of the law generally known as the Foreign Account Tax Compliance Act, or FATCA, on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (i) the foreign financial institution undertakes certain diligence and reporting obligations, (ii) the non-financial foreign entity either certifies it does not have any "substantial U.S. owners" (as defined in the Code) or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (i) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified U.S. persons" or "U.S.-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which our common stock is held will affect the determination of whether such withholding is required.

Under the applicable Treasury Regulations and recent guidance from the IRS, withholding under FATCA generally applies to payments of dividends on our common stock, and will apply to payments of gross proceeds from the sale or other disposition of our common stock on or after January 1, 2019, and to certain "pass-thru" payments made on or after the later of January 1, 2019 and the date final Treasury Regulations are issued defining such pass-thru payments. The FATCA withholding tax will apply to all withholdable payments without regard to whether the beneficial owner of the payment would otherwise be entitled to an exemption from imposition of withholding tax pursuant to an applicable tax treaty with the United States or U.S. domestic law. We will not pay additional amounts to holders of our common stock in respect of any amounts withheld.

Prospective investors should consult their own tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Barclays Capital Inc.	
Credit Suisse Securities (USA) LLC	
UBS Securities LLC	
Goldman, Sachs & Co.	
Jefferies LLC	
Piper Jaffray & Co.	
Wells Fargo Securities, LLC	
Houlihan Lokey Capital, Inc.	
Total	8,823,500

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at approximately $6.0 million and are payable by us. We have agreed to reimburse the underwriters for certain of their expenses in connection with this offering in an amount up to $60,000.

The underwriters have agreed to reimburse the Company for certain expenses.

Option to Purchase Additional Shares

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to additional 1,323,525 shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Reserved Shares

The underwriters have reserved up to 2.9% of the shares of Class A common stock being offered by this prospectus for sale, at the initial public offering price, to our directors, officers, employees and other parties related to us. The sales will be made by Merrill Lynch, Pierce, Fenner & Smith Incorporated through a reserved share program. We do not know if these persons will elect to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available for sale to the general public. Any reserved shares not purchased will be offered by the underwriters to the general public on the same terms as the other shares of our Class A common stock.

No Sales of Similar Securities

We, our executive officers, directors and the holders of substantially all of our existing shares of Class A common stock have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc. Specifically, we and these other persons have agreed, with certain limited exceptions, including bona fide gifts, transfers by will or intestacy to a family member, charitable donations, transfers to a family trust, distributions to limited partners and transfers to affiliates, which in each case would be subject to the recipient signing a similar lock-up agreement, not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. We do not currently expect any release of shares subject to lock-up agreements.

Listing

We expect the shares to be approved for listing on the New York Stock Exchange under the symbol "FND".

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees, commissions and expenses. Specifically, Merrill Lynch, Pierce, Fenner & Smith Incorporated and an affiliate of Wells Fargo Securities, LLC served as joint lead arrangers and joint bookrunners and are lenders under the ABL Facility. An affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated served as the syndication agent and an affiliate of Wells Fargo Securities, LLC served as administrative agent and collateral agent under the ABL Facility. In addition, affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc. and UBS Securities LLC served as joint lead arrangers and joint bookrunners under the Term Loan Facility. An affiliate of Jefferies LLC holds a portion of the Term Loan Facility.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of shares may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission ("ASIC"), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The securities have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the securities has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

The validity of the shares of Class A common stock offered hereby will be passed upon for us by Proskauer Rose LLP. The underwriters are being represented by Latham & Watkins LLP in connection with the offering.

EXPERTS

The consolidated financial statements and financial schedule of Floor & Decor Holdings, Inc. and its subsidiaries as of December 31, 2015 and December 29, 2016 and for each of the fiscal years ended on December 25, 2014, December 31, 2015 and December 29, 2016 included in this registration statement and prospectus have been audited by Ernst & Young LLP, an independent registered public accounting firm, and are included in reliance on their report given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to this offering of our Class A common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement filed therewith, certain portions of which are omitted as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the financial statements and notes filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be referenced for the complete contents of these contracts and documents. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room of the SEC, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements, and other information about issuers, like us, that file electronically with the SEC. The address of that website is *www.sec.gov*.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and website referred to above. We also maintain a website at *www.FloorandDecor.com*. After the closing of this offering, you may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act with the SEC free of charge at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not part of this prospectus.

Index to Consolidated Financial Statements

Report of Registered Public Accounting Firm	F-2
Consolidated Financial Statements	
For the Years Ended December 29, 2016, December 31, 2015 and December 25, 2014	
Consolidated Balance Sheets	F-3
Consolidated Statements of Income	F-4
Consolidated Statements of Comprehensive Income	F-5
Consolidated Statements of Stockholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8
Schedule I—Condensed Financial Information of Registrant	F-34
Condensed Consolidated Financial Statements	

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Floor & Decor Holdings, Inc. (f/k/a FDO Holdings, Inc.) and Subsidiaries

We have audited the accompanying consolidated balance sheets of Floor & Decor Holdings, Inc. and Subsidiaries (the Company) as of December 29, 2016 and December 31, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2016. Our audits also included the financial statement schedule listed in the Index at F-1. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Floor & Decor Holdings, Inc. and Subsidiaries at December 29, 2016 and December 31, 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 29, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Atlanta, GA

March 20, 2017, except for Note 12, as to which the date is April 24, 2017

Floor & Decor Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share and Per Share Data)

	As of December 31, 2015	As of December 29, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 318	$ 451
Income taxes receivable	2,484	—
Receivables, net	23,740	34,533
Inventories, net	272,569	293,702
Prepaid expenses and other current assets	6,079	7,529
Total current assets	305,190	336,215
Fixed assets, net	102,983	150,471
Intangible assets, net	109,426	109,394
Goodwill	227,447	227,447
Other assets	3,842	7,639
Total long-term assets	443,698	494,951
Total assets	$ 748,888	$ 831,166
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of term loans	$ 1,267	$ 3,500
Trade accounts payable	147,321	158,466
Accrued expenses	35,841	61,505
Income taxes payable	—	5,787
Deferred revenue	12,145	14,456
Total current liabilities	196,574	243,714
Term loans	83,423	337,243
Revolving line of credit	92,900	50,000
Deferred rent	13,074	16,750
Deferred income tax liabilities, net	33,724	28,265
Tenant improvement allowances	16,346	20,319
Other liabilities	482	592
Total long-term liabilities	239,949	453,169
Total liabilities	436,523	696,883
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding at December 29, 2016 and December 31, 2015	—	—
Common stock Class A, $0.001 par value; 450,000,000 shares authorized; 76,847,116 shares issued and outstanding at December 29, 2016 and December 31, 2015	77	77
Common stock Class B, $0.001 par value; 10,000,000 shares authorized; 395,742 shares issued and outstanding at December 29, 2016; 250,602 shares issued and outstanding at December 31, 2015	—	—
Common stock Class C, $0.001 par value; 30,000,000 shares authorized; 6,275,489 shares issued and outstanding at December 29, 2016 and December 31, 2015	6	6
Additional paid-in capital	264,288	117,270
Accumulated other comprehensive income (loss), net	(100)	176
Retained earnings	48,094	16,754
Total stockholders' equity	312,365	134,283
Total liabilities and stockholders' equity	$ 748,888	$ 831,166

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries

Consolidated Statements of Income

(In Thousands, Except Per Share Data)

	Year Ended December 25, 2014	Year Ended December 31, 2015(1)	Year Ended December 29, 2016
Net sales	$ 584,588	$ 784,012	$ 1,050,759
Cost of sales	355,051	471,390	621,497
Gross profit	229,537	312,622	429,262
Operating expenses:			
Selling and store operating	146,485	202,637	271,876
General and administrative	38,984	49,917	64,025
Pre-opening	7,412	7,380	13,732
Litigation settlement	—	—	10,500
Executive severance	2,975	296	—
Total operating expenses	195,856	260,230	360,133
Operating income	33,681	52,392	69,129
Interest expense	8,949	9,386	12,803
Loss on early extinguishment of debt	—	—	1,813
Income before income taxes	24,732	43,006	54,513
Provision for income taxes	9,634	16,199	11,474
Net income	$ 15,098	$ 26,807	$ 43,039
Basic earnings per share	$ 0.18	$ 0.32	$ 0.52
Diluted earnings per share	$ 0.18	$ 0.31	$ 0.49
Basic earnings per share pro forma for dividend			$ 0.46
Diluted earnings per share pro forma for dividend			$ 0.43

(1) Years ended December 29, 2016 and December 25, 2014 include 52 weeks. Year Ended December 31, 2015 includes 53 weeks.

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(In Thousands)

	Year Ended December 25, 2014	Year Ended December 31, 2015(1)	Year Ended December 29, 2016
Net income	$ 15,098	$ 26,807	$ 43,039
Other comprehensive gain—change in fair value of hedge instruments, net of tax	14	43	276
Total comprehensive income	$ 15,112	$ 26,850	$ 43,315

(1) Years ended December 29, 2016 and December 25, 2014 include 52 weeks. Year Ended December 31, 2015 includes 53 weeks.

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(In Thousands, Except Share Data)

	Preferred stock		Common stock class A		Common stock class B		Common stock class C		Additional paid-in capital	Accumulated other comprehensive income (loss), net	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 26, 2013	—	$ —	76,847,116	$ 77	9,976	$ —	6,275,489	$ 6	$ 258,017	$ (157)	$ 6,189	$ 264,132
Stock based compensation expense	—	—	—	—	—	—	—	—	2,323	—	—	2,323
Exercise of stock options	—	—	—	—	201,137	—	—	—	658	—	—	658
Excess tax benefit from employee stock options	—	—	—	—	—	—	—	—	11	—	—	11
Other comprehensive gain, net of tax	—	—	—	—	—	—	—	—	—	14	—	14
Net income	—	—	—	—	—	—	—	—	—	—	15,098	15,098
Balance, December 25, 2014	—	—	76,847,116	77	211,113	—	6,275,489	6	261,009	(143)	21,287	282,236
Stock based compensation expense	—	—	—	—	34,340	—	—	—	3,258	—	—	3,258
Exercise of stock options	—	—	—	—	5,149	—	—	—	40	—	—	40
Tax deficiency from employee stock options	—	—	—	—	—	—	—	—	(19)	—	—	(19)
Other comprehensive gain, net of tax	—	—	—	—	—	—	—	—	—	43	—	43
Net income	—	—	—	—	—	—	—	—	—	—	26,807	26,807
Balance, December 31, 2015	—	—	76,847,116	77	250,602	—	6,275,489	6	264,288	(100)	48,094	312,365
Stock based compensation expense	—	—	—	—	—	—	—	—	3,182	—	47	3,229
Exercise of stock options	—	—	—	—	145,140	—	—	—	284	—	—	284
Other comprehensive gain, net of tax	—	—	—	—	—	—	—	—	—	276	—	276
Dividend declared	—	—	—	—	—	—	—	—	(150,722)	—	(74,278)	(225,000)
Cumulative effect from adoption of ASU No. 2016-09	—	—	—	—	—	—	—	—	238	—	(148)	90
Net income	—	—	—	—	—	—	—	—	—	—	43,039	43,039
Balance, December 29, 2016	—	$ —	76,847,116	$ 77	395,742	$ —	6,275,489	$ 6	$ 117,270	$ 176	$ 16,754	$ 134,283

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 25, 2014	Year Ended December 31, 2015(1)	Year Ended December 29, 2016
Operating activities			
Net income	$ 15,098	$ 26,807	$ 43,039
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,704	19,684	28,604
Loss on early extinguishment of debt	—	—	1,813
Loss on asset disposals	148	144	451
Amortization of tenant improvement allowances	(1,896)	(2,197)	(2,561)
Deferred income taxes	(1,426)	464	(5,536)
Stock based compensation expense	2,323	3,258	3,229
Changes in operating assets and liabilities:			
Receivables, net	(7,761)	(7,997)	(10,793)
Inventories, net	(45,985)	(70,988)	(21,133)
Other assets	(2,069)	(2,520)	(4,817)
Trade accounts payable	47,780	40,454	11,145
Accrued expenses	7,488	4,908	27,244
Income taxes	6,223	(4,805)	8,271
Deferred revenue	2,023	4,997	2,311
Deferred rent	2,507	3,327	3,870
Tenant improvement allowances	5,660	4,816	4,244
Other	(223)	28	75
Net cash provided by operating activities	43,594	20,380	89,456
Investing activities			
Purchases of fixed assets	(39,069)	(45,037)	(74,648)
Other	—	16	—
Net cash used in investing activities	(39,069)	(45,021)	(74,648)
Financing activities			
Borrowings on revolving line of credit	119,700	204,300	171,850
Payments on revolving line of credit	(123,400)	(177,900)	(214,750)
Proceeds from term loans	—	—	362,000
Payments on term loans	(1,467)	(1,667)	(98,334)
Prepayment penalty on term loan extinguishment	—	—	(179)
Debt issuance costs	(208)	(93)	(10,546)
Cash dividends	—	—	(225,000)
Proceeds from exercise of stock options	658	40	284
Excess tax benefit from exercise of stock options	296	—	—
Net cash (used in) provided by financing activities	(4,421)	24,680	(14,675)
Net increase in cash and cash equivalents	104	39	133
Cash and cash equivalents, beginning of the year	175	279	318
Cash and cash equivalents, end of the year	$ 279	$ 318	$ 451
Supplemental disclosures of cash flow information			
Cash paid for interest	$ 7,903	$ 8,898	$ 6,922
Cash paid for income taxes	$ 4,778	$ 20,182	$ 8,929
Fixed assets accrued at the end of the year	$ 3,343	$ 7,002	$ 5,387
Fixed assets acquired as part of lease—paid for by lessor	$ —	$ —	$ 2,290

(1) Years ended December 29, 2016 and December 25, 2014 include 52 weeks. Year Ended December 31, 2015 includes 53 weeks.

See accompanying notes to consolidated financial statements.

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 29, 2016

1. Summary of Significant Accounting Policies

Nature of Business

FDO Holdings, Inc., together with its subsidiaries (the "Company," "we," "our," or "us"), is a highly differentiated, rapidly growing specialty retailer of hard surface flooring and related accessories. We offer a broad in-stock assortment of tile, wood, laminate, and natural stone flooring along with decorative and installation accessories at everyday low prices. Our stores appeal to a variety of customers, including professional installers and commercial businesses, Do it Yourself customers and customers who buy the products for professional installation. We operate within one reportable segment.

As of December 29, 2016, the Company, through its wholly owned subsidiary, operates 69 warehouse-format stores, which average 72,000 square feet, and one small-format standalone design center in 17 states including Arizona, California, Colorado, Florida, Georgia, Illinois, Louisiana, Maryland, Nevada, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Virginia, and Utah, four distribution centers and an e-commerce site, *FloorandDecor.com.*

Fiscal Year

The Company's fiscal year is the 52- or 53-week period ending on the Thursday on or preceding December 31st. Fiscal years ended December 29, 2016 ("fiscal 2016") and December 25, 2014 ("fiscal 2014") include 52 weeks. Fiscal year ended December 31, 2015 ("fiscal 2015") includes 53 weeks.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Certain prior-year amounts have been reclassified in the consolidated financial statements to conform to the current year presentation.

The Company has evaluated subsequent events through March 20, 2017, which represents the date on which the financial statements were available for distribution.

Cash and Cash Equivalents

Cash consists of currency and demand deposits with banks.

Receivables

Receivables consist primarily of amounts due from credit card companies, receivables from vendors and tenant improvement allowances owed by landlords. The Company typically collects its credit card receivables within three to five business days of the underlying sale to the customer. The Company has agreements with a majority of its large merchandise vendors that allow for specified rebates based on purchasing volume. Generally, these agreements are on an annual basis, and the Company collects the rebates subsequent to its fiscal year end. Additionally, the Company has agreements with substantially all vendors that allow for the return of certain merchandise throughout

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

1. Summary of Significant Accounting Policies (Continued)

the normal course of business. When inventory is identified to return to a vendor, it is removed from inventory and recorded as a receivable on the Consolidated Balance Sheet, and any variance between capitalized inventory cost associated with the return and the expected vendor reimbursement is expensed in Cost of sales in the Consolidated Statement of Income when the inventory is identified to be returned to the vendor. The Company reserves for estimated uncollected receivables based on historical trends, which historically have been immaterial. The allowance for doubtful accounts as of December 29, 2016 and December 31, 2015, was $188 thousand and $133 thousand, respectively.

Credit Program

Credit is offered to the Company's customers through a proprietary credit card underwritten by third-party financial institutions and at no recourse to the Company.

Inventory Valuation and Shrinkage

Inventories consist of merchandise held for sale and are stated at the lower of cost and net realizable value. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recorded in cost of sales in the consolidated statement of income as a loss in the period in which it occurs. The Company determines inventory costs using the weighted average cost method. The Company capitalizes transportation, duties and other costs to get product to its retail locations. The Company records reserves for estimated losses related to shrinkage and other amounts that are otherwise not expected to be fully recoverable. These reserves are calculated based on historical shrinkage, selling price, margin and current business trends. The estimates have calculations that require management to make assumptions based on the current rate of sales, age, salability and profitability of inventory, historical percentages that can be affected by changes in the Company's merchandising mix, customer preferences, and changes in actual shrinkage trends. These reserves totaled $2,449 thousand and $2,476 thousand as of December 29, 2016 and December 31, 2015, respectively.

Physical inventory counts and cycle counts are performed on a regular basis in each store and distribution center to ensure that amounts reflected in the accompanying Consolidated Balance Sheet are properly stated. During the period between physical inventory counts in our stores, the Company accrues for estimated losses related to shrinkage on a store-by-store basis. Shrinkage is the difference between the recorded amount of inventory and the physical inventory. Shrinkage may occur due to theft, loss, or inaccurate records for the receipt of inventory, among other things.

Fixed Assets

Fixed assets consist primarily of furniture, fixtures and equipment, leasehold improvements (including those that are reimbursed by landlords as a tenant improvement allowances) and computer software and hardware. Fixed assets are stated at cost less accumulated depreciation utilizing the straight-line method over the assets' estimated useful lives.

Leasehold improvements are amortized using the straight-line method over the shorter of (i) the original term of the lease, (ii) renewal term of the lease if the renewal is reasonably expected or

1. Summary of Significant Accounting Policies (Continued)

(iii) the useful life of the improvement. The Company's fixed assets are depreciated using the following estimated useful lives:

	Life
Furniture, fixtures and equipment	2 - 7 years
Leasehold improvements	10 - 25 years
Computer software and hardware	3 - 7 years

The cost and related accumulated depreciation of assets sold or otherwise disposed are removed from the accounts, and the related gain or loss is reported in the Consolidated Statements of Income.

Capitalized Software Costs

The Company capitalizes certain costs related to the acquisition and development of software and amortizes these costs using the straight-line method over the estimated useful life of the software. Certain development costs not meeting the criteria for capitalization are expensed as incurred.

Goodwill and Other Indefinite-Lived Intangible Assets

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC 350"),*Intangibles—Goodwill and Other*, goodwill and other intangible assets with indefinite lives resulting from business combinations are not amortized but instead are tested for impairment at least annually (more frequently if certain indicators are present) while identifiable intangible assets with finite lives are amortized over their estimated useful lives. The Company obtains independent third-party valuation studies to assist it with determining the fair value of goodwill and indefinite-lived intangible assets. The Company's goodwill and other indefinite-lived intangible assets subject to impairment testing arose primarily as a result of its acquisition of Floor and Decor Outlets of America, Inc. in November 2010.

The Company performs a two-step quantitative impairment test on goodwill. In the first step, the Company compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired, and the Company is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then the Company would record an impairment loss equal to the difference.

The Company estimates the fair value of our reporting unit using a weighted combination of the income approach and the market approach. The income approach utilizes a discounted cash flow model incorporating management's expectations for future revenue, operating expenses, earnings before interest, taxes, depreciation and amortization, working capital and capital expenditures. The Company discounts the related cash flow forecasts using its estimated weighted-average cost of capital at the date of valuation. The market approach utilizes comparative market multiples derived by relating the value of guideline companies in the Company's industry and/or with similar growth prospects, based on either

1. Summary of Significant Accounting Policies (Continued)

the market price of publicly traded shares or the prices of companies being acquired in the marketplace, to various measures of their earnings. Such multiples are then applied to the Company's historical and projected earnings to derive a valuation estimate.

Based on the goodwill impairment analysis performed quantitatively on October 25, 2016, the Company determined that the fair value of its reporting unit is in excess of the carrying value. No events or changes in circumstances have occurred since the date of the Company's most recent annual impairment test that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

The Company annually (or more frequently if there are indicators of impairment) evaluates whether indefinite-lived assets continue to have an indefinite life or have impaired carrying values due to changes in the asset(s) or their related risks. The impairment review is performed by comparing the carrying value of the indefinite lived intangible asset to its estimated fair value, determined using a discounted cash flow methodology. If the recorded carrying value of the indefinite-lived asset exceeds its estimated fair value, an impairment charge is recorded to write the asset down to its estimated fair value.

The estimated lives of the Company's intangible assets are as follows:

	Useful Life
Trade names	Indefinite
Vendor relationships	10 years

The Company's goodwill and other indefinite-lived intangible assets impairment loss calculations contain uncertainties because they require management to make significant judgments in estimating the fair value of the Company's reporting unit and indefinite-lived intangible assets, including the projection of future cash flows, assumptions about which market participants are the most comparable, the selection of discount rates and the weighting of the income and market approaches. These calculations contain uncertainties because they require management to make assumptions such as estimating economic factors and the profitability of future business operations and, if necessary, the fair value of the reporting unit's assets and liabilities among others. Further, the Company's ability to realize the future cash flows used in its fair value calculations is affected by factors such as changes in economic conditions, changes in the Company's operating performance and changes in the Company's business strategies. Significant changes in any of the assumptions involved in calculating these estimates could affect the estimated fair value of one or more of the Company's reporting unit and indefinite-lived intangible assets and could result in impairment charges in a future period.

Long-Lived Assets

Long-lived assets, such as fixed assets and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset, a product recall or an adverse action by a regulator. If the sum of the estimated undiscounted future cash flows related to the asset is less than the asset's carrying value, the Company recognizes a

1. Summary of Significant Accounting Policies (Continued)

loss equal to the difference between the carrying value and the fair value, usually determined by the estimated discounted cash flow analysis of the asset.

Since there is typically no active market for the Company's definite-lived intangible assets, the Company estimates fair values based on expected future cash flows at the time they are identified. The Company estimates future cash flows based on store-level historical results, current trends and operating and cash flow projections. The Company amortizes these assets with finite lives over their estimated useful lives on a straight-line basis. This amortization methodology best matches the pattern of economic benefit that is expected from the definite-lived intangible assets. The Company evaluates the useful lives of its intangible assets on an annual basis.

Tenant Improvement Allowances and Deferred Rent

The Company accounts for tenant improvement allowances and deferred rent as liabilities or assets on the balance sheet. Tenant improvement allowances are amounts received from a lessor for improvements to leased properties and are amortized against rent expense over the life of the respective leases. Fixed rents are recognized ratably over the initial non-cancellable lease term. Deferred rent represents differences between the actual cash paid for rent and the amount of straight-line rent over the initial non-cancellable term.

Self-Insurance Reserves

The Company is partially self-insured for workers' compensation and general liability claims less than certain dollar amounts and maintains insurance coverage with individual and aggregate limits. The Company also has a basket aggregate limit to protect against losses exceeding $5.0 million (subject to adjustment and certain exclusions) for workers' compensation claims and general liability claims. The Company's liabilities represent estimates of the ultimate cost for claims incurred, including loss adjusting expenses, as of the balance sheet date. The estimated liabilities are not discounted and are established based upon analysis of historical data, actuarial estimates, regulatory requirements, an estimate of claims incurred but not yet reported and other relevant factors. Management utilizes independent third-party actuarial studies to help assess the liability on a regular basis. As of December 29, 2016, per occurrence deductibles for individual workers' compensation and individual general liability claims were $250 thousand and $150 thousand, respectively.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Asset Retirement Obligations

An asset retirement obligation ("ARO") represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development or normal operation of that long-lived asset. The Company's AROs are primarily associated with leasehold improvements that, at the end of a lease, the Company is contractually

1. Summary of Significant Accounting Policies (Continued)

obligated to remove in order to comply with certain lease agreements. The ARO is recorded in Other long-term liabilities on the Consolidated Balance Sheets and will be subsequently adjusted for changes in fair value. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

Changes in i) inflation rates and ii) the estimated costs, timing and extent of future store closure activities each result in 1) a current adjustment to the recorded liability and related asset and 2) a change in the liability and asset amounts to be recorded prospectively. Any changes related to the assets are then recognized in accordance with our depreciation policy, which would generally result in depreciation expense being recognized prospectively over the shorter of the remaining lease term or estimated useful life.

Fair Value Measurements—Debt

The Company estimates fair values in accordance with ASC 820,*Fair Value Measurement.* ASC 820 provides a framework for measuring fair value and expands disclosures required about fair value measurements. ASC 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Additionally, ASC 820 defines levels within a hierarchy based upon observable and non-observable inputs.

- Level 1: Inputs that are quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets for assets or liabilities that are either directly or indirectly observable
- Level 3: Inputs that are non-observable that reflect the reporting entity's own assumptions

The fair values of certain of the Company's debt instruments have been determined by the Company utilizing Level 3 inputs, such as available market information and appropriate valuation methodologies, including the rates for similar instruments and the discounted cash flows methodology.

Derivative Financial Instruments

The Company uses derivative financial instruments to maintain a portion of its long-term debt obligations at a targeted balance of fixed and variable interest rate debt to manage its risk associated with fluctuations in interest rates. In November 2016, the Company entered into two interest rate caps. In 2013, we entered into two interest rate swap contracts. The 2016 and 2013 instruments have been designated as cash flow hedges for accounting purposes, and the fair value is calculated utilizing Level 2 inputs. Unrealized changes in the fair value of these derivative instruments are recorded in Accumulated other comprehensive loss within the equity section of our Consolidated Balance Sheets.

The effective portion of the gain or loss on the derivatives is reported as a component of Comprehensive income within the Consolidated Statements of Comprehensive Income and reclassified into earnings in the same period in which the hedged transaction affects earnings. The effective portion of the derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent changes in fair values of the instruments are not highly effective, the ineffective portion of the hedge is immediately recognized in earnings.

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

1. Summary of Significant Accounting Policies (Continued)

We perform an assessment of the effectiveness of our derivative contracts designated as hedges, including assessing the possibility of counterparty default. If we determine that a derivative is no longer expected to be highly effective, we discontinue hedge accounting prospectively and recognize subsequent changes in the fair value of the hedge in earnings. We believe our derivative contracts, which consist of interest rate cap and swap contracts, will continue to be highly effective in offsetting changes in cash flow attributable to floating interest rate risk. We did not have any ineffectiveness in 2016 or 2015 related to these instruments.

Use of Estimates

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amounts of fixed assets and intangibles, asset retirement obligations, allowances for accounts receivable and inventories, reserves for workers' compensation and general liability claims incurred but not reported and deferred income tax assets and liabilities. Actual results could differ from these estimates.

Revenue Recognition

Retail sales at the Company's stores are recorded at the point of sale and are net of sales discounts and estimated returns. In some instances, the Company will allow customers to store their merchandise, generally up to 14 days. In this instance, the Company recognizes revenue and the related cost of sales when both collection or reasonable assurance of collection of payment and final delivery of the product have occurred. For orders placed through our website and shipped to our customers, we recognize revenue and the related cost of sales at the time we estimate the customer receives the merchandise, which is typically within a few days of shipment. The Company arranges and pays for freight to deliver products to customers, and bills the customer for the estimated freight cost, which is included in Net sales. Sales taxes collected are not recognized as revenue as these amounts are ultimately remitted to the appropriate taxing authorities.

Gift Cards and Merchandise Credits

We sell gift cards to our customers in our stores and through our website and issue merchandise credits in our stores. We account for the programs by recognizing a liability at the time the gift card is sold or the merchandise credit is issued. The liability is relieved and revenue is recognized when the cards are redeemed. We have an agreement with an unrelated third-party who is the issuer of the Company's gift cards and also assumes the liability for unredeemed gift cards. The Company is not subject to claims under unclaimed property statutes, as the agreement effectively transfers the ownership of such unredeemed gift cards and the related future escheatment liability, if any, to the third-party. Gift card breakage is recognized based upon historical redemption patterns and represents the balance of gift cards for which the Company believes the likelihood of redemption by the customer is remote. Accordingly, in fiscal 2016, fiscal 2015, and fiscal 2014 gift card breakage

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

1. Summary of Significant Accounting Policies (Continued)

income of $627 thousand, $511 thousand, and $355 thousand was recognized in Net sales in the Consolidated Statements of Income, respectively, for such unredeemed gift cards.

Sales Returns and Allowances

The Company accrues for estimated sales returns based on historical sales return results. The allowance for sales returns at December 29, 2016 and December 31, 2015, was $4,887 thousand and $3,720 thousand, respectively.

Merchandise exchanges of similar product and price are not considered merchandise returns and, therefore, are excluded when calculating the sales returns reserve.

Cost of Sales

Cost of sales consists of merchandise costs as well as capitalized freight to transport inventory to our distribution centers and stores, and duty and other costs that are incurred to distribute the merchandise to our stores. Cost of sales also includes shrinkage, damaged product disposals, distribution, warehousing, sourcing and compliance cost and arranging and paying for freight to deliver products to customers. The Company receives cash consideration from certain vendors related to vendor allowances and volume rebates, which is recorded as a reduction of costs of sales when the inventory is sold or as a reduction of the carrying value of inventory if the inventory is still on hand.

Vendor Rebates and Allowances

Vendor allowances consist primarily of volume rebates that are earned as a result of attaining certain inventory purchase levels and advertising allowances or incentives for the promotion of vendors' products. These vendor allowances are accrued, based on annual projections, as earned.

Vendor allowances earned are initially recorded as a reduction to the carrying value of inventory and a subsequent reduction in cost of sales when the related product is sold. Certain incentive allowances that are reimbursements of specific, incremental and identifiable costs incurred to promote vendors' products are recorded as an offset against these promotional expenses.

Total Operating Expenses

Total operating expenses consist primarily of store and administrative personnel wages and benefits, infrastructure expenses, supplies, fixed asset depreciation, store and corporate facility expenses, pre-opening costs, training and advertising costs. Credit card fees, insurance, personal property taxes, legal expenses, and other miscellaneous operating costs are also included.

Advertising

The Company expenses advertising costs as the advertising takes place. Advertising costs incurred during the years ended December 29, 2016 and December 31, 2015, and December 25, 2014, were $33,497 thousand, $24,478 thousand and $17,359 thousand, respectively, and are included in Selling and store operating expenses and Pre-opening expenses in the Consolidated Statements of Income.

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

1. Summary of Significant Accounting Policies (Continued)

Pre-Opening Expenses

The Company accounts for non-capital operating expenditures incurred prior to opening a new store as "pre-opening" expenses in its Consolidated Statements of Income. The Company's pre-opening expenses begin on average three to six months in advance of a store opening or relocating due to, among other things, the amount of time it takes to prepare a store for its grand opening. Pre-opening expenses primarily include: advertising, rent, staff training, staff recruiting, utilities, personnel and equipment rental. A store is considered to be relocated if it is closed temporarily and re-opened within the same primary trade area. Pre-opening expenses for the years ended December 29, 2016, December 31, 2015, and December 25, 2014, totaled $13,732 thousand, $7,380 thousand, and $7,412 thousand, respectively.

Loss on Early Extinguishment of Debt

On September 30, 2016, the Company amended its prior asset-based revolving credit facility (the "Prior ABL Facility") and terminated its prior term loan facility (the "Prior Term Loan Facility"), each with Wells Fargo Bank, N.A, dated as of May 1, 2013, as amended. The Company also terminated its prior senior secured term loan facility with GCI Capital Markets LLC, (the "GCI Facility"). For the year ended December 29, 2016, loss on early extinguishment of debt is comprised of a (1) $179 thousand prepayment penalty paid in connection with the extinguishment of the Prior Term Loan Facility of $19,833 thousand, (2) write-off of approximately $1,319 thousand of unamortized debt issuance cost and original issue discount associated with the extinguishment of the Prior Term Loan Facility and the GCI Facility, (3) write-off of approximately $162 thousand associated with the amendment of the Prior ABL Facility and (4) $153 thousand unamortized deferred debt issuance cost related to the April 15, 2016 amendment to the Prior Term Loan Facility.

Stock-Based Compensation

The Company accounts for employee stock options in accordance with relevant authoritative literature. The Company obtains independent third-party valuation studies to assist it with determining the grant date fair value of our stock price at least twice a year. Stock options are granted with exercise prices equal to or greater than the estimated fair market value on the date of grant as authorized by the board of directors or compensation committee. Options granted have vesting provisions ranging from three to five years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting. The Company has selected the Black-Scholes option pricing model for estimating the grant date fair value of stock option awards granted. The Company bases the risk-free interest rate on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. The Company estimates the volatility of the share price of its common stock by considering the historical volatility of the stock of similar public entities. The Company considers a number of factors in determining the appropriateness of the public entities included in the volatility assumption, including the entity's life cycle stage, growth profile, size, financial leverage and products offered. Stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service period based on the number of years for which the requisite service is expected to be rendered. The Company elected to early adopt ASU No. 2016-09 "Improvements to Employee Share-Based Payment Accounting" in 2016

1. Summary of Significant Accounting Policies (Continued)

and now recognize forfeitures in earnings as they occur; prior to the adoption, the Company had considered the retirement and forfeiture provisions of the options and utilized its historical experience to estimate the expected life of the options.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in the period that includes the enactment date of such a change.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the associated temporary differences became deductible. On a quarterly basis, the Company evaluates whether it is more likely than not that its deferred tax assets will be realized in the future and conclude whether a valuation allowance must be established.

The Company includes any estimated interest and penalties on tax-related matters in income taxes payable and income tax expense. The Company accounts for uncertain tax positions in accordance with ASC 740, *Income Taxes.* ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements using a two-step process for evaluating tax positions taken, or expected to be taken, on a tax return. The Company may only recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law, which may be subject to change or varying interpretation. The Company does not believe it has any material risks related to uncertain tax positions.

Segment Information

The Company operates as a specialty retailer of hard surface flooring and related accessories through retail stores located in the United States and through its website. The Company's chief operating decision maker is its Chief Executive Officer who reviews the Company's consolidated financial information for purposes of allocating resources and evaluating the Company's financial performance. Accordingly, the Company concluded it has one reportable segment.

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

1. Summary of Significant Accounting Policies (Continued)

The following table presents the Net sales of each major product category for each of the last three fiscal years (in thousands):

	Fiscal Year Ended					
	December 25, 2014		December 31, 2015		December 29, 2016	
Product Category	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Tile	$ 174,271	30%	$ 244,902	31%	$ 325,433	31%
Decorative Accessories	98,991	16	138,442	18	188,371	18
Accessories (Installation Materials and Tools)	91,122	16	124,162	16	165,330	16
Wood	90,752	16	116,999	15	142,751	14
Laminate / Luxury Vinyl Plank	61,817	11	77,586	10	131,447	12
Natural Stone	65,008	11	78,294	10	90,866	9
Delivery and Other	2,627	—	3,627	—	6,561	—
Total	$ 584,588	100%	$ 784,012	100%	$ 1,050,759	100%

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This standard simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU No. 2017-04 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted after January 1, 2017. The amendments in this update should be applied using a prospective approach. The adoption of ASU No. 2017-04 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." This standard update requires an entity to recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs. ASU No. 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The amendments in this update should be applied using a modified retrospective approach. The adoption of ASU No. 2016-16 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." The standard update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The amendments in this update should be applied using a retrospective approach. The adoption of ASU No. 2016-15 is not expected to have a material impact on the Company's cash flows.

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

1. Summary of Significant Accounting Policies (Continued)

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employees Share-Based Payment Accounting." The update is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. Depending on the amendment, methods used to apply the requirements of the update include modified retrospective, retrospective, and prospective. We elected to early adopt this standard during the second quarter of 2016. The net cumulative effect of this change was recognized as a $148 thousand reduction to retained earnings and the recognition of $238 thousand of additional paid-in capital. The adoption of this standard resulted in a modified retrospective adjustment on our consolidated balance sheet as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU No. 2016-02 requires that lessees recognize lease assets and a lease liabilities for all leases with greater than 12 month terms on the balance sheet. The guidance also requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. This new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those years, with early adoption permitted. The standard must be applied using a modified retrospective approach. The Company is currently evaluating the impact that ASU No. 2016-02 will have on our Consolidated Financial Statements. The Company is currently evaluating the impact that ASU No. 2016-02 will have on our Consolidated Financial Statements. When implemented, the Company believes the new standard will have a material impact on its consolidated balance sheet. The Company is currently evaluating the effect that implementation of this standard will have on the Company's consolidated statements of income, cash flows, financial position and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU No. 2015-11 provides new guidance for entities using first-in, first-out or average cost to simplify the subsequent measurement of inventory, which proposes that inventory should be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance eliminates the option to subsequently measure inventory at replacement cost or net realizable value less an approximately normal profit margin. This new guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those years, with early adoption permitted. The amendments in this update should be applied prospectively. The adoption of ASU No. 2015-11 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 provides new guidance related to the core principle that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services provided. In July 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date, and permitted

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

1. Summary of Significant Accounting Policies (Continued)

early adoption of the standard, but not before the original effective date of December 15, 2016. In March 2016, the FASB issued ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies the guidance in ASU No. 2014-09 and has the same effective date as the original standard. In April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing." In May 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The 2016 updates to the revenue recognition guidance relate to principal versus agent assessments, identifying performance obligations, the accounting for licenses, and certain narrow scope improvements and practical expedients. This new standard could impact the timing and amounts of revenue recognized. As the Company evaluates the impact of this standard, the more significant change relates to the timing of revenue recognized for certain transactions for which the Company allows customers to store their merchandise at the retail store for final delivery at a later date. The Company is continuing to evaluate the impact this standard, and related amendments and interpretive guidance, will have on its consolidated financial statements. The Company plans to adopt the new standard on a modified retrospective basis beginning December 29, 2017.

2. Fixed Assets

Fixed assets as of December 29, 2016 and December 31, 2015, consisted of the following (in thousands):

	2015	2016
Furniture, fixtures and equipment	$ 60,992	$ 90,787
Leasehold improvements	60,564	89,226
Computer software and hardware	27,831	40,699
Fixed assets, at cost	149,387	220,712
Less: accumulated depreciation and amortization	46,404	70,241
Fixed assets, net	$ 102,983	$ 150,471

Depreciation and amortization on fixed assets for the years ended December 29, 2016, December 31, 2015, and December 25, 2014, was $27,459 thousand, $18,531 thousand, and $12,512 thousand, respectively.

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

3. Intangible Assets

The following summarizes the balances of intangible assets as of December 29, 2016 and December 31, 2015 (in thousands):

		2015		2016	
	Estimated Useful Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:					
Vendor relationships	10 years	319	(162)	319	(194)
Indefinite-lived intangible assets:					
Trade names		109,269	—	109,269	—
		$ 109,588	$ (162)	$ 109,588	$ (194)

Amortization expense related to amortizable intangible assets for the years ended December 29, 2016, December 31, 2015 and December 25, 2014, was $32 thousand, $327 thousand and $356 thousand, respectively.

Estimated intangible asset amortization for the next four years is as follows (in thousands):

2017	$ 32
2018	32
2019	32
2020	29

4. Income Taxes

The components of the provision for income taxes are as follows (in thousands):

	Year Ended December 25, 2014	Year Ended December 31, 2015	Year Ended December 29, 2016
Current expense:			
Federal	$ 9,081	$ 13,183	$ 14,588
State	1,979	2,552	2,422
Total current expense	11,060	15,735	17,010
Deferred (benefit)/expense:			
Federal	(680)	553	(4,765)
State	(746)	(89)	(771)
Total deferred (benefit)/expense	(1,426)	464	(5,536)
	$ 9,634	$ 16,199	$ 11,474

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

4. Income Taxes (Continued)

The following is a summary of the differences between the total provision for income taxes as shown on the financial statements and the provision for income taxes that would result from applying the federal statutory tax rate of 35% to income before income taxes (in thousands).

	Year Ended December 25, 2014	Year Ended December 31, 2015	Year Ended December 29, 2016
Computed "expected" provision at statutory rate	$ 8,656	$ 15,052	$ 19,080
State income taxes, net of federal income tax benefit	801	1,594	1,073
Permanent differences:			
Non-qualified option holder dividend equivalent	—	—	(7,877)
Other	96	113	(4)
Total permanent differences	96	113	(7,881)
Other, net	81	(560)	(798)
Provision for income taxes	$ 9,634	$ 16,199	$ 11,474

The permanent differences of $7,877 thousand in fiscal 2016 is the federal benefit related to a dividend equivalent payment to certain option holders. The state benefit related to this payment of $597 thousand is included in state income taxes, net of federal income tax benefit in the table above.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and (liabilities) are presented below (in thousands):

	Year Ended December 31, 2015	Year Ended December 29, 2016
Deferred tax assets:		
Accruals not currently deductible for tax purposes	$ 10,314	$ 14,342
Tenant improvement allowances	6,162	7,690
Inventories	3,459	4,050
Stock based compensation	2,997	4,179
Other intangibles	761	693
Gift card liability	820	858
Litigation accrual	—	5,299
Other	89	47
Total deferred tax assets	24,602	37,158
Deferred tax liabilities:		
Intangible assets	(41,095)	(41,269)
Fixed assets	(16,907)	(23,650)
Other	(324)	(504)
Total deferred tax liabilities	(58,326)	(65,423)
Net deferred tax liabilities	$ (33,724)	$ (28,265)

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

4. Income Taxes (Continued)

In assessing the realization of deferred tax assets, including net operating losses, management considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment, and accordingly, has concluded that no valuation allowance is necessary as of December 29, 2016 and December 31, 2015.

The Company files income tax returns with the U.S. Federal government and various state jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities. The Internal Revenue Service has completed audits of the Company's federal income tax returns for the years through 2011. As of December 29, 2016, December 31, 2015, and December 25, 2014 the Company had unrecognized tax benefits of $0, $0, and $189 thousand, respectively. The amounts of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate were $0, $0, and $136 thousand as of December 29, 2016, December 31, 2015, and December 25, 2014, respectively. During 2014, the Company recorded an immaterial amount of interest expense related to uncertain tax positions. The Company's policy is to classify interest and penalties related to unrecognized tax benefits in income tax expense.

5. Derivatives and Risk Management

Changes in interest rates impact our results of operations. In an effort to manage our exposure to this risk, we enter into derivative contracts and may adjust our derivative portfolio as market conditions change.

Interest Rate Risk

Our exposure to market risk from adverse changes in interest rates is primarily associated with our long-term debt obligations, which carry variable interest rates. Market risk associated with our variable interest rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates.

In an effort to manage our exposure to the risk associated with our variable interest rate long-term debt, we periodically enter into interest rate contracts. We designate interest rate contracts used to convert the interest rate exposure on a portion of our debt portfolio from a floating rate to a fixed rate or capped rate as cash flow hedges.

Hedge Position as of December 29, 2016:

(in thousands)	Notional Balance		Final Maturity Date	Other Assets	Other Accrued Liabilities	AOCI, Net of Tax
Interest rate caps (cash flow hedges)	$ 205,000	U.S. dollars	December 2021	$ 2,473	$ —	$ 176
Interest rate swaps (cash flow hedges)	$ 17,500	U.S. dollars	January 2017	$ —	$ —	$ —

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

5. Derivatives and Risk Management (Continued)

Hedge Position as of December 31, 2015:

(in thousands)	Notional Balance	Final Maturity Date	Other Assets	Other Accrued Liabilities	AOCI, Net of Tax
Interest rate swaps (cash flow hedges)	$ 35,000 U.S. dollars	January 2017	$ —	$ (160)	$ (100)

Designated Hedge Losses

Gains (losses) related to our designated hedge contracts are as follows (in thousands):

	Effective Portion Reclassified From AOCI to Earnings			Effective Portion Recognized in Other Comprehensive Income		
	Fiscal Year Ended					
(in thousands)	2014	2015	2016	2014	2015	2016
Interest rate caps (cash flow hedges)	$ —	$ —	$ —	$ —	$ —	$ 176
Interest rate swaps (cash flow hedges)	$ —	$ —	$ —	$ 14	$ 43	$ 100

Credit Risk

To manage credit risk associated with our interest rate hedging program, we select counterparties based on their credit ratings and limit our exposure to any one counterparty.

The counterparties to our derivative contracts are financial institutions with investment grade credit ratings. To manage our credit risk related to our derivative financial instruments, we periodically monitor the credit risk of our counterparties, limit our exposure in the aggregate and to any single counterparty, and adjust our hedging position, as appropriate. The impact of credit risk, as well as the ability of each party to fulfill its obligations under our derivative financial instruments, is considered in determining the fair value of the contracts. Credit risk has not had a significant effect on the fair value of our derivative contracts. We do not have any credit risk-related contingent features or collateral requirements with our derivative financial instruments.

6. Commitments and Contingencies

Lease Commitments

The Company leases its corporate office, retail locations, and distribution centers under long-term operating lease agreements that expire in various years through 2032. Additionally, certain equipment is leased under short-term operating leases.

Certain lease agreements include escalating rents over the lease terms. The Company expenses rent on a straight-line basis over the life of the lease, which commences on the date the Company has the right to control the property. The cumulative expense recognized on a straight-line basis in excess of the cumulative payments is included in deferred rent in the accompanying balance sheets. Future

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

6. Commitments and Contingencies (Continued)

minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 29, 2016, are (in thousands):

	Amount
2017	$ 63,340
2018	71,913
2019	73,580
2020	71,598
2021	67,875
Thereafter	369,231
Total minimum lease payments	$ 717,537

Lease expense for the years ended December 29, 2016, December 31, 2015, and December 25, 2014, was $53,899 thousand, $41,756 thousand, and $29,774 thousand, respectively.

Litigation

The Company is subject to other various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contracts, products liabilities, intellectual property matters and employment related matters resulting from its business activities. The Company establishes reserves for specific legal proceedings when it determines that the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. These proceedings are not expected to have a material impact on the Company's consolidated financial position, cash flows or results of operations.

On December 11, 2015, six plaintiffs filed a putative nationwide class action against the Company's subsidiary, Floor and Decor Outlets of America, Inc., ("F&D") in the United States District Court for the Northern District of Georgia, alleging that certain Chinese-manufactured laminate flooring products sold by F&D were falsely labeled as compliant with formaldehyde emissions standards established by California Air Resources Board ("CARB"). In June 2016, management believed a settlement of the case was both probable and estimable and accrued $14 million with respect to such case in the second quarter of fiscal 2016. During the third quarter of fiscal 2016, F&D reached an agreement with one of the manufacturers whose products were involved in the case to cover $3.5 million of the Company's losses related to this lawsuit. The Company recorded the $3.5 million receivable as an offset to litigation settlement expenses. In September 2016, F&D entered into a classwide settlement to resolve the lawsuit. The settlement class was defined as all end users of Chinese-manufactured laminate flooring sold by F&D nationwide between January 1, 2012 and August 1, 2015. As part of the settlement, all settlement class members who did not exclude themselves from the settlement granted F&D a release of all claims arising out of or relating to their purchase of Chinese-manufactured laminate flooring from F&D, with the exception of personal injury claims. Seven members of the settlement class excluded themselves from the settlement. The settlement was granted final approval by the court on January 10, 2017 and did not involve an admission of liability by F&D. As of March 20, 2017, which represents the date on which the financial statements were available for distribution, the Company does not believe that claims by the members excluded from the settlement

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

6. Commitments and Contingencies (Continued)

class or any personal injury claims are reasonably possible to result in a material loss to the Company in excess of the amounts already accrued.

7. Debt

The following table summarizes our long-term debt as of December 29, 2016 and December 31, 2015 (dollars in thousands):

	Maturity Date	Interest Rate Per Annum at December 29, 2016	December 31, 2015	December 29, 2016
Credit Facilities:				
Term Loan Facility	September 30, 2023	5.25% Variable	$ —	$ 350,000
ABL Facility	September 30, 2021	2.08% Variable	92,900	50,000
Prior Term Loan Facility	July 2, 2019	3.30% Variable	8,333	—
GCI Facility	May 1, 2019	7.75% Variable	78,000	—
Total secured debt			$ 179,233	$ 400,000
Less: current maturities			1,267	3,500
Long-term debt maturities			177,966	396,500
Less: unamortized discount and debt issuance costs			1,643	9,257
Total long-term debt			$ 176,323	$ 387,243

On September 30, 2016, the Board of Directors declared the Special Dividend and authorized the Option Payments. Payment of the Special Dividend and the Option Payments was made on September 30, 2016 to all shareholders and option holders of record at the close of business on September 30, 2016. In connection with the dividend, the Company refinanced its existing indebtedness by amending the Prior ABL Facility with an amended and restated $200.0 million asset based revolving credit facility maturing on September 30, 2021 (the "ABL Facility"), entering into a $350.0 million senior secured term loan facility maturing on September 30, 2023 (the "Term Loan Facility" and together with the ABL Facility, our "Credit Facilities") and repaying and terminating the Prior Term Loan Facility and the GCI Facility. As a result of the refinancing, the Company recorded $162 thousand of loss on extinguishment of debt related to unamortized deferred debt issuance cost for the Prior ABL Facility, as well as recorded $1,319 thousand of loss on extinguishment of debt related to unamortized original issue discount and unamortized deferred debt issuance cost for the Prior Term Loan Facility and GCI Facility. In addition, the Company recorded $10,347 thousand of original issue discount and deferred debt issuance cost related to new third-party fees associated with the refinancing.

Term Loan Facility

As of December 29, 2016, the Term Loan Facility had an outstanding balance of $350.0 million and requires quarterly repayments of $875 thousand, which commenced on December 31, 2016, with the remainder due and payable at maturity.

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

7. Debt (Continued)

As of December 29, 2016, the Term Loan Facility bore interest based on one of the following rates, at the Company's option:

i) Adjusted LIBOR Rate plus a margin of 4.25%

ii) Base Rate plus a margin of 3.25%. Base Rate defined as the greater of the following:

(a) the base rate in effect on such day,

(b) the federal funds rate plus 0.50%,

(c) the adjusted LIBOR rate for the interest period of one month plus a margin of 1.00%

The following table summarizes scheduled maturities of our debt, including current maturities, as of December 29, 2016 (in thousands):

	Amount
2017	$ 3,500
2018	3,500
2019	3,500
2020	4,375
2021	52,625
Thereafter	332,500
Total minimum debt payments	$ 400,000

ABL Facility

As of December 29, 2016, the ABL Facility had a maximum availability of $200.0 million with actual available borrowings limited to the sum, at the time of calculation, of eligible credit card receivables, plus the cost of eligible inventory, net of inventory reserves, multiplied by the product of appraisal percentage multiplied by the appraised value of eligible inventory, plus 85% of eligible net trade receivables, plus all eligible cash on hand minus certain Availability Reserves as defined in the credit agreement governing the ABL Facility. The ABL Facility is available for issuance of letters of credit and contains $30.0 million for standby letters of credit and commercial letters of credit. Available borrowings under the facility are reduced by the face amount of outstanding letters of credit. As of December 29, 2016, the borrowings bear interest at a floating rate, which is based on one of the following rates at the option of the Company:

i) LIBO Rate plus a margin percentage ranging from 1.25% to 1.50% based on the level of borrowings or

ii) Base Rate plus a margin (ranging from 0.25% to 0.50% based on the level of borrowings). The Base Rate is defined as the highest of the following:

(a) the federal funds rate plus 0.50%,

(b) Adjusted LIBO Rate plus 1.00%, or

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

7. Debt (Continued)

(c) the lender's prime rate

As of December 29, 2016, the Company had net availability under the ABL Facility of $121,719 thousand, including outstanding letters of credit of $10,119 thousand.

Covenants

The credit agreements governing our Credit Facilities contain customary restrictive covenants that, among other things and with certain exceptions, limit the ability of the Company to (i) incur additional indebtedness and liens in connection therewith; (ii) pay dividends and make certain other restricted payments; (iii) effect mergers or consolidations; (iv) enter into transactions with affiliates; (v) sell or dispose of property or assets and (vi) engage in unrelated lines of business. In addition, these credit agreements subject us to certain reporting obligations and require that we satisfy certain financial covenants, including, among other things:

- a requirement that if borrowings under the ABL Facility exceed 90% of availability, we will maintain a certain fixed charge coverage ratio (defined as consolidated EBITDA less non-financed capital expenditures and income taxes paid to consolidated fixed charges, in each case as more fully defined in the credit agreement governing the ABL Facility).

The Term Loan Facility has no financial maintenance covenants. As of December 29, 2016, the Company was in compliance with its debt covenants.

Deferred Debt Issuance Cost and Original Issue Discount

Deferred debt issuance cost related to our ABL Facility and our Prior ABL Facility of $1,274 thousand and $930 thousand as of December 29, 2016 and December 31, 2015, respectively, are included in Other assets on our Consolidated Balance Sheets. Deferred debt issuance cost and original issue discount related to our Term Loan Facility of $9,257 thousand as of December 29, 2016 and Prior Term Loan Facility and GCI Facility of $1,644 thousand as of December 31, 2015 are included in Term loans on our Consolidated Balance Sheets. Amortization expense was $954 thousand, $692 thousand, and $656 thousand for the years ended December 29, 2016, December 31, 2015, and December 25, 2014.

Fair Value of Debt

Market risk associated with our fixed and variable rate long-term debt relates to the potential change in fair value and negative impact to future earnings, respectively, from a change in interest rates. The aggregate fair value of debt was based primarily on discounted cash flows utilizing estimated interest rates, maturities, credit risk, and underlying collateral and is classified primarily as Level 3

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

7. Debt (Continued)

within the fair value hierarchy. At December 29, 2016 and December 31, 2015, the fair values of the Company's debt are as follows (in thousands):

	December 31, 2015	December 29, 2016
Total debt at par value	$ 179,233	$ 400,000
Less: unamortized discount and debt issuance costs	1,643	9,257
Net carry amount	$ 177,590	$ 390,743
Fair value	$ 179,413	$ 400,000

8. Stockholders' Equity

Common Stock

The Company has three classes of common stock: Class A, Class B, and Class C. The holders of Class A common stock, Class B common stock and Class C common stock are entitled to share equally, on a per share basis, in dividends or other distributions. Class A common stockholders are entitled to one vote per share held. Class B and Class C common stockholders have no voting rights, except as otherwise provided by law. In the event of the voluntary liquidation or dissolution of the Company, each class of stock will share equally, on a per share basis, in all the assets of the Company that are available for distribution to stockholders. A shareholders agreement restricts the terms and conditions under which the shares held by the parties to the shareholders agreement may be sold or transferred.

Conversion Features

In the event of an initial public offering that yields gross proceeds of at least $75.0 million and has a public offering price per share of at least $1,000 per share, as adjusted by dividends or other distributions (which has been adjusted to $916 as a result of the dividend paid in connection with the 2013 Refinancing), all of the shares of Class B common stock will convert to the same number of Class A common stock, without any action of the holder. The shares of Class C common stock held by individuals other than FS Equity Partners VI, L. P., FS Affiliates VI, L.P. or their affiliated persons shall convert automatically to shares of Class A common stock, without any action on their part. Shares of Class C common stock may be converted, upon the election of holders of such shares of Class C common stock, into the same number of shares of Class A common stock under certain circumstances as provided in the Company's certificate of incorporation.

Stock Options

The Company accounts for stock-based compensation pursuant to relevant authoritative guidance, which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation, net of estimated forfeitures, over the requisite service period for awards expected to vest.

On January 13, 2011, the Company adopted the 2011 Stock Option Plan (as amended, restated, supplemented or otherwise modified from time to time, the "2011 Plan") to provide for the grant of

8. Stockholders' Equity (Continued)

stock options to employees (including officers), consultants and non-employee directors of the Company and its subsidiaries. Pursuant to the terms of the 2011 Plan, which was approved by the Company's Board of Directors, the Company was authorized to grant options for the purchase of up to 12,520,407 shares as of December 29, 2016 and 10,780,970 shares as of December 31, 2015. As of December 29, 2016 and December 31, 2015, there were 179,575 and 104,269 options available for grant under the 2011 Plan, respectively.

Stock options are granted with an exercise price estimated to be greater than or equal to the fair market value on the date of grant. Options granted have vesting provisions ranging from three to five years, and contractual terms of ten years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting. All options were granted at or above estimated fair market value as authorized by the Company's Board of Directors.

The fair value of stock option awards granted was estimated using the Black-Scholes pricing model with the following weighted-average assumptions:

	Year Ended December 25, 2014	Year Ended December 31, 2015	Year Ended December 29, 2016
Risk-free interest rate	2.09%	1.93%	1.43%
Expected volatility	46%	49%	40%
Expected life (in years)	6.49	6.92	6.50
Dividend yield	0%	0%	0%

The Company estimates the volatility of the share price of its common stock by considering the historical volatility of the stock of similar public entities. In determining the appropriateness of the public entities included in the volatility assumption the Company considered a number of factors, including the entity's life cycle stage, growth profile, size, financial leverage and products offered.

Table of Contents

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

8. Stockholders' Equity (Continued)

The following summarizes the changes in the number of shares of common stock under option for the following periods:

	Options	Weighted Average Exercise Price	Options Exercisable at End of Year	Weighted Average Exercise Price of Exercisable Options	Weighted Average Fair Value/Share of Options Granted During the Year
Outstanding at December 26, 2013	10,714,356	$ 4.09	3,471,150	$ 3.64	—
Granted	748,553	$ 7.69	—	—	$ 3.72
Exercised	(201,137)	$ 3.28	—	—	—
Forfeited or expired	(1,737,506)	$ 4.06	—	—	—
Outstanding at December 25, 2014	9,524,266	$ 4.40	4,608,462	$ 3.85	—
Granted	1,378,355	$ 8.07	—	—	$ 4.12
Exercised	(5,149)	$ 7.69	—	—	—
Forfeited or expired	(437,353)	$ 7.16	—	—	—
Outstanding at December 31, 2015	10,460,119	$ 4.77	6,656,524	$ 4.00	—
Granted	2,025,535	$ 9.94	—	—	$ 4.13
Exercised	(145,140)	$ 3.48	—	—	—
Forfeited or expired	(361,403)	$ 6.65	—	—	—
Outstanding at December 29, 2016	11,979,111	$ 5.34	8,151,056	$ 4.20	—

The intrinsic value for stock options is defined as the difference between the exercise price and the value of the Company's common stock (on a minority, non-marketable basis). The per share value of the Company's common stock as of December 29, 2016, was $9.99. The intrinsic value of stock options exercised was $942 thousand and $11 thousand for the years ended December 29, 2016 and December 31, 2015, respectively. The aggregate intrinsic value of stock options outstanding as of December 29, 2016, was $55,759 thousand with a weighted-average remaining contractual life of 6.2 years. The aggregate intrinsic value of stock options exercisable as of December 29, 2016, was $47,218 thousand with a weighted-average remaining contractual life of 5.1 years. The Company's total unrecognized compensation cost related to stock-based compensation as of December 29, 2016, was $12,577 thousand, which is expected to be recognized over a weighted average period of 3.9 years.

On September 30, 2016, in connection with the Special Dividend, the Company declared the Option Payments for certain option holders. A portion of the Option Payments were for unvested options, and option holders are required to repay any amounts related to options that do not vest prior to such option holder's termination of employment. In the event an option holder defaults on such repayment, we will record the amount as additional stock based compensation expense in that reporting period.

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

9. Earnings Per Share

Net Income per Common Share

We calculate basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding adjusted for the dilutive effect of stock options. The following table shows the computation of basic and diluted earnings per share:

	Year Ended December 25, 2014	Year Ended December 31, 2015	Year Ended December 29, 2016
Net income (in thousands)	$ 15,098	$ 26,807	$ 43,039
Basic weighted average shares outstanding	83,222,330	83,365,218	83,432,157
Dilutive effect of share based awards	2,429,419	2,915,689	4,998,830
Diluted weighted average shares outstanding	85,651,749	86,280,907	88,430,987
Basic earnings per share	$ 0.18	$ 0.32	$ 0.52
Diluted earnings per share	$ 0.18	$ 0.31	$ 0.49

The following have been excluded from the computation of dilutive effect of share based awards because the effect would be anti-dilutive:

	Year Ended December 25, 2014	Year Ended December 31, 2015	Year Ended December 29, 2016
Stock Options	1,536,690	1,856,579	2,003,651

10. Unaudited Earnings Per Share Pro Forma for Dividend

On February 10, 2017 the Company filed a registration statement with the Securities and Exchange Commission ("SEC") in anticipation of the initial public offering of its common stock.

Under certain SEC interpretations, dividends declared in the year preceding an initial public offering are deemed to be in contemplation of the offering with the intention of repayment out of offering proceeds to the extent that the dividends exceeded earnings during such period. As such, the earnings per share pro forma for dividend for fiscal 2016 gives effect to the pro forma adjustment discussed, as well as the number of shares that would be required to generate proceeds necessary to pay the amount of the Special Dividend and Option Payments paid in September 2016 in excess of fiscal 2016 earnings, up to the amount of shares assumed to be issued in the offering. The following table sets forth the computation of pro forma basic and diluted earnings per share pro forma for

Floor & Decor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 29, 2016

10. Unaudited Earnings Per Share Pro Forma for Dividend (Continued)

dividend for fiscal 2016 based on an offering price of $17.00 per share, the midpoint of the estimated range of the price set forth on the cover page of this prospectus:

	Year Ended December 29, 2016
Net income (in thousands except share and per share amounts)	$ 43,039
Amount of dividends	$ 225,000
Excess of dividends over net income	$ (181,961)
Number of shares required to be issued at $17.00 per share to pay excess of dividends over net income	10,703,589
Basic weighted average shares outstanding	83,432,157
Pro forma basic weighted average shares outstanding	94,135,746
Pro forma basic earnings per share	$ 0.46
Dilutive weighted average shares outstanding	88,430,987
Pro forma dilutive weighted average shares outstanding	99,134,576
Pro forma dilutive earnings per share	$ 0.43

11. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	Year Ended December 31, 2015	Year Ended December 29, 2016
Accrued incentive compensation	$ 9,236	$ 14,799
Accrued legal fees	183	13,642
Other	26,422	33,064
Accrued expenses	$ 35,841	$ 61,505

12. Subsequent Events

On April 13, 2017, the Company filed an amendment to its certificate of incorporation changing the name of the Company from "FDO Holdings, Inc." to "Floor & Decor Holdings, Inc."

On April 24, 2017, the Company filed an amendment to its certificate of incorporation, effecting a 321.820-for-one stock split of its outstanding common stock, which was approved by the Company's board of directors and shareholders on April 13, 2017. The accompanying financial statements and notes to the financial statements give retroactive effect to the stock split for all periods presented.

Schedule I—Floor & Decor Holdings, Inc.

(parent company only)

Condensed Balance Sheets

(In Thousands, Except Share and Per Share Data)

	As of December 31, 2015	As of December 29, 2016
Assets		
Current assets:		
Accounts receivable from subsidiaries	$ —	$ —
Total current assets	—	—
Long-term assets:		
Investment in subsidiaries	312,365	134,283
Total long-term assets	312,365	134,283
Total assets	$ 312,365	$ 134,283
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable	$ —	$ —
Accrued interest payable	—	—
Total current liabilities	—	—
Total liabilities	—	—
Commitments and contingencies		
Stockholders' equity		
Capital stock:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding at December 29, 2016 and December 31, 2015	—	—
Common stock Class A, $0.001 par value; 450,000,000 shares authorized; 76,847,116 shares issued and outstanding at December 29, 2016 and December 31, 2015	77	77
Common stock Class B, $0.001 par value; 10,000,000 shares authorized; 395,742 shares issued and outstanding at December 29, 2016; 250,602 shares issued and outstanding at December 31, 2015	—	—
Common stock Class C, $0.001 par value; 30,000,000 shares authorized; 6,275,489 shares issued and outstanding at December 29, 2016 and December 31, 2015	6	6
Additional paid-in capital	264,288	117,270
Accumulated other comprehensive loss, net	(100)	176
Retained earnings	48,094	16,754
Total stockholders' equity	312,365	134,283
Total liabilities and stockholders' equity	$ 312,365	$ 134,283

See accompanying notes to condensed financial statements.

Schedule I—Floor & Decor Holdings, Inc.

(parent company only)

Condensed Statements of Income

(In Thousands)

	Year Ended December 25, 2014	Year Ended December 31, 2015	Year Ended December 29, 2016
Net income of subsidiaries	$ 15,098	$ 26,807	$ 43,039
Income before income taxes	15,098	26,807	43,039
Benefit for income taxes	—	—	—
Net income	$ 15,098	$ 26,807	$ 43,039

See accompanying notes to condensed financial statements.

Schedule I—Floor & Decor Holdings, Inc.

(parent company only)

Condensed Statements of Comprehensive Income

(In Thousands)

	Year Ended December 25, 2014	Year Ended December 31, 2015	Year Ended December 29, 2016
Net income	$ 15,098	$ 26,807	$ 43,039
Unrealized gain on fair value hedge instruments of subsidiaries, net of tax	14	43	276
Total comprehensive income	$ 15,112	$ 26,850	$ 43,315

See accompanying notes to condensed financial statements.

Schedule I—Floor & Decor Holdings, Inc.

(parent company only)

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 25, 2014	Year Ended December 31, 2015	Year Ended December 29, 2016
Operating activities			
Net income	$ 15,098	$ 26,807	$ 43,039
Adjustments to reconcile net income to net cash used in operating activities:			
Net income of subsidiaries	(15,098)	(26,807)	(43,039)
Net cash used in operating activities	—	—	—
Investing activities			
Investment in subsidiary	(954)	(40)	(284)
Distribution from subsidiary	—	—	225,000
Net cash (used in) provided by investing activities	(954)	(40)	224,716
Financing activities			
Proceeds from exercise of stock options	954	40	284
Cash dividends	—	—	(225,000)
Net cash provided by (used in) financing activities	954	40	(244,716)
Net change in cash and cash equivalents	—	—	—
Cash and cash equivalents, beginning of the year	—	—	—
Cash and cash equivalents, end of the year	$ —	$ —	$ —

See accompanying notes to consolidated financial statements.

Schedule I—Floor & Decor Holdings, Inc.

(parent company only)

Notes to Condensed Financial Statements

December 29, 2016

1. Basis of Presentation

In the parent-company-only financial statements, the Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries. The parent-company-only financial statements should be read in conjunction with the Company's consolidated financial statements.

2. Guarantees and Restrictions

As of December 29, 2016, Floor and Decor Outlets of America, Inc., a subsidiary of the Company, had $350,000 thousand of debt outstanding under the Term Loan Facility. As of December 29, 2016, Floor and Decor Outlets of America, Inc. also had $50,000 thousand outstanding under the ABL Facility, excluding outstanding letters of credit of $10,119 thousand. Under the terms of the credit agreements governing our Credit Facilities, the Company's subsidiaries have guaranteed the payment of all principal and interest. In the event of a default under our Credit Facilities, certain of the Company's subsidiaries will be directly liable to the debt holders. As of December 29, 2016, the Term Loan Facility had a maturity date of September 30, 2023, and the ABL Facility had a maturity date of September 30, 2021. The credit agreements governing our Credit Facilities also include restrictions on the ability of the Company's subsidiaries to (i) incur additional indebtedness and liens in connection therewith; (ii) pay dividends and make certain other restricted payments; (iii) effect mergers or consolidations; (iv) enter into transactions with affiliates; (v) sell or dispose of property or assets; and (vi) engage in unrelated lines of business.


FLOOR & DECOR
Tile
Wood
Stone


RENO
SACRAMENTO
SALT LAKE CITY
DENVER
LAS VEGAS
LOS ANGELES
PHOENIX
TUCSON
CHICAGO
PHILADELPHIA
NEW JERSEY
WASHINGTON DC AREA
COLUMBUS
CINCINNATI
RICHMOND
GREENSBORO
NASHVILLE
KNOXVILLE
MEMPHIS
ATLANTA
SAVANNAH
JACKSONVILLE
DALLAS FT WORTH
AUSTIN
HOUSTON
SAN ANTONIO
NEW ORLEANS
ORLANDO
TAMPA
WEST PALM BEACH
FT MYERS
MIAMI
72 LOCATIONS
& GROWING!

Through and including , 2017 (the 25th day after the date of this prospectus), all dealers effecting transactions in the Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

8,823,500 Shares

FLOOR & DECOR TILE • WOOD • STONE

Floor & Decor Holdings, Inc.

Class A Common Stock

PROSPECTUS

BofA Merrill Lynch

Barclays

Credit Suisse

UBS Investment Bank

Goldman, Sachs & Co.

Jefferies

Piper Jaffray

Wells Fargo Securities

Houlihan Lokey

, 2017

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale and distribution of the Class A common stock being registered. All amounts are estimates except for the SEC registration fee, the FINRA filing fee and the New York Stock Exchange listing fee.

SEC registration fee	$ 21,169
FINRA filing fee	27,897
New York Stock Exchange listing fee	295,000
Legal fees and expenses	3,500,000
Accounting fees and expenses	1,450,000
Printing and engraving expenses	350,000
Transfer agent and registrar fees and expenses	3,500
Blue sky fees and expenses	15,000
Miscellaneous fees and expenses	337,434
Total	$ 6,000,000

Item 14. Indemnification of Directors and Officers

Section 145 of the DGCL authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act.

Our certificate of incorporation and bylaws provide for indemnification of our directors, officers, employees, and other agents to the maximum extent permitted by the DGCL.

In addition, we have entered into indemnification agreements with our directors and officers containing provisions that are in some respects broader than the specific indemnification provisions contained in the DGCL. The indemnification agreements require us, among other things, to indemnify our directors against certain liabilities that may arise by reason of their status or service as directors and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

We maintain insurance policies that indemnify our directors and officers against various liabilities arising under the Securities Act and the Exchange Act that might be incurred by any director or officer in his capacity as such.

The underwriters are obligated, under certain circumstances, pursuant to the underwriting agreement filed as Exhibit 1.1 hereto, to indemnify us and our officers and directors against liabilities under the Securities Act.

Item 15. Recent Sales of Unregistered Securities

The following sets forth information regarding all unregistered securities sold during the three years preceding the date of this registration statement and gives effect to the conversion of each share of Floor & Decor Holdings, Inc. into shares of the corresponding class of common stock of Floor &

Decor Holdings, Inc. upon the effectiveness of the 321.820-for-one stock split of our common stock effected on April 24, 2017:

- On July 30, 2014, Ryan French exercised options to purchase 4,827 shares of Class A common stock at an exercise price of $2.85 per share for an aggregate purchase price of $13,740; and

- On August 4, 2014, Ali Zahedi exercised options to purchase (i) 9,654 shares of Class A common stock at an exercise price of $2.85 per share for an aggregate purchase price of $27,480 and (ii) 9,654 shares of Class A common stock at an exercise price of $4.33 per share for an aggregate purchase price of $41,730.

- On October 13, 2014, Larry Castellani exercised options to purchase (i) 48,273 shares of Class A common stock at an exercise price of $2.85 per share for an aggregate purchase price of $137,400 and (ii) 48,273 shares of Class A common stock at an exercise price of $4.33 per share for an aggregate purchase price of $208,650;

- On January 28, 2015, Larry Castellani was issued 34,340 shares of Class A common stock pursuant to a stock issuance agreement for past services and a stock compensation expense of $263,833.89;

- On December 15, 2015, Michael Stevens exercised options to purchase 5,149 shares of Class A common stock at an exercise price of $7.69 per share for an aggregate purchase price of $39,562.72;

- On March 14, 2016, Christopher Lesch exercised options to purchase 11,907 shares of Class A common stock at an exercise price of $2.85 per share for an aggregate purchase price of $33,892;

- On July 7, 2016, Trevor S. Lang exercised options to purchase 57,927 shares of Class A common stock at an exercise price of $2.85 per share for an aggregate purchase price of $164,880;

- On August 8, 2016, Mon Choi exercised options to purchase (i) 12,872 shares of Class A common stock at an exercise price of $2.85 per share for an aggregate purchase price of $36,640 and (ii) 12,872 shares of Class A common stock at an exercise price of $4.33 per share for an aggregate purchase price of $55,640;

- On September 9, 2016, Christopher Lesch exercised options to purchase (i) 4,183 shares of Class A common stock at an exercise price of $2.85 per share for an aggregate purchase price of $11,908 and (ii) 8,045 shares of Class A common stock at an exercise price of $4.33 per share for an aggregate purchase price of $34,775;

- On October 6, 2016 Greg Goforth was issued 26,067 shares of our Class A common stock pursuant to the cashless exercise of options to purchase (i) 30,572 shares of Class A common stock at an exercise price of $2.85 per share for an aggregate purchase price of $87,020 and (ii) 30,572 shares of Class A common stock at an exercise price of $4.33 per share for an aggregate purchase price of $132,145;

- On November 9, 2016, Edward Costa exercised options to purchase 3,218 shares of Class A common stock at an exercise price of $8.63 per share for an aggregate purchase price of $27,750;

- On November 22, 2016, David V. Christopherson exercised options to purchase 8,045 shares of Class A common stock at an exercise price of $6.22 per share for an aggregate purchase price of $50,000;

- On January 27, 2017, Christopher Lesch exercised options to purchase (i) 8,045 shares of Class A common stock at an exercise price of $4.33 per share for an aggregate purchase price of $34,775, (ii) 2,574 shares of Class A common stock at an exercise price of $6.22 per share for an aggregate purchase price of $16,000 and (iii) 2,252 shares of Class A common stock at an exercise price of $9.33 per share for an aggregate purchase price of $21,000; and

- On February 10, 2017, Michael P. Duchaine exercised options to purchase 3,861 shares of Class A common stock at an exercise price of $6.22 per share for an aggregate purchase price of $24,000.

Unless otherwise stated and except for the 321.820-for-one stock split of our common stock effected on April 24, 2017, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act (or Regulation D promulgated thereunder) or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. We did not pay or give, directly or indirectly, any commission or other remuneration, including underwriting discounts or commissions, in connection with any of the issuances of securities listed above. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their employment or other relationship with us or through other access to information provided by us, to information about us. The sales of these securities were made without any general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

Exhibit No.	Description of Exhibit
1.1	Form of Underwriting Agreement
3.1	Restated Certificate of Incorporation of Floor & Decor Holdings, Inc.
3.2	Second Amended and Restated Bylaws of Floor & Decor Holdings, Inc.
4.1*	Specimen Class A Common Stock Certificate
4.2*	Form of Registration Rights Agreement, to be effective upon the closing of this offering
4.3*	Form of Investor Rights Agreement, to be effective upon the closing of this offering
5.1	Opinion of Proskauer Rose LLP
10.1*	FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.2*	First Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.3*	Second Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.4*	Third Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.5*	Form of Stock Option Agreement under the FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.6*	Form of Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan

Exhibit No.	Description of Exhibit
10.7*	Form of Stock Option Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
10.8*	Form of Restricted Stock Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
10.9*	Form of Indemnification Agreement by and between Floor & Decor Holdings, Inc. and its directors and officers
10.10*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and Thomas V. Taylor
10.11*	Consulting Agreement, dated December 3, 2012, by and between Floor and Decor Outlets of America, Inc., FDO Holdings, Inc. and George Vincent West
10.12*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and Lisa G. Laube
10.13*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and Trevor S. Lang
10.14*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and David V. Christopherson
10.15*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and Brian K. Robbins
10.16*	Amended and Restated Credit Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and Swing Line Lender, Wells Fargo Bank, National Association, as Term Loan Agent, the lenders from time to time party thereto, Bank of America, N.A., as Syndication Agent, and Wells Fargo Bank, National Association and Merrill Lynch, Pierce and Fenner & Smith Incorporated, as Joint Lead Arrangers and Joint Bookrunners
10.17*	Amended and Restated Security Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., the other borrowers and guarantors party thereto from time to time, Wells Fargo Bank, National Association, as Collateral Agent, and Wells Fargo Bank, National Association, as Administrative Agent
10.18*	Credit Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the lenders from time to time parties thereto, UBS AG, Stamford Branch, as Administrative Agent and Collateral Agent, and UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Bank PLC, Goldman Sachs Bank USA and Wells Fargo Securities LLC, as Joint Lead Arrangers and Joint Bookrunners
10.19*	Security Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other loan parties from time to time party thereto and UBS AG, Stamford Branch, as Collateral Agent and Administrative Agent and the lenders party thereto
10.20*	Guaranty Agreement, dated as of September 30, 2016, by FDO Acquisition Corp. in favor of UBS AG, Stamford Branch, as Collateral Agent, and UBS AG, Stamford Branch, as Administrative Agent and the lenders party thereto

Exhibit No.	Description of Exhibit
10.21*	Amendment No. 1 to Credit Agreement, dated as of March 31, 2017, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other loan parties from time to time party thereto, the lenders from time to time party thereto, and UBS AG, Stamford Branch, as Administrative Agent and Collateral Agent
21.1*	List of subsidiaries
23.1	Consent of Proskauer Rose LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP, independent registered public accounting firm
24.1*	Power of Attorney (and included on the signature page of this Registration Statement)

* Previously filed.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is included in the consolidated financial statements or related notes.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Smyrna, Georgia, on April 24, 2017.

FDO HOLDINGS, INC.

By: /s/ THOMAS V. TAYLOR

Thomas V. Taylor
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THOMAS V. TAYLOR Thomas V. Taylor	Chief Executive Officer (Principal Executive Officer) and Director	April 24, 2017
/s/ TREVOR S. LANG Trevor S. Lang	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 24, 2017
* Norman H. Axelrod	Chairman of the Board	April 24, 2017
* George Vincent West	Vice Chairman of the Board	April 24, 2017
* Brad J. Brutocao	Director	April 24, 2017
* Michael Fung	Director	April 24, 2017
* David B. Kaplan	Director	April 24, 2017

Signature	Title	Date
* Rachel H. Lee	Director	April 24, 2017
* John M. Roth	Director	April 24, 2017
* Peter M. Starrett	Director	April 24, 2017
* Richard L. Sullivan	Director	April 24, 2017
* Felicia P. Thornton	Director	April 24, 2017

*By: /s/ DAVID V. CHRISTOPHERSON

David V. Christopherson *Attorney-in-fact*

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
1.1	Form of Underwriting Agreement
3.1	Restated Certificate of Incorporation of Floor & Decor Holdings, Inc.
3.2	Second Amended and Restated Bylaws of Floor & Decor Holdings, Inc.
4.1*	Specimen Class A Common Stock Certificate
4.2*	Form of Registration Rights Agreement, to be effective upon the closing of this offering
4.3*	Form of Investor Rights Agreement, to be effective upon the closing of this offering
5.1	Opinion of Proskauer Rose LLP
10.1*	FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.2*	First Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.3*	Second Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.4*	Third Amendment to FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.5*	Form of Stock Option Agreement under the FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan
10.6*	Form of Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
10.7*	Form of Stock Option Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
10.8*	Form of Restricted Stock Agreement under the Floor & Decor Holdings, Inc. 2017 Stock Incentive Plan
10.9*	Form of Indemnification Agreement by and between Floor & Decor Holdings, Inc. and its directors and officers
10.10*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and Thomas V. Taylor
10.11*	Consulting Agreement, dated December 3, 2012, by and between Floor and Decor Outlets of America, Inc., FDO Holdings, Inc. and George Vincent West
10.12*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and Lisa G. Laube
10.13*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and Trevor S. Lang
10.14*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and David V. Christopherson
10.15*	Amended and Restated Employment Agreement, dated July 29, 2015, between FDO Holdings, Inc., Floor and Decor Outlets of America, Inc. and Brian K. Robbins

Exhibit No.	Description of Exhibit
10.16*	Amended and Restated Credit Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and Swing Line Lender, Wells Fargo Bank, National Association, as Term Loan Agent, the lenders from time to time party thereto, Bank of America, N.A., as Syndication Agent, and Wells Fargo Bank, National Association and Merrill Lynch, Pierce and Fenner & Smith Incorporated, as Joint Lead Arrangers and Joint Bookrunners
10.17*	Amended and Restated Security Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., the other borrowers and guarantors party thereto from time to time, Wells Fargo Bank, National Association, as Collateral Agent, and Wells Fargo Bank, National Association, as Administrative Agent
10.18*	Credit Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the lenders from time to time parties thereto, UBS AG, Stamford Branch, as Administrative Agent and Collateral Agent, and UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Bank PLC, Goldman Sachs Bank USA and Wells Fargo Securities LLC, as Joint Lead Arrangers and Joint Bookrunners
10.19*	Security Agreement, dated as of September 30, 2016, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other loan parties from time to time party thereto and UBS AG, Stamford Branch, as Collateral Agent and Administrative Agent and the lenders party thereto
10.20*	Guaranty Agreement, dated as of September 30, 2016, by FDO Acquisition Corp. in favor of UBS AG, Stamford Branch, as Collateral Agent, and UBS AG, Stamford Branch, as Administrative Agent and the lenders party thereto
10.21*	Amendment No. 1 to Credit Agreement, dated as of March 31, 2017, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other loan parties from time to time party thereto, the lenders from time to time party thereto, and UBS AG, Stamford Branch, as Administrative Agent and Collateral Agent
21.1*	List of subsidiaries
23.1	Consent of Proskauer Rose LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP, independent registered public accounting firm
24.1*	Power of Attorney (and included on the signature page of this Registration Statement)

* Previously filed.

FLOOR & DECOR HOLDINGS, INC.

(a Delaware corporation)

[·] Shares of Class A Common Stock

UNDERWRITING AGREEMENT

Dated: [·], 2017

FLOOR & DECOR HOLDINGS, INC.

(a Delaware corporation)

[·] Shares of Class A Common Stock

UNDERWRITING AGREEMENT

[·], 2017

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Barclays Capital Inc.

as Representatives of the several Underwriters

c/o Merrill Lynch, Pierce, Fenner & Smith
Incorporated
One Bryant Park
New York, New York 10036

c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

Ladies and Gentlemen:

Floor & Decor Holdings, Inc., a Delaware corporation (the "Company"), confirms its agreement with each of the Underwriters named in Schedule A hereto (collectively, the "Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 11 hereof), for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Barclays Capital Inc. are acting as representatives (in such capacity, the "Representatives"), with respect to (i) the sale by the Company and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of shares of Class A Common Stock, par value $0.001 per share, of the Company ("Common Stock") set forth in Schedule A hereto and (ii) the grant by the Company to the Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of [·] additional shares of Common Stock. The aforesaid [·] shares of Common Stock (the "Initial Securities") to be purchased by the Underwriters and all or any part of the [·] shares of Common Stock subject to the option described in Section 2(b) hereof (the "Option Securities") are herein called, collectively, the "Securities."

The Company understands that the Underwriters propose to make a public offering of the Securities as soon as the Representatives deem advisable after this Agreement has been executed and delivered.

The Company and the Underwriters agree that up to [·]% of the Initial Securities to be purchased by the Underwriters (the "Reserved Securities") shall be reserved for sale by the Underwriters to certain persons designated by the Company (the "Invitees"), as part of the distribution of the Securities by the Underwriters, subject to the terms of this Agreement, the applicable rules, regulations and interpretations of the Financial Industry Regulatory Authority, Inc. ("FINRA") and all other applicable laws, rules and regulations. The Company has solely determined, without any direct or indirect participation by the Underwriters, the Invitees who will purchase Reserved Securities (including the amount to be purchased by such persons) sold by the Underwriters. To the extent that such Reserved Securities are not orally confirmed for purchase by the Invitees by 11:59 P.M. (New York City time) on the date of this Agreement, such Reserved Securities may be offered to the public as part of the public offering contemplated hereby.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (No. 333-216000), including the related preliminary prospectus or prospectuses, covering the registration of the sale of the Securities under the Securities Act of 1933, as amended (the "1933 Act"). Promptly after execution and delivery of this Agreement, the Company will prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and Rule 424(b) ("Rule 424(b)") of the 1933 Act Regulations. The information included in such prospectus that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective pursuant to Rule 430A(b) is herein called the "Rule 430A Information." Such registration statement, including the amendments thereto, the exhibits thereto and any schedules thereto, at the time it became effective, and including the Rule 430A Information, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein called the "Rule 462(b) Registration Statement" and, after such filing, the term "Registration Statement" shall include the Rule 462(b) Registration Statement. Each prospectus used prior to the effectiveness of the Registration Statement, and each prospectus that omitted the Rule 430A Information that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." The final prospectus, in the form first filed under Rule 424(b) and furnished to the Underwriters for use in connection with the offering of the Securities, is herein called the "Prospectus." For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system or any successor system ("EDGAR").

As used in this Agreement:

"Applicable Time" means [[·]:00 P./A.M.], New York City time, on [·], 2017 or such other time as agreed by the Company and the Representatives.

"General Disclosure Package" means any Issuer General Use Free Writing Prospectuses issued at or prior to the Applicable Time, the most recent preliminary prospectus that is distributed to investors prior to the Applicable Time and the information included on Schedule B-1 hereto, all considered together.

"Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433 of the 1933 Act Regulations ("Rule 433"), including without limitation any "free writing prospectus" (as defined in Rule 405 of the 1933 Act Regulations ("Rule 405")) relating to the Securities that is (i) required to be filed with the Commission by the Company, (ii) a "road show that is a written communication" within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission, or (iii) exempt from filing with the Commission pursuant to Rule 433(d)(5)(i) because it contains a description of the Securities or of the offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g).

"Issuer General Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors (other than a "*bona fide* electronic road show," as defined in Rule 433 (the "Bona Fide Electronic Road Show")), as evidenced by its being specified in Schedule B-2 hereto.

"Issuer Limited Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

SECTION 1. <u>Representations and Warranties</u>.

(a) *Representations and Warranties by the Company.* The Company represents and warrants to each Underwriter as of the date hereof, the Applicable Time, the Closing Time (as defined below) and any Date of Delivery (as defined below), and agrees with each Underwriter, as follows:

(i) <u>Registration Statement and Prospectuses</u>. Each of the Registration Statement and any amendment thereto has been declared effective under the 1933 Act by the Commission. No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act, no order preventing or suspending the use of any preliminary prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company's knowledge, contemplated. The Company has complied with each request (if any) from the Commission for additional information.

Each of the Registration Statement and any post-effective amendment thereto, at the time it became effective, complied in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations. Each preliminary prospectus, the Prospectus and any amendment or supplement thereto, at the time each was filed with the Commission, complied in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

Each preliminary prospectus delivered to the Underwriters for use in connection with this offering and the Prospectus was or will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) <u>Accurate Disclosure</u>. Neither the Registration Statement nor any amendment thereto, at its effective time or at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), contained, contains or will contain an untrue statement of a material fact or omitted, omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the Applicable Time, none of (A) the General Disclosure Package nor (B) any individual Issuer Limited Use Free Writing Prospectus, when considered together with the General Disclosure Package, when considered together with the General Disclosure Package, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Neither the Prospectus nor any amendment or supplement thereto, as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b), at the Closing Time or at any Date of Delivery, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement (or any amendment thereto), the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Merrill Lynch expressly for use therein. For purposes of this Agreement, the only information so furnished shall be the information in the second sentence of the fourth paragraph under the heading "Underwriting," the first paragraph under the heading "Underwriting—Commissions and Discounts," the information in the second sentence of the first paragraph, the second paragraph, the third paragraph and the fourth paragraph under the heading "Underwriting—Price Stabilization, Short Positions and Penalty Bids" and the information under the heading "Underwriting—Electronic Distribution" in each case contained in the Prospectus (collectively, the "Underwriter Information").

(iii) <u>Issuer Free Writing Prospectuses</u>. Except to the extent superseded or modified, no Issuer Free Writing Prospectus conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, and any preliminary or other prospectus deemed to be a part thereof that has not been superseded or modified. The Company has made available a Bona Fide Electronic Road Show in compliance with Rule 433(d)(8)(ii) such that no filing of any "road show" (as defined in Rule 433(h)) is required in connection with the offering of the Securities.

(iv) <u>Company Not Ineligible Issuer</u>. At the time of filing the Registration Statement and any post-effective amendment thereto and at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405, without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer.

(v) <u>Independent Accountants</u>. The accountants who certified the financial statements and supporting schedules included in the Registration Statement, the General Disclosure Package and the Prospectus are independent public accountants as required by the 1933 Act, the 1933 Act Regulations and the Public Company Accounting Oversight Board.

(vi) <u>Financial Statements; Non-GAAP Financial Measures</u>. The financial statements of the Company included in the Registration Statement, the General Disclosure Package and the Prospectus, together with the related schedules (if any) and notes, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the consolidated statement of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement present fairly in all material respects in accordance with GAAP the information required to be stated therein. The financial information included in the Registration Statement, the General Disclosure Package and the Prospectus under the headings "Summary Consolidated Financial and Other Data" and "Selected Consolidated Financial Data" present fairly in all material respects the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. The pro forma financial statements and the related notes thereto included in the Registration Statement, the General Disclosure Package and the Prospectus under the heading "Unaudited Pro Forma Consolidated Financial Information" presents fairly in all material respects the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be set forth in the Registration Statement, the General Disclosure Package or the Prospectus under the 1933 Act or the 1933 Act Regulations. All disclosures contained in the Registration Statement, the General Disclosure Package or the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply in all material respects with Regulation G of the 1934 Act and Item 10 of Regulation S-K of the 1933 Act, to the extent applicable.

(vii) No Material Adverse Change in Business. Except as otherwise stated therein, since the date of the most recent financial statements in the Registration Statement, the General Disclosure Package or the Prospectus, (A) there has been no material adverse change, or any development that could reasonably be expected to involve a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, management, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries (other than those in the ordinary course of business) that are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(viii) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, in each case except where the failure so to qualify or to be in good standing would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect

(ix) Good Standing of Subsidiaries. Each subsidiary of the Company has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its incorporation or organization, has corporate or similar power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or to be in good standing would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed in the Registration Statement, the General Disclosure Package and the Prospectus or as would not reasonably be expected to have a Material Adverse Effect, all of the issued and outstanding capital stock of each subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, lien, encumbrance, or any other claim of any third party, except for any security interest, lien, encumbrance, or any other claim under the Credit Facilities (as defined in the Prospectus). None of the outstanding shares of capital stock of any subsidiary were issued in violation of the preemptive or similar rights of any securityholder of such subsidiary that have not been duly and validly waived or satisfied. The only subsidiaries of the Company are the subsidiaries listed on Exhibit 21 to the Registration Statement.

(x) Capitalization. The authorized, issued and outstanding shares of capital stock of the Company are as set forth in the Registration Statement, the General Disclosure Package and the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Registration Statement, the General Disclosure Package and the Prospectus or pursuant to the exercise of convertible securities or options referred to in the Registration Statement, the General Disclosure Package and the Prospectus). The outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable. None of the outstanding shares of capital stock of the Company were issued in violation of the preemptive or other similar rights of any securityholder of the Company that have not been duly and validly waived or satisfied.

(xi) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(xii) Authorization and Description of Securities. The Securities to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale to the Underwriters pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and fully paid and non-assessable; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company that have not been duly and validly waived or satisfied. The Common Stock conforms in all material respects to all statements relating thereto contained in the Registration Statement, the General Disclosure Package and the Prospectus and such description conforms in all material respects to the rights set forth in the instruments defining the same.

(xiii) Registration Rights. There are no persons with registration rights or other similar rights to have any securities registered for sale pursuant to the Registration Statement or otherwise registered for sale or sold by the Company under the 1933 Act pursuant to this Agreement, other than those rights that have been disclosed in the Registration Statement, the General Disclosure Package and the Prospectus that have been duly and validly waived or satisfied.

(xiv) Absence of Violations, Defaults and Conflicts. Neither the Company nor any of its subsidiaries is (A) in violation of its charter, bylaws or similar organizational document, (B) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the properties or assets of the Company or any subsidiary is subject (collectively, "Agreements and Instruments"), except for such defaults that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, or (C) in violation of any law, statute, rule, regulation, judgment, order, writ or decree of any arbitrator, court, governmental body, regulatory body, administrative agency or other authority, body or agency having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, assets or operations (each, a "Governmental Entity"), except for such violations that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement, the General Disclosure Package and the Prospectus (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described therein under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches, defaults or Repayment Events or liens, charges or encumbrances that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect), nor will such action result in any violation of (1) the provisions of the charter, bylaws or similar organizational document of the Company or any of its subsidiaries (except for such violations in the case of the Company's subsidiaries that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect) or (2) any applicable law, statute, rule, regulation, judgment, order, writ or decree of any Governmental Entity (except for such violations that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect). As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

(xv) Absence of Labor Dispute. No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, would reasonably be expected to result in a Material Adverse Effect.

(xvi) Absence of Proceedings. Except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, there is no action, suit, proceeding, inquiry or investigation before or brought by any Governmental Entity now pending or, to the knowledge of the Company, threatened, against or affecting the Company or any of its subsidiaries, which would reasonably be expected to result in a Material Adverse Effect; and the aggregate of all pending legal or governmental proceedings to which the Company or any such subsidiary is a party or of which any of their respective properties or assets is the subject which are not described in the Registration Statement, the General Disclosure Package and the Prospectus, including ordinary routine litigation incidental to the business, would not reasonably be expected to result in a Material Adverse Effect.

(xvii) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement, the General Disclosure Package or the Prospectus or to be filed as exhibits to the Registration Statement which have not been so described and filed as required.

(xviii) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Governmental Entity is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, in each case on the terms contemplated by the Registration Statement, the General Disclosure Package or the Prospectus, except (A) such as have been already obtained or as may be required under the 1933 Act, the 1933 Act Regulations, the rules of the New York Stock Exchange, state securities laws or the rules of FINRA and (B) such as have been obtained under the laws and regulations of jurisdictions outside the United States in which the Reserved Securities were offered.

(xix) Possession of Licenses and Permits. The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate Governmental Entities necessary to conduct the business now operated by them, except where the failure so to possess would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The Company and its subsidiaries are in compliance with the terms and conditions of all Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. All of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any Governmental Licenses which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Material Adverse Effect.

(xx) Title to Property. Except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, the Company and its subsidiaries have good and marketable title to, or have valid and marketable rights to lease or otherwise use, all items of real and personal property and assets that are material to the respective businesses of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except those that (i) do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries or (ii) would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(xxi) Possession of Intellectual Property. The Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, except where the failure to own, possess or otherwise be able to acquire such rights in a timely manner, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect.

(xxii) Environmental Laws. Except as described in the Registration Statement, the General Disclosure Package and the Prospectus or would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health (with respect to exposure to Hazardous Materials), the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or, to the knowledge of the Company, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) to the knowledge of the Company, there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or Governmental Entity, against the Company or any of its subsidiaries, in each case, under any Environmental Laws.

(xxiii) Accounting Controls. The Company and each of its subsidiaries maintain internal control over financial reporting (as defined under Rule 13-a15 and 15d-15 under the 1934 Act Regulations) and a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Registration Statement, the General Disclosure Package and the Prospectus, since the end of the Company's most recent audited fiscal year, there has been (1) no material weakness in the Company's internal control over financial reporting (whether or not remedied) and (2) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting (it being understood that as of the date hereof the Company is not required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, as amended and including the rules and regulations promulgated in connection therewith).

(xxiv) Payment of Taxes. All United States federal income tax returns of the Company and its subsidiaries required by law to be filed have been filed, except returns for which extensions have been obtained, and except where the failure to so file would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. All taxes shown by such returns, or otherwise assessed by the Internal Revenue Service, which are due and payable, have been paid, except for (A) taxes, assessments, fines or penalties against which the Company has or will promptly contest in appropriate proceedings and as to which adequate reserves have been provided, or (B) taxes, assessments, fines or penalties the nonpayment of which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The United States federal income tax returns of the Company through the fiscal year ended December 31, 2013 have been filed and no assessment greater than the amount shown on the tax return in connection therewith has been made against the Company. The Company and its subsidiaries have filed all other tax returns that are required to have been filed by them pursuant to applicable foreign, state, local or other law except insofar as the failure to file such returns would not reasonably be expected to result in a Material Adverse Effect, and has paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company and its subsidiaries, except for such taxes, assessments, fines or penalties, if any, (1) as are being contested in good faith and as to which adequate reserves have been established by the Company or (2) the non-payment of which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Company in respect of any income and corporation franchise tax liability (in the nature of an income tax) for any years for which a tax return has not been filed are adequate to meet any assessments or re-assessments for additional income tax for any such years, except to the extent of any inadequacy that would not reasonably be expected to result in a Material Adverse Effect.

(xxv) Insurance. The Company and its subsidiaries carry or are entitled to the benefits of insurance, with financially sound and reputable insurers, in such amounts and covering such risks as is generally maintained by companies of established repute engaged in the same or similar business, and all such insurance is in full force and effect. The Company has no reason to believe that it or any of its subsidiaries will not be able (A) to renew its existing insurance coverage as and when such policies expire or (B) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its subsidiaries has been denied any insurance coverage which it has sought or for which it has applied since the beginning of the period covered by the financial statements of the Company included in the Registration Statement, the General Disclosure Package and the Prospectus.

(xxvi) Investment Company Act. The Company is not required, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Registration Statement, the General Disclosure Package and the Prospectus will not be required, to register as an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act").

(xxvii) Absence of Manipulation. Neither the Company nor any subsidiary of the Company has taken, nor will the Company or any subsidiary take, directly or indirectly, any action which is designed, or would be expected, to cause or result in, or which constitutes, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or to result in a violation of Regulation M under the 1934 Act.

(xxviii) Foreign Corrupt Practices Act. Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or other person associated with or acting on behalf of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company and, to the knowledge of the Company, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(xxix) Money Laundering Laws. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the "Money Laundering Laws"); and no action, suit or proceeding by or before any Governmental Entity involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(xxx) OFAC. None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee, affiliate or representative of the Company or any of its subsidiaries is an individual or entity ("Person") currently the subject or target of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council ("UNSC") or other relevant sanctions authority (collectively, "Sanctions"), nor is the Company located, organized or resident in a country or territory that is the subject of Sanctions; and the Company will not directly or indirectly use the proceeds of the sale of the Securities, or lend, contribute or otherwise make available such proceeds to any subsidiaries, joint venture partners or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(xxxi) Sales of Reserved Securities. In connection with any offer and sale of Reserved Securities outside the United States, each preliminary prospectus, the Prospectus and any amendment or supplement thereto, at the time it was delivered to Invitees, complied and will comply in all material respects with any applicable laws or regulations of foreign jurisdictions in which the same is distributed. The Company has not offered, or caused the Representatives to offer, Reserved Securities to any person with the specific intent to unlawfully influence (i) a customer or supplier of the Company or any of its subsidiaries to alter the customer's or supplier's level or type of business with any such entity or (ii) a trade journalist or publication to write or publish favorable information about the Company or any of its subsidiaries, or their respective businesses or products.

(xxxii) Statistical and Market-Related Data. Any statistical and market-related data included in the Registration Statement, the General Disclosure Package or the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate and, to the extent required, the Company has obtained the written consent to the use of such data from such sources.

(xxxiii) Maintenance of Rating. The Company has no debt securities or preferred stock that is rated by any "nationally recognized statistical rating organization" (as defined in Section 3(a)(62) of the 1934 Act).

(b) *Officer's Certificates*. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to Underwriters; Closing

(a) *Initial Securities*. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Company, at the price per share set forth in Schedule A, that number of Initial Securities set forth in Schedule A opposite the name of such Underwriter, plus any additional number of Initial Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 11 hereof, subject, in each case, to such adjustments among the Underwriters as Merrill Lynch in its sole discretion shall make to eliminate any sales or purchases of fractional shares.

(b) *Option Securities*. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the Underwriters, severally and not jointly, to purchase up to an additional [·] shares of Common Stock at the price per share set forth in Schedule A, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities. The option hereby granted may be exercised for 30 days after the date hereof and may be exercised in whole or in part at any time from time to time upon notice by the Representatives to the Company setting forth the number of Option Securities as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the Representatives, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time. If the option is exercised as to all or any portion of the Option Securities, each of the Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Securities then being purchased which the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter bears to the total number of Initial Securities, subject, in each case, to such adjustments as Merrill Lynch in its sole discretion shall make to eliminate any sales or purchases of fractional shares.

(c) *Payment*. Payment of the purchase price for, and delivery of certificates or security entitlements, if any, for, the Initial Securities shall be made at the offices of Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022, or at such other place as shall be agreed upon by the Representatives and the Company, at 9:00 A.M. (New York City time) on the third (fourth, if the pricing occurs after 4:30 P.M. (New York City time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 11), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the Option Securities are purchased by the Underwriters, payment of the purchase price for, and delivery of certificates or security entitlements, if any, for, such Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Representatives and the Company, on each Date of Delivery as specified in the notice from Merrill Lynch to the Company.

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company against delivery to the Representatives for the respective accounts of the Underwriters of certificates or security entitlements, if any, for the Securities to be purchased by them. It is understood that each Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial Securities and the Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial Securities or the Option Securities, if any, to be purchased by any Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such Underwriter from its obligations hereunder.

SECTION 3. Covenants of the Company. The Company covenants with each Underwriter as follows:

(a) *Compliance with Securities Regulations and Commission Requests*. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A, and will notify the Representatives promptly, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective or any amendment or supplement to the Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment or of any order preventing or suspending the use of any preliminary prospectus or the Prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes or of any examination pursuant to Section 8(d) or 8(e) of the 1933 Act concerning the Registration Statement and (v) if the Company becomes the subject of a proceeding under Section 8A of the 1933 Act in connection with the offering of the Securities. The Company will effect all filings required under Rule 424(b), in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)), and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will use its reasonable efforts to prevent the issuance of any such stop order, prevention or suspension and, if any such order is issued, to obtain the lifting thereof as soon as practicable.

(b) *Continued Compliance with Securities Laws*. The Company will comply in all material respects with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement and in the Registration Statement, the General Disclosure Package and the Prospectus. If at any time when a prospectus relating to the Securities (as amended or supplemented) is (or, but for the exception afforded by Rule 172 of the 1933 Act Regulations ("Rule 172"), would be) required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to (i) amend the Registration Statement in order that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein necessary in order to make the statements therein not misleading, (ii) amend or supplement the General Disclosure Package or the Prospectus in order that the General Disclosure Package or the Prospectus, as the case may be, will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser or (iii) amend the Registration Statement or amend or supplement the General Disclosure Package or the Prospectus, as the case may be, in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly (A) give the Representatives notice of such event, (B) prepare any amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement, the General Disclosure Package or the Prospectus comply with such requirements and, a reasonable amount of time prior to any proposed filing or use, furnish the Representatives with copies of any such amendment or supplement and (C) file with the Commission any such amendment or supplement; provided that the Company shall not file or use any such amendment or supplement to which the Representatives or counsel for the Underwriters shall reasonably object in a timely manner. The Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(c) *Delivery of Registration Statements.* The Company has furnished or, upon the Representatives' written request, will deliver to the Representatives, without charge, conformed copies of the Registration Statement as originally filed and each amendment thereto (including exhibits filed therewith) and signed copies of all consents and certificates of experts, and will also deliver to the Representatives, without charge, a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) *Delivery of Prospectuses*. The Company has delivered to each Underwriter, without charge, as many copies of each preliminary prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each Underwriter, without charge, during the period when a prospectus relating to the Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the 1933 Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) *Blue Sky Qualifications.* The Company will use its commercially reasonable efforts, in cooperation with the Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representatives may reasonably designate and to maintain such qualifications in effect so long as required to complete the distribution of the Securities; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(f) *Rule 158*. The Company will timely file such reports pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act") as are necessary in order to make generally available to its securityholders as soon as reasonably practicable an earnings statement for the purposes of, and to provide to the Underwriters the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(g) *Use of Proceeds.* The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Registration Statement, the General Disclosure Package and the Prospectus under "Use of Proceeds."

(h) *Listing*. The Company will use its best efforts to effect and maintain the listing of the Common Stock (including the Securities) on the New York Stock Exchange.

(i) *Restriction on Sale of Securities.* During a period of 180-days from the date of the Prospectus, the Company will not, without the prior written consent of the Representatives, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder, (B) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and referred to in the Prospectus, and any registration related thereto, (C) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to employee benefit plans of the Company referred to in the Prospectus, and any registration related thereto, (D) any shares of Common Stock issued or, for the avoidance of doubt, purchased in the open market, pursuant to any non-employee director stock plan or dividend reinvestment plan, and any registration related thereto, and (E) any post-effective amendment to the Registration Statement filed solely to add exhibits to the Registration Statement and which post-effective amendment becomes effective immediately upon filing with the Commission in accordance with Rule 462(d) under the 1933 Act.

If the Representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up agreement described in Section 6(i) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit C hereto through a major news service at least two business days before the effective date of the release or waiver.

(j) *Reporting Requirements.* The Company, during the period when a Prospectus relating to the Securities is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the 1933 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

(k) *Issuer Free Writing Prospectuses*. The Company agrees that, unless it obtains the prior written consent of the Representatives, it will not make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus," or a portion thereof, required to be filed by the Company with the Commission or retained by the Company under Rule 433; provided that the Representatives will be deemed to have consented to the Issuer Free Writing Prospectuses listed on Schedule B-2 hereto and any "road show that is a written communication" within the meaning of Rule 433(d)(8)(i) that has been reviewed by the Representatives. The Company represents that it has treated or agrees that it will treat each such free writing prospectus consented to, or deemed consented to, by the Representatives as an "issuer free writing prospectus," as defined in Rule 433, and that it has complied and will comply in all material respects with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement, any preliminary prospectus or the Prospectus or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(l) *Reserved Securities*. The Company hereby agrees that it will comply in all material respects with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Reserved Securities are offered.

(m) *Compliance with FINRA Rules.* The Company hereby agrees that it will ensure that the Reserved Securities will be restricted as required by FINRA or the FINRA rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of this Agreement.

The Underwriters will notify the Company as to which persons will need to be so restricted. At the request of the Underwriters, the Company will direct the transfer agent to place a stop transfer restriction upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any of the Reserved Securities, the Company agrees to reimburse the Underwriters for any reasonable expenses (including, without limitation, legal expenses) they incur in connection with such release.

SECTION 4. Payment of Expenses.

(a) *Expenses*. The Company will pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of copies of each preliminary prospectus, each Issuer Free Writing Prospectus and the Prospectus and any amendments or supplements thereto and any costs associated with electronic delivery of any of the foregoing by the Underwriters to investors, (iii) the preparation, issuance and delivery of the certificates or security entitlements or evidence of book-entry notation, if any, for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(e) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the fees and expenses of any transfer agent or registrar for the Securities, (vii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the Securities, including without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged with the written consent of the Company in connection with the road show presentations, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and 50% of the cost of aircraft and other transportation chartered in connection with the road show, (viii) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by FINRA of the terms of the sale of the Securities, (ix) the fees and expenses incurred in connection with the listing of the Securities on the New York Stock Exchange**,** and (x) all costs and expenses of the Underwriters, including the fees and disbursements of counsel for the Underwriters, in connection with matters related to the Reserved Securities which are designated by the Company for sale to Invitees; provided that the fees and expenses to be reimbursed by the Company pursuant to clauses (v) and (viii) hereof shall not exceed $60,000 in the aggregate.

(b) *Termination of Agreement.* If this Agreement is terminated by the Representatives in accordance with the provisions of Section 6, Section 10(a)(i) or (iii) or Section 11 (but only with respect to the non-defaulting Underwriters) hereof, the Company shall reimburse the Underwriters for all of their reasonable and documented out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

SECTION 5. Certain Agreements of the Underwriters. Each of the Underwriters represents that it has not, and agrees that, unless it obtains the prior written consent of the Company, it will not, make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus," or a portion thereof, required to be filed with the Commission or retained by the Company or the Underwriters, as applicable, under Rule 433; provided that the Company will be deemed to have consented to the Issuer Free Writing Prospectuses listed on Schedule B-2 hereto and any "road show that is a written communication" within the meaning of Rule 433(d)(8)(i) that has been reviewed by the Company. Each of the Underwriters represents that it has treated or agrees that it will treat each such free writing prospectus consented to, or deemed consented to, by the Company as an "issuer free writing prospectus," as defined in Rule 433, and that it has complied and will comply in all material respects with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping.

SECTION 6. Conditions of Underwriters' Obligations. The obligations of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company contained herein or in certificates of any officer of the Company or any of its subsidiaries delivered pursuant to the provisions hereof, to the performance by the Company in all material respects of its covenants and other obligations hereunder, and to the following further conditions:

(a) *Effectiveness of Registration Statement; Rule 430A Information.* The Registration Statement, including any Rule 462(b) Registration Statement, shall have become effective and, at the Closing Time, no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto shall have been issued under the 1933 Act, no order preventing or suspending the use of any preliminary prospectus or the Prospectus shall have been issued and no proceedings for any of those purposes shall have been instituted or pending or, to the Company's knowledge, contemplated; and the Company shall have complied with each request (if any) from the Commission for additional information. A prospectus containing the Rule 430A Information shall have been filed with the Commission in the manner and within the time frame required by Rule 424(b) without reliance on Rule 424(b)(8) or a post-effective amendment providing such information shall have been filed with, and declared effective by, the Commission in accordance with the requirements of Rule 430A.

(b) *Opinion of Counsel for Company*. At the Closing Time, the Representatives shall have received the favorable opinion, dated the Closing Time, of Proskauer Rose LLP, counsel for the Company, in form and substance attached hereto as Exhibit A, together with signed or reproduced copies of such letter for each of the other Underwriters. In rendering such opinion, such counsel may rely, as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on customary certificates of responsible officers of the Company and public officials.

(c) *Opinion of Counsel for Underwriters*. At the Closing Time, the Representatives shall have received the favorable opinion, dated the Closing Time, of Latham & Watkins LLP, counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters, in form and substance reasonably satisfactory to the Representatives.

(d) *Officers' Certificate*. At the Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package or the Prospectus, any material adverse change, or any development that could reasonably be expected to involve a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, management, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representatives shall have received a certificate of the Chief Executive Officer or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated the Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties of the Company in this Agreement are true and correct with the same force and effect as though expressly made at and as of the Closing Time, (iii) the Company has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement under the 1933 Act has been issued, no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to their knowledge, contemplated.

(e) *Accountant's Comfort Letter*. At the time of the execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter, dated such date, in form and substance reasonably satisfactory to the Representatives, together with signed or reproduced copies of such letter for each of the other Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the General Disclosure Package and the Prospectus.

(f) *Bring-down Comfort Letter*. At the Closing Time, the Representatives shall have received from Ernst & Young LLP a letter, dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (e) of this Section 6, except that the specified date referred to shall be a date not more than three business days prior to the Closing Time.

(g) *Chief Financial Officer's Certificate*. At each of the time of the execution of this Agreement and the Closing Time, the Representatives shall have received a certificate signed by the chief financial officer of the Company, dated such date or the Closing Time, certifying certain financial information contained in the Registration

Statement, the General Disclosure Package and the Prospectus.

(h) *Approval of Listing*. At the Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(i) *Lock-up Agreements*. At the Closing Time, the Representatives shall have received an agreement substantially in the form of Exhibit B hereto signed by the persons listed on Schedule C hereto.

(j) *Conditions to Purchase of Option Securities*. In the event that the Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company and any of its subsidiaries hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representatives shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, of the Chief Executive Officer or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 6(d) hereof remains true and correct as of such Date of Delivery.

(ii) Opinion of Counsel for Company. If requested by the Representatives, the favorable opinion of Proskauer Rose LLP, counsel for the Company, in form and substance reasonably satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 6(b) hereof.

(iii) Opinion of Counsel for Underwriters. If requested by the Representatives, the favorable opinion of Latham & Watkins LLP, counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 6(c) hereof.

(iv) Bring-down Comfort Letter. If requested by the Representatives, a letter from Ernst & Young LLP, in form and substance reasonably satisfactory to the Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Representatives pursuant to Section 6(e) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than three business days prior to such Date of Delivery.

(v) Bring-down Chief Financial Officer's Certificate. A certificate, dated such Date of Delivery, of the chief financial officer of the Company, substantially in the same form and substance as the certificate furnished pursuant to Section 6(g) hereof.

(k) *Additional Documents*. At the Closing Time and at each Date of Delivery (if any) counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(l) *Termination of Agreement*. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several Underwriters to purchase the relevant Option Securities, may be terminated by the Representatives by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 7, 8, 9, 15, 16 and 17 shall survive any such termination and remain in full force and effect.

SECTION 7. Indemnification.

(a) *Indemnification of Underwriters*. The Company agrees to indemnify and hold harmless each Underwriter, its affiliates (as such term is defined in Rule 501(b) under the 1933 Act (each, an "Affiliate")), its selling agents and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included (A) in any preliminary prospectus, any Issuer Free Writing Prospectus, the General Disclosure Package or the Prospectus (or any amendment or supplement thereto), or (B) in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Securities ("Marketing Materials"), including any "roadshow" (as defined in Rule 433 under the 1933 Act) or investor presentations made to investors by the Company (whether in person or electronically), or the omission or alleged omission in the Registration Statement, (or any amendment thereto), including the Rule 430A Information, any preliminary prospectus, Issuer Free Writing Prospectus, the General Disclosure Package, the Prospectus (or any amendment or supplement thereto) or in any Marketing Materials of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(d) below) any such settlement is effected with the written consent of the Company; or

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in the Registration Statement, (or any amendment thereto), including the Rule 430A Information, any preliminary prospectus, Issuer Free Writing Prospectus, the General Disclosure Package, the Prospectus (or any amendment or supplement thereto) or in any Marketing Materials in reliance upon and in conformity with the Underwriter Information.

(b) *Indemnification of the Company, Directors and Officers*. Each Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information, the General Disclosure Package or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with the Underwriter Information.

(c) *Actions against Parties; Notification.* Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 7(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch, and, in the case of parties indemnified pursuant to Section 7(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 7 or Section 8 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party. Notwithstanding anything to the contrary herein, neither the assumption of the defense of any such Action nor the payment of any fees or expenses related thereto shall be deemed to be an admission by the indemnifying party that it has an obligation to indemnify any person pursuant to this Agreement.

(d) *Settlement without Consent if Failure to Reimburse.* If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) or settlement of any claim in connection with any violation referred to in Section 7(f) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) *Indemnification for Reserved Securities.* In connection with the offer and sale of the Reserved Securities, the Company agrees to indemnify and hold harmless Merrill Lynch, its Affiliates and selling agents and each person, if any, who controls any of the foregoing (collectively, the “Merrill Lynch Parties”) within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, from and against any and all loss, liability, claim, damage and expense (including, without limitation, any legal or other expenses reasonably incurred in connection with defending, investigating or settling any such action or claim), as incurred, (i) arising out of the violation of any applicable laws or regulations of foreign jurisdictions where Reserved Securities have been offered, (ii) arising out of any untrue statement or alleged untrue statement of a material fact contained in any other material prepared by or with the consent of the Company for distribution to Invitees in connection with the offering of the Reserved Securities or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, (iii) caused by the failure of any Invitee to pay for and accept delivery of Reserved Securities which have been orally confirmed for purchase by such Invitee by 11:59 P.M. (New York City time) on the date of this Agreement or (iv) related to, or arising out of or in connection with, the offering of the Reserved Securities; provided that no indemnification shall be available under this section for any loss, liability, claim, damage or expense (A) to the extent arising out of any untrue statement or omission or alleged untrue statement or omission contained in any other material prepared by or with the consent of the Company for distribution to Invitees in connection with the offering of the Reserved Securities in reliance upon and in conformity with the Underwriter Information or (B) which shall have been finally judicially determined by a court of competent jurisdiction to have been caused by the gross negligence or willful misconduct of any Merrill Lynch Party.

SECTION 8. Contribution. If the indemnification provided for in Section 8 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions, or in connection with any violation of the nature referred to in Section 7(f) hereof, which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company, on the one hand, and the total underwriting discount received by the Underwriters, on the other hand, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Securities as set forth on the cover of the Prospectus.

The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or any violation of the nature referred to in Section 7(f) hereof.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 8 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the underwriting commissions received by such Underwriter in connection with the Securities underwritten by it and distributed to the public.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 8, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and each Underwriter's Affiliates and selling agents shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the number of Initial Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 9. Representations, Warranties and Agreements to Survive. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or its Affiliates or selling agents, any person controlling any Underwriter, its officers or directors or any person controlling the Company and (ii) delivery of and payment for the Securities.

SECTION 10. Termination of Agreement.

(a) *Termination*. The Representatives may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Time (i) if there has been, in the judgment of the Representatives, since the time of execution of this Agreement or since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package or the Prospectus, any material adverse change, or any development that could reasonably be expected to involve a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, management, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the completion of the offering or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange or (iv) if trading generally on the NYSE MKT or the New York Stock Exchange or in the Nasdaq Global Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by order of the Commission, FINRA or any other governmental authority, or (v) a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States, or (vi) if a banking moratorium has been declared by either Federal or New York authorities.

(b) *Liabilities*. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 7, 8, 9, 15, 16 and 17 shall survive such termination and remain in full force and effect.

SECTION 11. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at the Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(i) if the number of Defaulted Securities does not exceed 10% of the number of Securities to be purchased on such date, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(ii) if the number of Defaulted Securities exceeds 10% of the number of Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the Underwriters to purchase, and the Company to sell, the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the Underwriters to purchase and the Company to sell the relevant Option Securities, as the case may be, either the (i) Representatives or (ii) the Company shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement, the General Disclosure Package or the Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 11.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to Merrill Lynch at One Bryant Park, New York, New York 10036, attention of Syndicate Department (facsimile: (646) 855-3073), with a copy to ECM Legal (facsimile: (212) 230-8730); Barclays at 745 Seventh Avenue, New York, New York 10019, attention of Syndicate Registration (facsimile: (646) 834-8133); notices to the Company shall be directed to it at 2233 Lake Park Drive, Suite 400, Smyrna, GA 30080, attention of David Christopherson, with a copy to Proskauer Rose LLP, 2049 Century Park East, 32nd Floor, Los Angeles, CA 90067-3206, attention of Monica Shilling.

SECTION 13. No Advisory or Fiduciary Relationship. The Company acknowledges and agrees that (a) the purchase and sale of the Securities pursuant to this Agreement, including the determination of the initial public offering price of the Securities and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other hand, (b) in connection with the offering of the Securities and the process leading thereto, each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, any of its subsidiaries or their respective stockholders, creditors, employees or any other party, (c) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering of the Securities or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company or any of its subsidiaries on other matters) and no Underwriter has any obligation to the Company with respect to the offering of the Securities except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering of the Securities and the Company has consulted its own respective legal, accounting, regulatory and tax advisors to the extent it deemed appropriate and (f) in accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

SECTION 14. Parties. This Agreement shall inure to the benefit of and be binding upon each of the Underwriters and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters and the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 7 and 8 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 15. Trial by Jury. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

SECTION 16. GOVERNING LAW. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS.

SECTION 17. Consent to Jurisdiction; Waiver of Immunity. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") shall be instituted in (i) the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan or (ii) the courts of the State of New York located in the City and County of New York, Borough of Manhattan (collectively, the "Specified Courts"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

SECTION 18. TIME. TIME SHALL BE OF THE ESSENCE OF THIS AGREEMENT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 19. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

SECTION 20. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 21. Amendments or Waivers. No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters and the Company in accordance with its terms.

Very truly yours,

FLOOR & DECOR HOLDINGS, INC.

By ______________________________
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
BARCLAYS CAPITAL INC.

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By ______________________________
Authorized Signatory

By: BARCLAYS CAPITAL INC.

By ______________________________
Authorized Signatory

For themselves and as Representatives of the other Underwriters named in Schedule A hereto.

SCHEDULE A

The initial public offering price per share for the Securities shall be $[·].

The purchase price per share for the Securities to be paid by the several Underwriters shall be $ [·], being an amount equal to the initial public offering price set forth above less $[·] per share, subject to adjustment in accordance with Section 2(b) for dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities.

Name of Underwriter	Number of Initial Securities
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Barclays Capital Inc.	
Credit Suisse Securities (USA) LLC	
UBS Securities LLC	
Goldman, Sachs & Co.	
Jefferies LLC	
Piper Jaffray & Co.	
Wells Fargo Securities, LLC	
Houlihan Lokey Capital, Inc.	
Total	[·]

Exhibit B

[·], 2017

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Barclays Capital Inc.
as Representatives of the several
Underwriters to be named in the
within mentioned Underwriting Agreement c/o Merrill Lynch, Pierce, Fenner & Smith
Incorporated

One Bryant Park
New York, New York 10036

Re: Proposed Public Offering by Floor & Decor Holdings, Inc.

Dear Sirs:

The undersigned, a stockholder, officer and/or director of Floor & Decor Holdings, Inc., a Delaware corporation (the "Company"), understands that Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Barclays Capital Inc. (collectively, the "Representatives") propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with the Company providing for the public offering of shares (the "Securities") of the Company's Class A common stock, par value $[·] per share (the "Common Stock"). In recognition of the benefit that such an offering will confer upon the undersigned as a stockholder, officer and/or director of the Company, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each underwriter to be named in the Underwriting Agreement that, during the period beginning on the date hereof and ending on the date that is 180-days from the date of the Underwriting Agreement, the undersigned will not, without the prior written consent of the Representatives, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act of 1933, as amended, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise. If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing provisions shall be equally applicable to any issuer-directed Securities the undersigned may purchase in the offering. Notwithstanding anything herein to the contrary, nothing herein shall be deemed to prohibit the Company from taking any action that the Company is permitted to take under Section 3(i) of the Underwriting Agreement, and it shall not be deemed a breach of this lock-up agreement for any officer or director to approve and carry out any such action, in his or her capacity as an officer or director of the Company.

If the undersigned is an officer or director of the Company, (1) the Representatives agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of the Common Stock, the Representatives will notify the Company of the impending release or waiver, and (2) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the Representatives hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (i) the release or waiver is effected solely to permit a transfer not for consideration and (ii) the transferee has agreed in writing to be bound by the same terms described in this letter to the extent and for the duration that such terms remain in effect at the time of the transfer.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representatives, provided that (1) the Representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be, (2) such transfers are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Securities Exchange Act of 1934, as amended, and (3) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers:

(i) as a *bona fide* gift or gifts; or

(ii) upon death by will or intestacy to a member of the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(iii) any *bona fide* gifts to any charitable organization; or

(iv) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(v) as a distribution to limited partners or stockholders of the undersigned; or

(vi) to the undersigned's affiliates or to any investment fund or other entity controlled or managed by the undersigned.

Furthermore, the undersigned may sell shares of Common Stock of the Company purchased by the undersigned on the open market following the Public Offering if and only if (i) such sales are not required to be reported in any public report or filing with the Securities Exchange Commission and (ii) the undersigned does not otherwise voluntarily effect any public filing or report regarding such sales during the lockup period.

[If any record or beneficial owner of any securities of the Company is granted an early release from the restrictions described herein during the lock-up period with respect to any securities of the Company, then each Major Holder (as defined below) shall also be granted an early release from its obligations hereunder on a pro rata basis with all other record or beneficial holders of similarly restricted securities of the Company based on the maximum percentage of shares held by any such record or beneficial holder being released from such holder's lock-up agreement; provided, however, that in the case of an early release from the restrictions described herein during the lock-up period in connection with an underwritten public offering, whether or not such offering or sale is wholly or partially a secondary offering of the Company's Common Stock (an "Underwritten Sale"), such early release shall only apply with respect to such Major Holder's participation in such Underwritten Sale. For purposes of this lock-up agreement, each of the following persons is a "Major Holder": Ares Corporate Opportunities Fund III, L.P. and FS Equity Partners VI, L.P. and FS Affiliates VI, L.P. (collectively ''Freeman Spogli'').](1)

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

This lock-up agreement shall lapse and become null and void if the Underwriting Agreement shall have been terminated prior to the Closing Time. **This lock-up agreement shall be governed by, and construed in accordance with, the laws of the State of New York.**

Very truly yours,

Signature: ____________________

Print Name: ____________________

(1) To be included in Lock-ups of Major Holders only.

RESTATED

CERTIFICATE OF INCORPORATION

OF

FLOOR & DECOR HOLDINGS, INC.

(Pursuant to Sections 242 and 245 of the
General Corporation Law of the State of Delaware)

Floor & Decor Holdings, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "DGCL"), does hereby certify as follows:

1. The Corporation's original certificate of incorporation was filed with the Secretary of State of the State of Delaware on October 15, 2010, under the name FDO Holdings, Inc., and has been amended and/or restated from time to time (as heretofore amended and/or restated, the "Prior Certificate of Incorporation").

2. This Restated Certificate of Incorporation was duly adopted by the Board of Directors of the Corporation in accordance with Sections 242 and 245 of the DGCL.

3. The required holders of the Corporation's issued and outstanding capital stock approved and adopted this Restated Certificate of Incorporation in accordance with Sections 228, 242 and 245 of the DGCL.

4. This Restated Certificate of Incorporation restates and integrates and also further amends the Prior Certificate of Incorporation, which is hereby amended and restated in its entirety to read as follows:

FIRST: The name of the corporation is Floor & Decor Holdings, Inc. (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, County of New Castle, Wilmington, Delaware 19808. The name of the registered agent of the Corporation in the State of Delaware at such address is The Corporation Service Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized and incorporated under the General Corporation Law of the State of Delaware (the "DGCL") or any applicable successor act thereto, as the same may be amended from time to time.

FOURTH: The total number of shares of capital stock the Corporation shall have authority to issue is 500,000,000 shares consisting of (A) 490,000,000 shares of common stock ("Common Stock"), divided into (i) 450,000,000 shares of Class A Common Stock, $0.001 par value per share (the "Class A Common Stock"), (ii) 10,000,000 shares of Class B Common Stock, $0.001 par value per share (the "Class B Common Stock") and (iii) 30,000,000 shares of Class C Common Stock, $0.001 par value per share (the "Class C Common Stock") and (B) 10,000,000 shares of undesignated Preferred Stock, par value $0.001 per share ("Preferred Stock").

Upon the filing and effectiveness of this Restated Certificate of Incorporation (as amended and/or restated from time to time, including the terms of any Preferred Stock Designation (as defined below), this "Certificate of Incorporation") with the Secretary of State of the State of Delaware (the "Effective Time"), (a) each share of Class A Common Stock issued and outstanding or held by the Corporation in treasury immediately prior to the Effective Time ("Old Class A Common Stock"), without any further action by the Corporation or the holder thereof, shall be automatically reclassified into 321.820 validly issued, fully paid and non-assessable shares of new Class A Common Stock ("New Class A Common Stock"); (b) each share of Class B Common Stock issued and outstanding or held by the Corporation in treasury immediately prior to the Effective Time ("Old Class B Common Stock"), without any further action by the Corporation or the holder thereof, shall be automatically reclassified into 321.820 validly issued, fully paid and non-assessable shares of new Class B Common Stock ("New Class B Common Stock"); and (c) each share of Class C Common Stock issued and outstanding or held by the Corporation in treasury immediately prior to the Effective Time ("Old Class C Common Stock" and, together with the Old Class A Common Stock and the Old Class B Common Stock, the "Old Common Stock"), without any further action by the Corporation or the holder thereof, shall be automatically reclassified into 321.820 validly issued, fully paid and non-assessable shares of new Class C Common Stock ("New Class C Common Stock" and, together with the New Class A Common Stock and the New Class B Common Stock, the "New Common Stock") (collectively, the "Common Stock Split"). From and after the Effective Time, each stock certificate representing shares of Old Common Stock shall automatically and without the necessity of presenting the same for exchange, represent that number of whole shares of New Common Stock into which such shares of Old Common Stock represented by such certificate shall have been reclassified (as well as the right to receive cash in lieu of fractional shares of New Common Stock); provided that, upon surrender of a stock certificate or certificates that represented shares of Old Common Stock immediately prior to the Effective Time, such shares of New Common Stock may be issued in uncertificated form. No fractional shares shall be issued in connection with the Common Stock Split. Stockholders who otherwise would have been entitled to receive any fractional share of New Common Stock, in lieu thereof, shall be entitled to receive from the Corporation an amount in cash (without interest) equal to the fair value of such fractional share as determined by the Board of Directors of the Corporation (the "Board") in its sole discretion as of the time hereof.

Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL, and no vote of the holders of Common Stock or Preferred Stock voting separately as a class shall be required therefor.

A. Common Stock.

1. Ranking. The voting, dividend and liquidation rights of the holders of Common Stock are subject to and qualified by the rights of the holders of Preferred Stock of any series as may be designated by the Board upon any issuance of the Preferred Stock of any series.

2. Voting. Except as otherwise provided by law or by the resolution or resolutions providing for the issue of any series of Preferred Stock, each holder of outstanding shares of (a) Class A Common Stock shall have the exclusive right to vote for the election and removal of directors and for all other purposes and shall

be entitled to one vote for each share of Class A Common Stock standing in his, her or its name on the transfer books of the Corporation in connection with all matters submitted to a vote of stockholders and (b) Class B Common Stock or Class C Common Stock shall not be entitled to any voting rights with respect to any matters submitted to a vote of stockholders. Notwithstanding any other provision of this Certificate of Incorporation to the contrary, the holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation (including any Preferred Stock Designation) or the DGCL. The affirmative vote of a majority of the outstanding shares of (i) Class B Common Stock, voting separately as a class, shall be required to make any amendments to the Certificate of Incorporation that adversely affect the rights and preferences of the Class B Common Stock, and (ii) Class C Common Stock, voting separately as a class, shall be required to make any amendments to the Certificate of Incorporation that adversely affect the rights and preferences of the Class C Common Stock. There shall be no cumulative voting for the election of directors.

3. Dividends; Distributions. Subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, each share of Common Stock shall be entitled to receive and share equally in all dividends paid out of any funds of the Corporation legally available therefor when, as and if declared by the Board from time to time out of assets or funds of the Corporation legally available therefor; provided, however, that if such dividend is paid in the form of shares of Common Stock or rights to acquire Common Stock, the holders of Class A Common Stock shall receive Class A Common Stock or rights to acquire Class A Common Stock, as the case may be, the holders of Class B Common Stock shall receive Class B Common Stock or rights to acquire Class B Common Stock, as the case may be, and the holders of Class C Common Stock shall receive Class C Common Stock or rights to acquire Class C Common Stock, as the case may be.

4. Changes in Capitalization. If there is an increase or decrease in the number of issued shares of Common Stock resulting from any stock split, stock dividend, reverse stock split, combination, subdivision or reclassification of one class of Common Stock, or any other similar event resulting in an increase or decrease in the number of outstanding shares of such class of Common Stock, the outstanding shares of the other class of Common Stock shall be increased or decreased in the same manner and in the same proportion.

5. Liquidation. Upon the dissolution, liquidation or winding up of the affairs of the Corporation, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock and the claims of creditors, the holders of shares of Common Stock shall be entitled to receive the assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them. A dissolution, liquidation or winding up of the affairs of the Corporation, as such terms are used in this Section A(5) of Article FOURTH, shall not be deemed to be occasioned by or to include any consolidation or merger of the Corporation with or into any other person or a sale, lease, exchange or conveyance of all or a part of its assets.

6. No Preemptive or Subscription Rights. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights.

7. Conversion.

a. Automatic Conversion of Class B Common Stock. All shares of Class B Common Stock shall be automatically, without further action by any holder thereof, converted into an identical number of shares of Class A Common Stock immediately upon the consummation of the initial public offering of Common Stock of the Corporation pursuant to the Corporation's Registration Statement on Form S-1 (Reg. No. 333-216000) (a "Class B Conversion Event"). Each outstanding stock certificate that, immediately prior to a Class B Conversion Event, represented one or more shares of Class B Common Stock subject to such Class B Conversion Event shall, upon such Class B Conversion Event, be deemed to represent an equal number of shares of Class A Common Stock, without the need for surrender or exchange thereof. The Corporation shall, upon the request of any holder whose shares of Class B Common Stock have been converted into shares of Class A Common Stock as a result of a Class B Conversion Event and upon surrender by such holder to the Corporation of the outstanding certificate(s) formerly representing such holder's shares of Class B Common Stock (if any), either (x) issue and deliver to such holder certificate(s) representing the shares of Class A Common Stock into which such holder's shares of Class B Common Stock were converted as a result of such Class B Conversion Event (if such shares are to be certificated) or, (y) register such shares in book-entry form (at the option of the Corporation). Upon the occurrence of a Class B Conversion Event, the rights of a holder of one or more shares of Class B Common Stock subject to such Class B Conversion Event in respect thereof will cease (other than the right to receive any dividend or other distribution that has been declared by the Board to be payable on or following the date of such a Class B Conversion Event to holders of record of shares of Class B Common Stock subject to such Class B Conversion Event on a date prior to the date of such a Class B Conversion Event).

b. Automatic Conversion of Class C Common Stock. Shares of Class C Common Stock shall be automatically, without further action by the holder thereof, converted into an identical number of shares of Class A Common Stock if the beneficial owner of such shares of Class C Common Stock is no longer FS Equity Partners VI, L.P., FS Affiliates VI, L.P. or their Affiliated Persons (as defined in the Investment Company Act of 1940, as amended) (a "Class C Automatic Conversion Event"). Each outstanding stock certificate that, immediately prior to a Class C Automatic Conversion Event, represented one or more shares of Class C Common Stock subject to such Class C Automatic Conversion Event shall, upon such Class C Automatic Conversion Event, be deemed to represent an equal number of shares of Class A Common Stock, without the need for surrender or exchange thereof. The Corporation shall, upon the request of any holder whose shares of Class C Common Stock have been converted into shares of Class A Common Stock as a result of a Class C Automatic Conversion Event and upon surrender by such holder to the Corporation of the outstanding certificate(s) formerly representing such holder's shares of Class C Common Stock (if any), either (x) issue and deliver to such holder certificate(s) representing the shares of Class A Common Stock into which such holder's shares of Class C Common Stock were converted as a result of such Class C Automatic Conversion Event (if such shares are to be certificated) or, (y) register such shares in book-entry form (if such shares are to be uncertificated) (at the option of the Corporation). Upon the occurrence of a Class C Automatic Conversion Event, the rights of a holder of one or more shares of Class C Common Stock subject to such Class C Automatic Conversion Event in respect thereof will cease (other than the right to receive any

dividend or other distribution that has been declared by the Board to be payable on or following the date of such a Class C Automatic Conversion Event to holders of record of shares of Class C Common Stock subject to such Class C Automatic Conversion Event on a date prior to the date of such a Class C Automatic Conversion Event).

c. Voluntary Conversion of Class C Common Stock. Shares of Class C Common Stock may be converted into an identical number of shares of Class A Common Stock at the option of the holder thereof at any time upon written notice to the Corporation if following such conversion, either of (i) FS Equity Partners VI, L.P., FS Affiliates VI, L.P. and their Affiliated Persons, in the aggregate or (ii) Ares Corporate Opportunities Fund III, L.P. and its Affiliated Persons, in the aggregate, do not beneficially own more than 24.9% of the outstanding shares of Class A Common Stock (a "Class C Voluntary Conversion"). Before any holder of Class C Common Stock shall be entitled to voluntarily convert any shares of such Class C Common Stock, such holder shall surrender the certificate or certificates therefor (if any), duly endorsed, at the principal corporate office of the Corporation or of any transfer agent for the Class C Common Stock, and shall give written notice to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names (i) in which the certificate or certificates representing the shares of Class A Common Stock into which the shares of Class C Common Stock are so converted are to be issued if such shares are certificated or (ii) in which such shares are to be registered in book entry if such shares are uncertificated. The Corporation shall, as soon as practicable thereafter, at the Corporation's option either (x) issue and deliver at such office to such holder of Class C Common Stock, or to the nominee or nominees of such holder, a certificate or certificates representing the number of shares of Class A

Common Stock to which such holder shall be entitled as aforesaid (if such shares are to be certificated) or, (y) register such shares in book-entry form (if such shares are to be uncertificated). Such conversion shall be deemed to have been made immediately prior to the close of business on the date such holder's written notice of election to convert required by this Section A(7)(c) of ARTICLE FOURTH is received by the Corporation, and the person or persons entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Class A Common Stock as of such date. Upon the occurrence of a Class C Voluntary Conversion, the rights of a holder of one or more shares of Class C Common Stock subject to such Class C Voluntary Conversion in respect thereof will cease (other than the right to receive any dividend or other distribution that has been declared by the Board to be payable on or following the date of such Class C Voluntary Conversion to holders of record of shares of Class C Common Stock subject to such Class C Voluntary Conversion on a date prior to the date of such Class C Voluntary Conversion).

d. Voluntary Conversion of Class A Common Stock. Shares of Class A Common Stock held by FS Equity Partners VI, L.P., FS Affiliates VI, L.P. or their Affiliated Persons may be converted into an identical number of shares of Class C Common Stock at the option of the holder thereof at any time upon written notice to the Corporation (a "Class A Voluntary Conversion"). Before any holder of Class A Common Stock shall be entitled to voluntarily convert any shares of such Class A Common Stock, such holder shall surrender the certificate or certificates therefor (if any), duly endorsed, at the principal corporate office of the Corporation or of any transfer agent for the Class A Common Stock, and shall give written notice to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names (i) in which the certificate or certificates representing the shares of Class C Common Stock into which the shares of Class A Common Stock are so converted are to be issued if such shares are certificated or (ii) in which such shares are to be registered in book entry if such shares are uncertificated.

The Corporation shall, as soon as practicable thereafter, at the Corporation's option either (x) issue and deliver at such office to such holder of Class A Common Stock, or to the nominee or nominees of such holder, a certificate or certificates representing the number of shares of Class C Common Stock to which such holder shall be entitled as aforesaid (if such shares are to be certificated) or, (y) register such shares in book-entry form (if such shares are to be uncertificated). Such conversion shall be deemed to have been made immediately prior to the close of business on the date such holder's written notice of election to convert required by this Section A(7)(d) of ARTICLE FOURTH in received by the Corporation, and the person or persons entitled to receive the shares of Class C Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Class C Common Stock as of such date. Upon the occurrence of a Class A Voluntary Conversion, the rights of a holder of one or more shares of Class A Common Stock subject to such Class A Voluntary Conversion in respect thereof will cease (other than the right to receive any dividend or other distribution that has been declared by the Board to be payable on or following the date of such Class A Voluntary Conversion to holders of record of shares of Class A Common Stock subject to such Class A Voluntary Conversion on a date prior to the date of such Class A Voluntary Conversion)

e. The Corporation will at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of issuance upon the conversion of Class B Common Stock and Class C Common Stock as provided herein, the maximum number of shares as shall then be issuable upon the conversion of all then outstanding shares of Class B Common Stock and Class C Common Stock. The Corporation will at all times reserve and keep available out of its authorized but unissued shares of Class C Common Stock, solely for the purpose of issuance upon the conversion of Class A Common Stock as provided herein, the maximum number of shares as shall then be issuable upon the conversion of all then outstanding shares of Class A Common Stock.

f. The issuance of shares of Common Stock pursuant to this Section A(7) of ARTICLE FOURTH will be made without charge to the holders of such shares for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and issuance; provided, that the holder of such shares of Common Stock shall be responsible for any transfer taxes due in connection with the conversion thereof. The Corporation will not close its books against the transfer of its Common Stock in any manner that would interfere with the timely conversion of Common Stock pursuant to this Section A(7) of ARTICLE FOURTH.

B. Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series. The Board is hereby authorized to provide by resolution or resolutions from time to time for the issuance, out of the unissued and undesignated shares of Preferred Stock, of one or more series of Preferred Stock, without stockholder approval, by filing a certificate pursuant to the DGCL (a "Preferred Stock Designation"), setting forth such resolution or resolutions and, with respect to each such series, (i) establishing the number of shares to be included therein and (ii) fixing (x) the voting powers, full or limited, or no voting power of the shares thereof, and (y) the designation, preferences and relative, participating, optional or other special rights, if any, of the shares thereof and any qualifications, limitations or restrictions with respect thereto. The powers, designation, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations and restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

The authority of the Board with respect to each series of Preferred Stock shall include, but not be limited to, the determination of the following:

1. the designation of the series, which may be by distinguishing number, letter or title;

2. the number of shares of the series, which number the Board is authorized to thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);

3. the amounts or rates at which dividends will be payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative;

4. the dates on which dividends, if any, shall be payable;

5. the redemption rights and price or prices, if any, for shares of the series;

6. the terms and amount of any sinking fund, if any, provided for the purchase or redemption of shares of the series;

7. the amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

8. whether the shares of the series shall be convertible into or exchangeable for, shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;

9. restrictions on the issuance of shares of the same series or any other class or series;

10. the voting rights, if any, of the holders of shares of the series generally or upon specified events; and

11. any other powers, preferences and relative, participating, optional or other special rights of each series of Preferred Stock, and any qualifications, limitations or restrictions thereof, all as may be determined from time to time by resolution or resolutions of the Board providing for the issuance of such series of Preferred Stock and set forth in the Preferred Stock Designation in respect thereof.

Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law.

C. Other.

1. Merger. In case of any consolidation of the Corporation with one or more other corporations or entities or a merger of the Corporation with another corporation or entity in each case in which shares of Class A Common Stock, Class B Common Stock or Class C Common Stock are converted into (or entitled to receive with respect thereto) shares of stock and/or other securities or property (including cash, the "Merger Consideration"), each holder of a share of Class A Common Stock shall be entitled to receive with respect to such share the same kind and amount of Merger Consideration receivable upon such reorganization, consolidation or merger (a "Merger") by a holder of a share of Class B Common Stock or Class C Common Stock and each holder of a share of Class B Common Stock or Class C Common Stock shall be entitled to receive with respect to such share the same kind and amount of Merger Consideration receivable upon such Merger by a holder of a share of Class A Common Stock; provided, however, that if the holders of Class A Common Stock, Class B Common Stock or Class C Common Stock are granted rights to elect to receive one of two or more alternative forms of Merger Consideration, the foregoing shall be deemed satisfied if holders of Class A Common Stock, holders of Class B Common Stock and holders of Class C Common Stock are granted substantially identical election rights.

2. Investor Rights Agreement. The Corporation, Ares Corporate Opportunities Fund III, L.P., FS Equity Partners VI, L.P. and FS Affiliates VI, L.P. are expected to enter into an Investor Rights Agreement in connection with the Corporation's initial public offering (as amended, modified or supplemented, the "Investor Rights Agreement"). For so long as the Investor Rights Agreement is effective, the Corporation shall not take any action that violates or is inconsistent with the terms of the Investor Rights Agreement.

FIFTH: This Article FIFTH is inserted for the management of the business and for the conduct of the affairs of the Corporation.

A. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, except as otherwise provided by law.

B. Number of Directors; Election of Directors. Subject to the rights of the holders of any series of Preferred Stock to elect Additional Preferred Directors (as defined below), the number of directors of the Corporation shall not be fewer than three and shall be fixed from time to time by resolution of the Board. Other than directors who may be elected by the holders of shares of any series of Preferred Stock, each director shall be elected by the vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present, provided that if, as of the tenth day preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders of the Corporation, the number of nominees exceeds the number of directors to be elected, then the directors shall be elected by the vote of a plurality of the votes cast. For purposes of this Section B of Article FIFTH, a majority of the votes cast shall mean that the number of votes cast "for" a director's election exceeds the number of votes cast "against" that director's election (with "abstentions" and "broker nonvotes" not counted as votes cast either "for" or "against" any director's election).

C. Classes of Directors; Terms of Office. Subject to the right of the holders of any series of Preferred Stock to elect directors, the Board (excluding any Additional Preferred Directors) shall be and hereby is divided into three classes, designated Class I, Class II and Class III, which classes shall be as nearly equal in number as possible.

The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III at the time such classification becomes effective (the "Classification Effective Time"). The initial (i) Class I Directors shall serve for a term expiring at the first annual meeting of stockholders of the Corporation following the Classification Effective Time, (ii) Class II Directors shall serve for a term expiring at the second annual meeting of stockholders following the Classification Effective Time and (iii) Class III Directors shall serve for a term expiring at the third annual meeting of the stockholders following the Classification Effective Time. Each director in each class shall hold office until his or her successor is duly elected and qualified, subject to his or her earlier death, disability, disqualification, resignation or removal. At each annual meeting of stockholders beginning with the first annual meeting of stockholders following the Classification Effective Time, the successors of the class of directors whose term expires at that annual meeting shall be elected to hold office for a term expiring at the third succeeding annual meeting of stockholders following their election, with each director in each such class to hold office until his or her successor is duly elected and qualified, subject to his or her earlier death, disability, disqualification, resignation or removal. If the total number of authorized directors is changed, any increase or decrease shall be apportioned among the number of directors in each class as nearly equal as possible, and any director elected to fill a newly created directorship resulting from such increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director. For the avoidance of doubt, the foregoing sentence shall not apply to the Additional Preferred Directors or to any increase or decrease in the total authorized number of directors in respect thereof.

During any period when the holders of any series of Preferred Stock have the right to elect additional directors (the additional directors elected by the separate vote of such holders following such event, the "Additional Preferred Directors") as provided for or fixed pursuant to the provisions of this Certificate of Incorporation (including pursuant to a Preferred Stock Designation), then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the Additional Preferred Directors so provided for or fixed pursuant to said provisions and (ii) each such Additional Preferred Director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, disability, disqualification, resignation or removal. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect Additional Preferred Directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, disability, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total authorized number of directors of the Corporation shall automatically be reduced accordingly.

D. Vacancies. Subject to the rights of holders of any series of Preferred Stock, any newly created directorship or any vacancy on the Board that results from the death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by a majority of the directors then in office, although less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a vacancy not resulting from a newly created directorship shall hold office for the remaining term of his or her predecessor and until his or her successor is duly elected and qualified, subject to his or her earlier death, disability, disqualification, resignation or removal.

E. Removal. Subject to the rights of the holders of any series of Preferred Stock (including, without limitation, the right to elect the Additional Preferred Directors) and the terms of the Investor Rights Agreement, (i) any director or the entire Board may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of shares representing at least a majority of the voting power of the issued and outstanding Common Stock and (ii) any director serving on a committee of the Board may be removed from such committee at any time by the Board.

F. Committees. Pursuant to the bylaws of the Corporation (as amended and/or restated from time to time, the "Bylaws"), the Board may establish one or more committees to which may be delegated any or all of the powers and duties of the Board to the fullest extent permitted by law.

G. Stockholder Nominations and Introduction of Business. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the Bylaws.

SIXTH: Unless and except to the extent that the Bylaws shall so require, the election of directors of the Corporation need not be by written ballot.

SEVENTH: To the fullest extent permitted by the DGCL as it now exists and as it may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director; provided that nothing contained in this Article SEVENTH shall eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to the provisions of Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or modification of this Article SEVENTH shall apply to or have any adverse effect on any right or protection, or any limitation of the liability, of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

EIGHTH: The Corporation shall, to the fullest extent permitted by the DGCL as it now exists and as it may hereafter be amended, indemnify any person who is or was a director or officer of the Corporation from and against any and all of the expenses, liabilities or other matters referred to in or covered by the DGCL, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under the Bylaws, the Investor Rights Agreement, any statute, agreement, vote of stockholders or disinterested directors or otherwise and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Corporation shall, to the fullest extent permitted by the DGCL as it now exists and as it may hereafter be amended, advance all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by any current or former director or officer, with respect to any one or more actions, suits or proceedings, whether civil or criminal, administrative or investigative, so long as the Corporation receives from such current or former director or officer an unsecured undertaking to repay such expenses if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation under the DGCL. Such obligation to advance costs and expenses shall include, without limitation, costs and expenses incurred in asserting affirmative defenses, counterclaims and cross claims.

The Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification and to advancement of expenses to any employee or agent of the Corporation up to the extent that the provisions of this Article EIGHTH permit the indemnification and advancement of expenses of current or former directors and officers of the Corporation.

Any repeal or modification of this Article EIGHTH shall not adversely affect any right to indemnification or to advancement of expenses of any person existing at the time of such repeal or modification with respect to any matters occurring prior to such repeal or modification.

NINTH: The Corporation elects not to be governed by or subject to Section 203 of the DGCL.

TENTH: Subject to the terms of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting. Notwithstanding the foregoing, for so long as the Sponsors collectively continue to beneficially own at least a majority of the outstanding shares of Class A Common Stock, any action required or permitted to be taken by the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action to be taken, are signed by the holders of outstanding stock having at least the minimum number of votes necessary to authorize such action.

ELEVENTH: Unless otherwise required by law or by the Certificate of Incorporation, special meetings of stockholders for any purpose or purposes may be called at any time by either (i) the Board or (ii) the Chairperson of the Board, if there be one, and may not be called by any other person or persons. Notwithstanding the foregoing, for so long as the Sponsors collectively continue to beneficially own at least a majority of the outstanding shares of Class A Common Stock, special meetings of the stockholders shall be called by the Secretary upon request of the holders of a majority of the outstanding shares of Class A Common Stock. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

TWELFTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the DGCL may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article TWELFTH. Notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote, but in addition to any vote required by law and subject to the second sentence of Section A(2) of Article FOURTH, this Certificate of Incorporation or any Preferred Stock Designation, the affirmative vote of holders of shares representing at least a majority of the votes that would be entitled to be cast on such matter by the then outstanding shares of all classes and series of capital stock of the Corporation at any annual or special meeting of stockholders, voting together as a single class, shall be required to amend, alter, change or repeal any provision of this Certificate of

Incorporation, or to adopt any new provision of this Certificate of Incorporation; provided from and after such time that the Sponsors, collectively, cease to beneficially own shares of capital stock representing at least a majority of the votes entitled to be cast by the then outstanding shares of all classes and series of capital stock of the Corporation entitled generally to vote on the election of the directors of the Corporation at any annual or special meeting of stockholders, the affirmative vote of the holders of shares representing at least two-thirds of the votes that would be entitled to be cast on such matter by the then outstanding shares of all classes and series of capital stock of the Corporation at any annual or special meeting of stockholders, voting together as a single class, shall be required to amend, alter, change or repeal, or adopt any provision inconsistent with, any of Article FIFTH, Article SEVENTH, Article TENTH, Article ELEVENTH, Article THIRTEENTH, Article FOURTEENTH, Article FIFTEENTH and this sentence of this Certificate of Incorporation, or in each case, the definition of any capitalized terms used therein or any successor provision (including, without limitation, any such article or section as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other provision of this Certificate of Incorporation). Any amendment, repeal, modification or expiration of any of Article SEVENTH, Article EIGHTH, Article THIRTEENTH and this sentence shall not adversely affect any right or protection of any person existing thereunder with respect to any act or omission occurring prior to such repeal or modification.

THIRTEENTH:

A. This Article THIRTEENTH anticipates the possibility that (i) one or more of the Sponsors may be a controlling, majority or significant stockholder of the Corporation, (ii) certain Sponsor Officials may also serve as Corporation Officials, (iii) the Corporation Entities and the Sponsor Entities may, from time to time, (a) engage in the same, similar or related activities or lines of business or other business activities that overlap or compete with those of the other and (b) have an interest in the same areas of corporate opportunities, and (iv) benefits may be derived by the Corporation Entities through their contractual, corporate and business relations with the Sponsor Entities. The provisions of this Article THIRTEENTH shall, to the fullest extent permitted by law, define the conduct of certain affairs of the Corporation Entities and Corporation Officials as they may involve the Sponsor Entities, and the powers, rights, duties and liabilities of the Corporation Entities and Corporation Officials in connection therewith.

B. To the fullest extent permitted by law, no contract, agreement, arrangement or transaction (or any amendment, modification or termination thereof) entered into between any Corporation Entity, on the one hand, and any Sponsor Entity, on the other hand, shall be void or voidable or be considered unfair to the Corporation or any Corporation Controlled Affiliate by reason of any Sponsor Entity being a party thereto, or because (i) any Sponsor Official is a party thereto, or (ii) any Sponsor Official was present at or participated in any meeting of (a) the Board or a committee thereof or (b) the board of directors of any Corporation Controlled Affiliate or a committee thereof, in either case that authorized the contract, agreement, arrangement or transaction (or any amendment, modification or termination thereof), or (iii) in the case of clauses (ii) (a) and (b), any Sponsor Official's votes were counted for such purpose. To the fullest extent permitted by law, no such contract, agreement, arrangement or transaction (or any amendment, modification or termination thereof) or the performance thereof by any Corporation Entity shall be considered to be contrary to any fiduciary duty owed to any of the Corporation Entities or to any of their respective equity holders by any Sponsor Entity or by any Corporation Official (including any Corporation Official who may have been a Sponsor Official) and each such Corporation Official shall be

deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation Entities, and shall be deemed not to have breached his or her duties of loyalty to the Corporation Entities and their respective equity holders, and not to have derived an improper personal benefit therefrom.

To the fullest extent permitted by law, no Corporation Official shall have or be under any fiduciary duty to any Corporation Entity or its equity holders to refrain from acting on behalf of any such Corporation Entity (or on behalf of any Sponsor Entity if such Corporation Official is also a Sponsor Official) in respect of any such contract, agreement, arrangement or transaction (or any amendment, modification, or termination thereof) or to refrain from performing any such contract, agreement, arrangement or transaction (or any amendment, modification or termination thereof) in accordance with its terms.

C. The Corporation may from time to time enter into and perform, and cause or permit any Corporation Controlled Affiliate to enter into and perform, one or more agreements (or amendments or modifications to pre-existing agreements) with any one or more of the Sponsor Entities pursuant to which any one or more Corporation Entities, on the one hand, and any one or more of the Sponsor Entities, on the other hand, agree to engage in transactions of any kind or nature, or agree to compete, or to refrain from competing or to limit or restrict their competition, with each other (or with any one or more other Sponsor Entities or Corporation Entities, respectively), including to allocate and to cause Corporation Officials and Sponsor Officials (including any person who is both a Corporation Official and a Sponsor Official) to allocate or refer opportunities between such Corporation Entities and Sponsor Entities. To the fullest extent permitted by law, neither any such agreement, nor the performance thereof by any Corporation Entity or any Sponsor Entity, shall be considered contrary to (i) any fiduciary duty that any Sponsor Entity may owe to any Corporation Entity or its equity holders by reason of any Sponsor Entity being, directly or indirectly, a controlling, majority or significant equity holder of any such Corporation Entity or participating in the control of any such Corporation Entity or (ii) any fiduciary duty that any Corporation Official who is also a Sponsor Official may owe to any Corporation Entity or its equity holders. To the fullest extent permitted by law, no Sponsor Entity, by reason of being, directly or indirectly, a controlling, majority or significant equity holder of any Corporation Entity or participant in control of any Corporation Entity, shall have or be under any fiduciary duty to refrain from entering into any agreement or participating in any transaction referred to above, and no Corporation Official who is also a Sponsor Official shall have or be under any fiduciary duty to any Corporation Entity or its equity holders to refrain from acting on behalf of any Corporation Entity or any Sponsor Entity in respect of any such agreement or transaction or performing any such agreement in accordance with its terms.

D. Except as otherwise agreed in writing between the Corporation and Sponsor, the Sponsor Entities shall, to the fullest extent permitted by law, have no duty to refrain from (i) engaging in the same or similar activities or lines of business as any Corporation Entity, (ii) doing business with any client, customer or vendor of any Corporation Entity or (iii) employing or otherwise engaging or soliciting for such purpose any Corporation Official or employee of any Corporation Entity. To the fullest extent permitted by law, no Sponsor Entity shall be deemed to have breached its fiduciary duties, if any, to any Corporation Entity or its equity holders solely by reason of engaging in any activity described in clauses (i) through (iii) of the immediately preceding sentence. If any Sponsor Entity is offered, or acquires knowledge of, a potential transaction or business opportunity that is or may be a corporate opportunity for any Corporation Entity, the Corporation, on behalf of itself and each Corporation Controlled Affiliate, to the fullest extent permitted by law, renounces any interest or expectancy in such potential transaction or business opportunity or in being offered an opportunity to participate therein and waives any claim that such potential transaction or business opportunity constituted a corporate opportunity that should have been presented to any Corporation Entity.

In the case of any potential transaction or business opportunity in which the Corporation has renounced its interest and expectancy in the immediately preceding sentence, the Sponsor Entities shall, to the fullest extent permitted by law, not be liable to any Corporation Entity or its equity holders for breach of any fiduciary duty as a direct or indirect equity holder of any Corporation Entity by reason of the fact that any one or more of the Sponsor Entities pursues or acquires such potential transaction or business opportunity for itself, directs such potential transaction or business opportunity to another person or entity, or otherwise does not communicate information regarding such potential transaction or business opportunity to the Corporation or any Corporation Controlled Affiliate.

E. If a Corporation Official who is also a Sponsor Official is offered, or acquires knowledge of, a potential transaction or business opportunity that is or may be a corporate opportunity for any Corporation Entity in any manner, (i) the Corporation, on behalf of itself and each Corporation Controlled Affiliate, to the fullest extent permitted by law except as provided in this Section E of Article THIRTEENTH, renounces any interest or expectancy in such potential transaction or business opportunity or in being offered an opportunity to participate therein and waives any claim that such potential transaction or business opportunity constituted a corporate opportunity that should have been presented to the Corporation or any such Corporation Controlled Affiliate and (ii) such Corporation Official shall have no duty to communicate or present such potential transaction or business opportunity to the Corporation or any Corporation Controlled Affiliate and shall, to the fullest extent permitted by law, not be liable to any Corporation Entity or its equity holders for breach of any fiduciary duty as a Corporation Official, including without limitation by reason of the fact that any one or more of the Sponsor Entities pursues or acquires such potential transaction or business opportunity for itself, directs such potential transaction or business opportunity to another person or entity, or otherwise does not communicate information regarding such potential transaction or business opportunity to the Corporation or any Corporation Controlled Affiliate.

Notwithstanding anything to the contrary in this Section E of Article THIRTEENTH, the Corporation does not renounce any interest or expectancy it may have in any corporate opportunity that is expressly offered to any Corporation Official in writing solely in his or her capacity as a Corporation Official.

F. No amendment or repeal of this Article THIRTEENTH shall apply to or have any effect on the liability or alleged liability of any Sponsor Entity or Corporation Official for or with respect to any corporate opportunity that such Sponsor Entity or Corporation Official was offered, or of which such Sponsor Entity or Corporation Official acquired knowledge, prior to such amendment or repeal.

G. In addition to, and notwithstanding the foregoing provisions of this Article THIRTEENTH, a potential transaction or business opportunity (i) that the Corporation Entities are not financially able, contractually permitted or legally able to undertake or (ii) that is, from its nature, not in the line of the Corporation Entities' business, is of no practical advantage to any Corporation Entity or is one in which no Corporation Entity has any interest or reasonable expectancy, shall not, in any such case, be deemed to constitute a corporate opportunity belonging to the Corporation or any Corporation

Controlled Affiliate, and the Corporation, on behalf of itself and each Corporation Controlled Affiliate, to the fullest extent permitted by law, hereby renounces any interest or expectancy therein or being offered an opportunity to participate therein.

H. The alteration, amendment or repeal of this Article THIRTEENTH shall not apply to or have any effect on (i) the liability or alleged liability of any Sponsor Entity or Corporation Official for or with respect to any corporate opportunity that such Sponsor Entity or Corporation Official was offered, or of which such Sponsor Entity or Corporation Official acquired knowledge, or (ii) the void or voidable nature of, deemed unfairness of, deemed conduct of persons with respect to or any fiduciary duty of any person applicable to any contract, agreement, arrangement or transaction (or any amendment, modification or termination thereof) entered into between any Corporation Entity, on the one hand, and any Sponsor Entity, on the other hand, in each case, prior to such alteration, amendment or repeal.

FOURTEENTH: In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, the Board shall have the power to adopt, amend, alter or repeal the Bylaws. The Bylaws may also be adopted, amended, altered or repealed by the affirmative vote of the holders of at least two-thirds of the votes that would be entitled to be cast on such matter by the then outstanding shares of all classes and series of capital stock of the Corporation, at any annual or special meeting or stockholders, voting together as a single class. In addition to the powers and authority herein or by statute expressly conferred upon them, the Board is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject to the provisions of the DGCL and the Certificate of Incorporation.

FIFTEENTH: Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, this Certificate of Incorporation or the Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article FIFTEENTH.

SIXTEENTH: Except as otherwise defined in this Certificate of Incorporation, the following terms shall have the meanings ascribed to them below:

A. "beneficial ownership" (or words or phrases of similar import) shall have the meaning given to such term in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

B. "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise. A person who is the owner of 10% or more of the outstanding voting stock of any corporation, partnership, limited liability company, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary.

C. "corporate opportunity" shall include, but not be limited to, business opportunities that (1) the Corporation or any Corporation Controlled Affiliate is financially able to undertake, (2) are, from their nature, in the line of the Corporation's or any Corporation Controlled Affiliate's business, and (3) are of practical advantage to the Corporation or any Corporation Controlled Affiliate and ones in which the Corporation or any Corporation Controlled Affiliate, but for the provisions of Article FOURTEENTH, would have an interest or a reasonable expectancy.

D. "Corporation Controlled Affiliate" shall mean (1) any person of which the Corporation is the beneficial owner (directly or indirectly) of 10% or more of the outstanding voting stock, voting power, partnership interests or similar voting interests or (2) any other person that (directly or indirectly) is controlled by the Corporation.

E. "Corporation Entity" shall mean any one or more of the Corporation and the Corporation Controlled Affiliates.

F. "Corporation Official" shall mean each person who is a director or an officer (or both) of the Corporation or one or more Corporation Controlled Affiliates.

G. "person" shall mean a natural person, corporation, partnership, limited liability company, joint venture, association or legal entity of any kind; each reference to a "natural person" (or to a "record holder" of shares, if a natural person) shall be deemed to include in his or her representative capacity a guardian, committee, executor, administrator or other legal representative of such natural person or record holder.

H. "Sponsors" shall mean (1) Ares Corporate Opportunities Fund III, L.P., (2) FS Equity Partners VI, L.P. and FS Affiliates VI, L.P., (3) each of their respective affiliates (other than the Corporation and Corporation Controlled Affiliates), (4) any general partner, managing member or partner, director, officer or employee of such Sponsor or any affiliate of such Sponsor, (5) any private equity fund now or hereafter existing that is controlled by one or more of, or shares the same management company with, such Sponsor and (6) any successor by operation of law (including, without limitation, by merger or otherwise) of each of the foregoing or any such successor.

I. "Sponsor Controlled Affiliate" shall mean, other than the Corporation or any Corporation Controlled Affiliate, (1) any person of which one or more Sponsors, collectively, beneficially own 10% or more of the outstanding voting stock, voting power, partnership interests or similar voting interests or (2) any other person that (directly or indirectly) is controlled by any Sponsor, controls any Sponsor or is under common control with any Sponsor.

J. "Sponsor Entity" shall mean any one or more of the Sponsors and the Sponsor Controlled Affiliates.

K. "Sponsor Official" shall mean each person who is a director, officer, employee, managing director or other affiliate (or any combination of the foregoing) of any Sponsor or one or more Sponsor Controlled Affiliates.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned has executed this Restated Certificate of Incorporation as of this 24 day of April, 2017.

FLOOR & DECOR HOLDINGS, INC.

By: /s/ Thomas V. Taylor
Name: Thomas V. Taylor
Title: Chief Executive Officer

[Signature Page to Restated Certificate of Incorporation]

Exhibit 3.2

SECOND AMENDED AND RESTATED BYLAWS

OF

FLOOR & DECOR HOLDINGS, INC.

TABLE OF CONTENTS

ARTICLE I	STOCKHOLDERS	1
1.1	Place of Meetings	1
1.2	Annual Meeting	1
1.3	Special Meetings	1
1.4	Notice of Meetings	1
1.5	Voting List	1
1.6	Quorum	2
1.7	Adjournments	2
1.8	Voting and Proxies	2
1.9	Action at Meeting	2
1.10	Nomination of Directors	3
1.11	Notice of Business at Annual Meetings	6
1.12	Conduct of Meetings	8
ARTICLE II	DIRECTORS	9
2.1	General Powers	9
2.2	Number, Election and Qualification	9
2.3	Organization	9
2.4	Quorum	9
2.5	Action at Meeting	9
2.6	Removal	9
2.7	Resignation	9
2.8	Vacancies	9
2.9	Regular Meetings	9
2.10	Special Meetings	9
2.11	Notice of Special Meetings	10
2.12	Meetings by Conference Communications Equipment	10
2.13	Action by Consent	10
2.14	Compensation of Directors	10
ARTICLE III	COMMITTEES	10
3.1	Committees	10
3.2	Conduct of Meetings	10
ARTICLE IV	OFFICERS	11
4.1	Titles	11
4.2	Qualification	11
4.3	Tenure	11
4.4	Removal	11
4.5	Resignation	11
4.6	Vacancies	11
4.7	President; Chief Executive Officer	11
4.8	Vice Presidents	11
4.9	Secretary and Assistant Secretaries	11
4.10	Treasurer and Assistant Treasurers	12
4.11	Delegation of Authority	12

ARTICLE V	CAPITAL STOCK	12
5.1	Issuance of Stock	12
5.2	Stock Certificates; Uncertificated Shares	12
5.3	Signatures	13
5.4	Transfers	13
5.5	Lost, Stolen or Destroyed Certificates	13
5.6	Record Date	13
5.7	Transfer Agents and Registrars	14
5.8	Regulations	14
ARTICLE VI	GENERAL PROVISIONS	14

6.1	Fiscal Year	14
6.2	Corporate Seal	14
6.3	Dividends	14
6.4	Waiver of Notice	14
6.5	Voting of Securities	14
6.6	Reliance Upon Books, Reports and Records	15
6.7	Evidence of Authority	15
6.8	Certificate of Incorporation	15
6.9	Investor Rights Agreement	15
6.10	Severability	15
6.11	Pronouns	15
ARTICLE VII	AMENDMENTS	15
ARTICLE VIII	INDEMNIFICATION AND ADVANCEMENT	15
8.1	Power to Indemnify in Actions, Suits or Proceedings Other Than Those by or in the Right of the Corporation	15
8.2	Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation	16
8.3	Authorization of Indemnification	16
8.4	Good Faith Defined	16
8.5	Right of Claimant to Bring Suit	16
8.6	Expenses Payable in Advance	17
8.7	Nonexclusivity of Indemnification and Advancement of Expenses	17
8.8	Insurance	17
8.9	Certain Definitions	17
8.10	Survival of Indemnification and Advancement of Expenses	17
8.11	Limitation on Indemnification	17
8.12	Contract Rights	18

ARTICLE I

STOCKHOLDERS

1.1 Place of Meetings. All meetings of stockholders for the election of directors or for any other purpose shall be held at such place, if any, within or without the State of Delaware, as may be designated from time to time by the Board of Directors (the "Board") of Floor & Decor Holdings, Inc. (the "Corporation") or the Chairperson of the Board or, if not so designated, at the principal office of the Corporation. The Board may, in its sole discretion, determine that a meeting shall not be held at any place, but may instead be held solely by means of remote communication.

1.2 Annual Meeting. Unless otherwise required by law or by the certificate of incorporation of the Corporation, as amended and restated from time to time (the "Certificate of Incorporation"), the annual meeting of stockholders for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly be brought before the meeting shall be held on a date and at a time designated by the Board or the Chairperson of the Board, which date shall not be a legal holiday in the place, if any, where the meeting is to be held. The Board may postpone, reschedule or cancel any previously scheduled annual meeting of stockholders.

1.3 Special Meetings. Unless otherwise required by law or the Certificate of Incorporation, special meetings of stockholders for any purpose or purposes may be called at any time by the Board or the Chairperson of the Board, and may not be called by any other person or persons. The Board may postpone, reschedule or cancel any previously scheduled special meeting of stockholders. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

1.4 Notice of Meetings. Except as otherwise provided in these Bylaws or required by the General Corporation Law of the State of Delaware (the "DGCL") or the Certificate of Incorporation, notice of each meeting of stockholders, whether annual or special, shall be given not less than ten nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. Without limiting the manner by which notice otherwise may be given to stockholders, any notice shall be effective if given by a form of electronic transmission consented to (in a manner consistent with the DGCL) by the stockholder to whom the notice is given. The notices of all meetings shall state the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting). The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If notice is given by mail, such notice shall be deemed given when deposited in the U.S. mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. If notice is given by electronic transmission, such notice shall be deemed given at the time specified in Section 232 of the DGCL.

1.5 Voting List. The Corporation shall prepare, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided that if the record date for determining the stockholders entitled to vote is less than ten days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten days prior to the meeting: (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the Corporation. If the meeting is to be held at a place, then the list of stockholders entitled to vote at the meeting shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the list shall presumptively

determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.6 Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the holders of a majority of votes entitled to be cast by the then outstanding shares of all classes and series of capital stock of the Corporation entitled to vote at the meeting, present in person or by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, shall constitute a quorum for the transaction of business; provided that where a separate vote by a class or classes or series of capital stock is required by law or the Certificate of Incorporation, the holders of a majority in voting power of the shares of such class or classes or series of the capital stock of the Corporation issued and outstanding and entitled to vote on such matter, present in person or by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, shall constitute a quorum entitled to take action with respect to the vote on such matter. Shares of the Corporation's own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided that the foregoing shall not limit the right of the Corporation or any subsidiary of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If a quorum shall fail to attend any meeting, the chairperson of the meeting may adjourn the meeting in accordance with Section 1.7 until a quorum shall be present or represented.

1.7 Adjournments. Any meeting of stockholders, annual or special, may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these Bylaws by the chairperson of the meeting or, if directed to be voted on by the chairperson of the meeting, by the stockholders present or represented at the meeting and entitled to vote thereon, although less than a quorum. When a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place, if any, thereof and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person of such adjourned meeting are announced at the meeting at which adjournment is taken, provided that if the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting. At the adjourned meeting at which there is a quorum, the Corporation may transact any business that might have been transacted at the original meeting.

1.8 Voting and Proxies. Each stockholder shall have such number of votes, if any, for each share of stock entitled to vote and held of record by such stockholder as may be fixed in the Certificate of Incorporation and a proportionate vote for each fractional share so held, unless otherwise provided by law or the Certificate of Incorporation. There shall be no cumulative voting for the election of directors. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person (including by means of remote communications, if any, by which stockholders may be deemed to be present in person and vote at such meeting) or may authorize another person or persons to vote for such stockholder by a proxy executed or transmitted in a manner permitted by applicable law. No such proxy shall be voted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation (the "Secretary") a revocation of the proxy or a new proxy bearing a later date.

1.9 Action at Meeting. When a quorum is present at any meeting, any matter other than the election of directors to be voted upon by the stockholders at such meeting shall be decided by the vote of a majority of the votes cast by the holders of all of the shares of stock present or represented at the meeting and voting affirmatively or negatively on such matter (or if there are two or more classes or series of stock entitled to vote as separate classes, then in the case of each such class or series, a majority of the votes cast by the holders of the shares of stock of that class or series present or represented at the meeting and voting affirmatively or negatively on such matter), except when a different or minimum vote is required by applicable law, regulation applicable to the Corporation or its securities, the rules or regulations of any stock exchange applicable to the Corporation, the Certificate of Incorporation or these Bylaws, in which case such different or minimum vote shall be the applicable vote on the matter.

Other than directors who may be elected by the holders of shares of any series of Preferred Stock, each director shall be elected by the vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present, provided that if, as of the tenth day preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders of the Corporation, the number of nominees exceeds the number of directors to be elected, then the directors shall be elected by the vote of a plurality of the votes cast. For purposes of the foregoing sentence of this Section 1.9, a majority of the votes cast shall mean that the number of votes cast "for" a director's election exceeds the number of votes cast "against" that director's election (with "abstentions" and "broker nonvotes" not counted as votes cast either "for" or "against" any director's election). Voting at meetings of stockholders need not be by written ballot.

1.10 Nomination of Directors.

(a) Except for (1) any directors entitled to be elected by the holders of Preferred Stock, (2) any directors elected in accordance with Section 2.8 hereof by the Board to fill a vacancy or newly created directorship, (3) any directors elected in accordance with the Investor Rights Agreement, expected to be entered into in connection with the Corporation's initial public offering, among the Corporation, Ares Corporate Opportunities Fund III, L.P., FS Equity Partners VI, L.P., FS Affiliates VI, L.P., and the other persons from time to time party thereto (as amended, modified or supplemented, the "Investor Rights Agreement"), or (4) as otherwise required by applicable law or stock exchange regulation, at any meeting of stockholders, only persons who are nominated in accordance with the procedures in this Section 1.10 shall be eligible for election as directors. Nomination for election to the Board at a meeting of stockholders may be made (i) pursuant to the Corporation's notice of meeting (or any supplement thereto), (ii) by or at the direction of the Board (or any committee thereof) or (iii) by any stockholder of the Corporation who (x) timely complies with the notice procedures in Section 1.10(b), even if such matter is already the subject of any notice to the stockholders, (y) is a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such meeting and (z) is entitled to vote at such meeting.

(b) To be timely, a stockholder's notice must be received in writing by the Secretary at the principal office of the Corporation as follows: (i) in the case of an election of directors at an annual meeting of stockholders, not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided that (x) in the case of the first annual meeting to be held after these Bylaws are adopted by the Board, or (y) if the date of the annual meeting in any other year is advanced by more than 30 days or delayed by more than 60 days from the first anniversary of the preceding year's annual meeting, a stockholder's notice must be so received no earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of (A) the 90th day prior to such annual meeting and (B) the tenth day following the day on which notice of the date of such annual meeting was mailed or public disclosure of the date of such annual meeting was made, whichever first occurs; or (ii) in the case of an election of directors at a special meeting of stockholders, provided that the Board, or the Chairperson of the Board has determined, in accordance with Section 1.3, that directors shall be elected at such special meeting and provided further that the nomination made by the stockholder is for one of the director positions that the Board, or the Chairperson of the Board, as the case may be, has determined will be filled at such special meeting, not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of (x) the 90th day prior to such special meeting and (y) the tenth day following the day on which notice of the date of such special meeting was mailed or public disclosure of the date of such special meeting was made, whichever first occurs. In no event shall the adjournment or postponement of a meeting (or the public disclosure thereof) commence a new time period (or extend any time period) for the giving of a stockholder's notice. Notwithstanding anything in clause (i) of this Section 1.10(b) to contrary, if the number of directors to be elected to the Board at an annual meeting is increased effective after the time period for which nominations would otherwise be due and there is no public announcement by the Corporation naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 1.10 shall also be considered timely, but only with respect to nominees for additional directorships, if it shall be delivered to the Secretary at the principal office of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is made by the Corporation.

The stockholder's notice to the Secretary shall set forth:

(A) as to each proposed nominee,

(1) such person's name, age, business address and, if known, residence address,

(2) such person's principal occupation or employment,

(3) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such person,

(4) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among (x) the stockholder, the beneficial owner, if any, on whose behalf the nomination is being made and the respective affiliates and associates of, or others acting in concert with, such stockholder and such beneficial owner, on the one hand, and (y) each proposed nominee, and his or her respective affiliates and associates, or others acting in concert with such nominee(s), on the other hand, including all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act") if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made or any affiliate or associate thereof or person acting in concert therewith were the "registrant" for purposes of such Item and the proposed nominee were a director or executive officer of such registrant, and

(5) any other information concerning such person that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and

(B) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is being made,

(1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner,

(2) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such stockholder and such beneficial owner,

(3) a description of any agreement, arrangement or understanding between or among such stockholder and/or such beneficial owner and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are being made or who may participate in the solicitation of proxies or votes in favor of electing such nominee(s),

(4) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such stockholder or such beneficial owner, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner with respect to shares of stock of the Corporation,

(5) any other information relating to such stockholder and such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder,

(6) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the person(s) named in its notice, and

(7) a representation whether such stockholder and/or such beneficial owner intends or is part of a group that intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock reasonably believed by such stockholder or such beneficial owner to be sufficient to elect the nominee (and such representation shall be included in any such proxy statement and form of proxy) and/or (y) otherwise to solicit proxies or votes from stockholders in support of such nomination (and such representation shall be included in any such solicitation materials).

Not later than ten days after the record date for determining stockholders entitled to notice of the meeting, the information required by Items (A)(1)-(5) and (B)(1)-(5) of the prior sentence shall be supplemented by the stockholder giving the notice to provide updated information as of such record date. In addition, to be effective, the stockholder's notice must be accompanied by the written consent of the proposed nominee to being named in the Corporation's proxy statement as a nominee and to serving as a director if elected. The Corporation may require any proposed nominee to furnish such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation or whether such nominee would be independent under applicable Securities and Exchange Commission and stock exchange rules and the Corporation's publicly disclosed corporate governance guidelines. A stockholder shall not have complied with this Section 1.10(b) if the stockholder (or beneficial owner, if any, on whose behalf the nomination is made) solicits or does not solicit, as the case may be, proxies or votes in support of such stockholder's nominee in contravention of the representations with respect thereto required by this Section 1.10.

(c) Except as otherwise provided by law, the chairperson of any meeting shall have the power and duty to determine whether a nomination was made in accordance with the provisions of this Section 1.10 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies or votes in support of such stockholder's nominee in compliance with the representations with respect thereto required by this Section 1.10), and if the chairperson should determine that a nomination was not made in accordance with the provisions of this Section 1.10, the chairperson shall so declare to the meeting and such nomination shall not be brought before the meeting.

(d) Except as otherwise required by law, nothing in this Section 1.10 shall obligate the Corporation or the Board to include in any proxy statement or other stockholder communication distributed on behalf of the Corporation or the Board information with respect to any nominee for director submitted by a stockholder.

(e) Notwithstanding the foregoing provisions of this Section 1.10, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the meeting to present a nomination, such nomination shall not be brought before the meeting, notwithstanding that proxies in respect of such nominee may have been received by the Corporation. For purposes of this Section 1.10, to be considered a "qualified representative of the stockholder," a person must be authorized by a written instrument executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such written instrument or electronic transmission, or a reliable reproduction of the written instrument or electronic transmission, at the meeting of stockholders.

(f) For purposes of this Section 1.10, "public disclosure" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the U.S. Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(g) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.10; provided that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations to be considered pursuant to this Section 1.10 (including paragraph (a)(iii) hereof), and compliance with paragraph (a)(iii) of this Section 1.10 shall be the exclusive means for a stockholder to make nominations. Nothing in this Section 1.10 shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

1.11 Notice of Business at Annual Meetings.

(a) At any annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (2) otherwise properly brought before the meeting by or at the direction of the Board (or any committee thereof), or (3) properly brought before the annual meeting by a stockholder who (x) timely complies with the notice procedures in Section 1.11(b), even if such matter is already the subject of any notice to the stockholders, (y) is a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such meeting and (z) is entitled to vote at such meeting. For business (other than the nomination of persons for election as a directors) to be properly brought before an annual meeting by a stockholder, such business must also constitute a proper matter under Delaware law for stockholder action.

(b) To be timely, a stockholder's notice must be received in writing by the Secretary at the principal office of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided that (x) in the case of the first annual meeting of stockholders of the Corporation to be held after these Bylaws are adopted by the Board or (y) if the date of the annual meeting in any other year is advanced by more than 30 days or delayed by more than 60 days from the first anniversary of the preceding year's annual meeting, a stockholder's notice must be so received no earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of (A) the 90th day prior to such annual meeting and (B) the tenth day following the day on which notice of the date of such annual meeting was mailed or public disclosure of the date of such annual meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an annual meeting (or the public disclosure thereof) commence a new time period (or extend any time period) for the giving of a stockholder's notice.

The stockholder's notice to the Secretary shall set forth:

(A) as to each matter the stockholder proposes to bring before the annual meeting,

(1) a brief description of the business desired to be brought before the annual meeting,

(2) the text of the proposal (including the exact text of any resolutions proposed for consideration and, if such business includes a proposal to amend the Bylaws, the exact text of the proposed amendment), and

(3) the reasons for conducting such business at the annual meeting, and

(B) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is being made,

(1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner,

(2) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such stockholder and such beneficial owner,

(3) a description of any material interest of such stockholder or such beneficial owner and the respective affiliates and associates of, or others acting in concert with, such stockholder or such beneficial owner in such business,

(4) a description of any agreement, arrangement or understanding between or among such stockholder and/or such beneficial owner and any other person or persons (including their names) in connection with the proposal of such business or who may participate in the solicitation of proxies or votes in favor of such proposal,

(5) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights,

hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such stockholder or such beneficial owner, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner with respect to shares of stock of the Corporation,

(6) any other information relating to such stockholder and such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the business proposed pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder,

(7) a representation that such stockholder is a record holder of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the annual meeting to bring such business before the meeting, and

(8) a representation whether such stockholder and/or such beneficial owner intends or is part of a group that intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal (and such representation shall be included in any such proxy statement and form of proxy) and/or (y) otherwise to solicit proxies or votes from stockholders in support of such proposal (and such representation shall be included in any such solicitation materials).

Not later than ten days after the record date for determining stockholders entitled to notice of the meeting, the information required by Items (A)(3) and (B)(1)-(6) of the prior sentence shall be supplemented by the stockholder giving the notice to provide updated information as of such record date.

Notwithstanding anything in these Bylaws to the contrary, no business (other than the election of directors) shall be conducted at any annual meeting of stockholders except in accordance with the procedures in this Section 1.11; provided that any stockholder proposal that complies with Rule 14a-8 of the proxy rules (or any successor provision) promulgated under the Exchange Act and is to be included in the Corporation's proxy statement for an annual meeting of stockholders shall be deemed to comply with the notice requirements of this Section 1.11. A stockholder shall not have complied with this Section 1.11(b) if the stockholder (or beneficial owner, if any, on whose behalf the proposal is made) solicits or does not solicit, as the case may be, proxies or votes in support of such stockholder's proposal in contravention of the representations with respect thereto required by this Section 1.11.

(c) The chairperson of any annual meeting shall have the power and duty to determine whether business was properly brought before the annual meeting in accordance with the provisions of this Section 1.11 (including whether the stockholder or beneficial owner, if any, on whose behalf the proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies or votes in support of such stockholder's proposal in compliance with the representation with respect thereto required by this Section 1.11), and if the chairperson should determine that business was not properly brought before the annual meeting in accordance with the provisions of this Section 1.11, the chairperson shall so declare to the meeting and such business shall not be brought before the annual meeting.

(d) Except as otherwise required by law, nothing in this Section 1.11 shall obligate the Corporation or the Board to include in any proxy statement or other stockholder communication distributed on behalf of the Corporation or the Board information with respect to any proposal submitted by a stockholder.

(e) Notwithstanding the foregoing provisions of this Section 1.11, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting to present business, such business shall not be considered, notwithstanding that proxies in respect of such business may have been received by the Corporation.

(f) For purposes of this Section 1.11, the terms "qualified representative of the stockholder" and "public disclosure" shall have the same meaning as in Section 1.10.

(g) Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.11; provided that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to proposals as to any business to be considered pursuant to this Section 1.11 (including paragraph (a)(3) hereof), and compliance with paragraph (a)(3) of this Section 1.11 shall be the exclusive means for a stockholder to submit business (other than, as provided in the penultimate sentence of (b), business other than nominations brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 1.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

1.12 Conduct of Meetings.

(a) Meetings of stockholders shall be presided over by the Chairperson of the Board, if any, or, in the Chairperson's absence, by the Vice Chairperson of the Board, if any, or, in the Vice Chairperson's absence, by the Chief Executive Officer, or, in the Chief Executive Officer's absence, by the President, or, in the President's absence, by a Vice President, or, in the absence of all of the foregoing persons, by a chairperson designated by the Board. The Secretary shall act as secretary of the meeting, but, in the Secretary's absence, the chairperson of the meeting may appoint any person to act as secretary of the meeting.

(b) The Board may adopt by resolution such rules, regulations and procedures for the conduct of any meeting of stockholders of the Corporation as it shall deem appropriate, including, without limitation, such guidelines and procedures as it may deem appropriate regarding the participation by means of remote communication of stockholders and proxyholders not physically present at a meeting. Except to the extent inconsistent with such rules, regulations and procedures as adopted by the Board, the chairperson of any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairperson, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairperson of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as shall be determined; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chairperson of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

(c) The chairperson of the meeting shall announce at the meeting when the polls for each matter to be voted upon at the meeting will be opened and closed. After the polls close, no ballots, proxies or votes or any revocations or changes thereto may be accepted.

(d) In advance of any meeting of stockholders, the Board, the Chairperson of the Board, the Chief Executive Officer or the President may, and shall if required by applicable law, appoint one or more inspectors of election to act at the meeting and make a written report thereof. One or more other persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is present, ready and willing to act at a meeting of stockholders, the chairperson of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspector shall have the duties prescribed by law and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by law. Every vote taken by ballots shall be counted by a duly appointed inspector or duly appointed inspectors.

ARTICLE II

DIRECTORS

2.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation.

2.2 Number, Election and Qualification. The total number of directors constituting the Board shall be as fixed by, or in the manner provided by, the Certificate of Incorporation. Election of directors need not be by written ballot. Directors need not be stockholders of the Corporation. Each director shall hold office until a successor is duly elected or qualified or until the director's earlier death, resignation, disqualification or removal.

2.3 Organization. The Board may appoint from its members a Chairperson of the Board and a Vice Chairperson of the Board, neither of whom need be an employee or officer of the Corporation. If the Board appoints a Chairperson of the Board, such Chairperson shall perform such duties and possess such powers as are assigned by the Board and, if the Chairperson of the Board is also designated as the Corporation's Chief Executive Officer, shall have the powers and duties of the Chief Executive Officer prescribed in Section 4.7 of these Bylaws. If the Board appoints a Vice Chairperson of the Board, such Vice Chairperson shall perform such duties and possess such powers as are assigned by the Board. Unless otherwise provided by the Board, the Chairperson of the Board or, in the Chairperson's absence, the Vice Chairperson of the Board, if any, shall preside at all meetings of the Board.

2.4 Quorum. The greater of (a) a majority of the directors at any time in office and (b) one-third of the number of directors fixed pursuant to the Certificate of Incorporation shall constitute a quorum of the Board. If at any meeting of the Board there shall be less than a quorum, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

2.5 Action at Meeting. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law, the Certificate of Incorporation or these Bylaws.

2.6 Removal. Subject to the rights of holders of any series of Preferred Stock, directors of the Corporation may be removed only as expressly provided in the

Certificate of Incorporation.

2.7 Resignation. Any director may resign at any time by delivering a resignation in writing or by electronic transmission to the Corporation at its principal office or to the Chairperson of the Board, the Chief Executive Officer, the President or the Secretary. Such resignation shall be effective upon delivery unless it is specified to be effective at some later time or upon the happening of some later event.

2.8 Vacancies. Subject to the rights of the holders of any series of Preferred Stock, any newly created directorship or any vacancy on the Board that results from the death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a vacancy not resulting from a newly created directorship shall hold office for the remaining term of his or her predecessor.

2.9 Regular Meetings. Regular meetings of the Board may be held without notice at such time and place as shall be determined from time to time by the Board; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board may be held without notice immediately after and at the same place as the annual meeting of stockholders.

2.10 Special Meetings. Special meetings of the Board may be held at any time and place designated in a call by the Chairperson of the Board, the Chief Executive Officer, the President or two or more directors.

2.11 Notice of Special Meetings. Notice of the date, place and time of any special meeting of the Board shall be given to each director by the Secretary or by the person or persons calling the meeting. Notice shall be duly given to each director (a) in person, by telephone or electronic mail transmission at least 24 hours in advance of the meeting, (b) by sending written notice by reputable overnight courier, telecopy or facsimile, or delivering written notice by hand, to such director's last known business, home or means of electronic transmission address at least 48 hours in advance of the meeting, (c) by sending written notice by first-class mail to such director's last known business or home address at least 72 hours in advance of the meeting or (d) on such shorter notice as the person or persons calling the meeting may deem necessary or appropriate in the circumstances. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting.

2.12 Meetings by Conference Communications Equipment. Directors may participate in meetings of the Board or any committee thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

2.13 Action by Consent. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting, if all members of the Board consent to the action in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.14 Compensation of Directors. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary entities in any other capacity and receiving compensation for such service. Members of special or standing committees may be allowed like compensation for service as committee members.

ARTICLE III

COMMITTEES

3.1 Committees. The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation with such lawfully delegable powers and duties as the Board thereby confers, to serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of an alternate member to replace the absent or disqualified member, the member or members of the committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent permitted by applicable law and provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize any seal of the Corporation to be affixed to all papers that may require it. Each such committee shall keep minutes and make such reports as the Board may from time to time request. Except as the Board may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board. Except as otherwise provided in the Certificate of Incorporation, these Bylaws or the resolution of the Board designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

3.2 Conduct of Meetings. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or in the resolution or resolutions of the Board designating such committee or as otherwise required by the DGCL. Except as otherwise provided by these Bylaws, in the absence of such rules each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these Bylaws. Any action required or permitted to be taken at any meeting of any committee may be taken without a meeting if all members of the committee consent to the action in writing or by electronic transmission, and the written consents or electronic transmissions are filed with the minutes of proceedings of the committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

ARTICLE IV

OFFICERS

4.1 Titles. The officers of the Corporation shall consist of a Chief Executive Officer, a Secretary, a Treasurer and such other officers with such other titles as the Board shall determine, including one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries, each of whom shall be appointed by the Board. The Board may appoint such other officers as it may deem appropriate. The Board may, but is not required to, appoint a President. All references to "President" in these Bylaws shall apply only in the event the Board has appointed (or, in the case of Section 4.2, desires to appoint) a President. Any number of offices may be held by the same person, unless otherwise prohibited by applicable law, the Certificate of Incorporation or these Bylaws.

4.2 Qualification. No officer need be a stockholder. Any two or more offices may be held by the same person.

4.3 Tenure. Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, each officer shall hold office until such officer's successor is duly elected and qualified, unless a different term is specified in the resolution electing or appointing such officer, or until such officer's earlier death, resignation, disqualification or removal.

4.4 Removal. Any officer appointed by the Board may be removed at any time by the Board.

4.5 Resignation. Any officer may resign by delivering a written resignation to the Corporation at its principal office or to the Board, the Chief Executive Officer, the President or the Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some later time or upon the happening of some later event.

4.6 Vacancies. The Board may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices. Each such successor shall hold office for the unexpired term of such officer's predecessor and until a successor is duly elected and qualified, or until such officer's earlier death, resignation, disqualification or removal.

4.7 President; Chief Executive Officer. Unless the Board has designated another person as the Corporation's Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall have general charge and supervision of the business of the Corporation subject to the direction of the Board, and shall perform all duties and have all powers that are commonly incident to the office of chief executive or that are delegated to such officer by the Board. The President shall perform such other duties and shall have such other powers as the Board or the Chief Executive Officer (if the President is not the Chief Executive Officer) may from time to time prescribe. In the event of the absence, inability or refusal to act of the Chief Executive Officer or the President (if the President is not the Chief Executive Officer), the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board) shall perform the duties of the Chief Executive Officer and when so performing such duties shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer.

4.8 Vice Presidents. Each Vice President shall perform such duties and possess such powers as the Board or the Chief Executive Officer may from time to time prescribe. The Board may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board.

4.9 Secretary and Assistant Secretaries. The Secretary shall perform such duties and shall have such powers as the Board or the Chief Executive Officer may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board, to attend all meetings of stockholders and the Board and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and any corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board, the Chief Executive Officer or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board) shall perform the duties and exercise the powers of the Secretary.

In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the chairperson of the meeting shall designate a temporary secretary to keep a record of the meeting.

4.10 Treasurer and Assistant Treasurers. The Treasurer shall perform such duties and shall have such powers as may from time to time be assigned by the Board or the Chief Executive Officer. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these Bylaws, to disburse such funds as ordered by the Board, to make proper accounts of such funds, and to render as required by the Board statements of all such transactions and of the financial condition of the Corporation.

The Assistant Treasurers shall perform such duties and possess such powers as the Board, the Chief Executive Officer or the Treasurer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Treasurer, the Assistant Treasurer (or if there shall be more than one, the Assistant Treasurers in the order determined by the Board) shall perform the duties and exercise the powers of the Treasurer.

4.11 Delegation of Authority. The Board may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

ARTICLE V

CAPITAL STOCK

5.1 Issuance of Stock. Subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any shares of the authorized capital stock of the Corporation held in the Corporation's treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board in such manner, for such lawful consideration and on such terms as the Board may determine.

5.2 Stock Certificates; Uncertificated Shares. The shares of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock of the Corporation represented by certificates shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board, representing the number of shares held by such holder registered in certificate form. Each such certificate shall be signed in a manner that complies with Section 158 of the DGCL.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of each certificate representing shares of such class or series of stock, provided that in lieu of the foregoing requirements there may be set forth on the face or back of each certificate representing shares of such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Section 151 or Sections 156, 202(a) or 218(a) of the DGCL or, with respect to Section 151 of the DGCL, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

5.3 Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

5.4 Transfers. Shares of stock of the Corporation shall be transferable in the manner prescribed by law, the Certificate of Incorporation and these Bylaws. Transfers of shares of stock of the Corporation shall be made only on the books of the Corporation or by transfer agents designated to transfer shares of stock of the Corporation. Subject to applicable law, shares of stock represented by certificates shall be transferred only on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require, and payment of all necessary transfer taxes. Uncertificated shares shall be transferred only on the books and records of the Corporation upon delivery of an assignment , power of attorney or instruction, properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require, and payment of all necessary transfer taxes. Except as may be otherwise required by law, the Certificate of Incorporation or these Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws and applicable law. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

5.5 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate or uncertificated shares in place of any previously issued certificate alleged to have been lost, stolen or destroyed, upon such terms and conditions as the Corporation may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity and posting of such bond as the Corporation may require for the protection of the Corporation or any transfer agent or registrar.

5.6 Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than 60 nor less than ten days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not be more than 60 days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

(c) Unless otherwise prohibited by the Certificate of Incorporation, in order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board. If no record date has been fixed by the Board, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of the stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board and prior action by the Board is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

5.7 Transfer Agents and Registrars. The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies at such place or places as may be determined from time to time by the Board.

5.8 Regulations. The issue and registration of shares of stock of the Corporation shall be governed by such other regulations as the Board may establish.

ARTICLE VI

GENERAL PROVISIONS

6.1 Fiscal Year. Except as from time to time otherwise designated by the Board, the fiscal year of the Corporation shall be the 52- or 53-week period ending on the Thursday on or preceding December 31.

6.2 Corporate Seal. Any corporate seal shall be in such form as shall be approved by the Board.

6.3 Dividends. The Board, subject to any restrictions contained in the DGCL or the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock, subject to the provisions of the Certificate of Incorporation.

6.4 Waiver of Notice. Whenever notice is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a written waiver signed by the person or persons entitled to notice, or a waiver by electronic transmission by the person or persons entitled to notice, whether before, at or after the time of the event for which notice is to be given, shall be deemed equivalent to notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in any such waiver. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

6.5 Voting of Securities. Except as the Board may otherwise designate, the Chief Executive Officer, the President or the Treasurer or any other officer authorized to do so by the Board may waive notice, vote, consent or appoint any person or persons to waive notice, vote or consent, on behalf of the Corporation, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this Corporation (with or without power of substitution) with respect to the securities of any other entity which may be held by this Corporation.

6.6 Reliance Upon Books, Reports and Records. Each director of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

6.7 Evidence of Authority. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

6.8 Certificate of Incorporation. All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and/or restated and in effect from time to time.

6.9 Investor Rights Agreement. To the extent there is a conflict between these Bylaws and the Investor Rights Agreement, such Investor Rights Agreement shall control.

6.10 Severability. Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

6.11 Pronouns. All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

ARTICLE VII

AMENDMENTS

These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted by the Board or by the stockholders as expressly provided in the Certificate of Incorporation.

ARTICLE VIII

INDEMNIFICATION AND ADVANCEMENT

8.1 Power to Indemnify in Actions, Suits or Proceedings Other Than Those by or in the Right of the Corporation. Subject to Section 8.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to, or is involved in (as a witness or otherwise), any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation, or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner that such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

8.2 Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 8.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to, or is involved in (as a witness or otherwise), any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that the Court of Chancery of the State of Delaware or such other court shall deem proper.

8.3 Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 8.1 or Section 8.2, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding set forth in Section 8.1 or Section 8.2 or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

8.4 Good Faith Defined. For purposes of any determination under Section 8.3, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on good faith reliance on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise, or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 8.4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 8.4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 8.1 or 8.2, as the case may be.

8.5 Right of Claimant to Bring Suit. If (i) notwithstanding any contrary determination in the specific case under Section 8.3, and notwithstanding the absence of any determination thereunder, a claim under Sections 8.1 or 8.2 of this Article VIII is not paid in full by the Corporation within 90 days after a written claim for indemnification has been received by the Corporation, or (ii) a claim for advancement of expenses under Section 8.6 is not paid in full by the Corporation within 30 days after a written claim for the advancement of expenses has been received by the Corporation, the claimant may at any time thereafter (but not before) bring suit against the Corporation in the Court of Chancery of the State of Delaware to recover the unpaid amount of the claim, together with interest thereon. Neither a contrary determination in the specific case under

Section 8.3 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification or advancement pursuant to this Section 8.5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such application to the fullest extent permitted by applicable law.

8.6 Expenses Payable in Advance. Expenses, including without limitation attorneys' fees, incurred by a current or former director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such current or former director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

8.7 Nonexclusivity of Indemnification and Advancement of Expenses. The rights to indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 8.1 and 8.2 shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 8.1 or 8.2 but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL or otherwise.

8.8 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

8.9 Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger that, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect of any employee benefit plan; references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

8.10 Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

8.11 Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings governed by Section 8.5 of this Article VIII, the Corporation shall not be obligated to indemnify any director, officer, employee or agent in connection with an action, suit, or proceeding (or part thereof) initiated by such person unless such action, suit or proceeding (or part thereof) was authorized by the Board.

8.12 Contract Rights. The obligations of the Corporation under this Article VIII to indemnify a person and advance expenses shall be considered a contract between the Corporation and such person, and no modification or repeal of any provision of this Article VIII shall affect, to the detriment of such person, such obligations of the Corporation in connection with a claim based on any act or failure to act occurring before such modification or repeal.

* * *

Adopted as of : April 24, 2017

Exhibit 5.1

Proskauer Rose LLP 2049 Century Park East, 32nd Floor Los Angeles, CA 90067-3206

April 24, 2017

Floor & Decor Holdings, Inc.
2233 Lake Park Drive
Smyrna, GA 30080

Ladies and Gentlemen:

We are acting as counsel to Floor & Decor Holdings, Inc., a Delaware corporation (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), of a registration statement on Form S-1 (No. 333-216000), as amended (the "Registration Statement"), relating to the sale by the Company of up to 10,147,025 shares (the 'Shares") of the Company's common stock, par value $0.001 per share.

As such counsel, we have participated in the preparation of the Registration Statement and have examined originals or copies of such documents, corporate records and other instruments as we have deemed relevant, including, without limitation: (i) the form of the restated certificate of incorporation of the Company in the form filed as Exhibit 3.1 to the Registration Statement; (ii) the form of the second amended and restated bylaws of the Company in the form filed as Exhibit 3.2 to the Registration Statement; (iii) the form of underwriting agreement filed as Exhibit 1.1 to the Registration Statement; (iv) the resolutions of the Board of Directors of the Company; and (v) the Registration Statement, together with the exhibits filed as a part thereof.

We have made such examination of law as we have deemed necessary to express the opinion contained herein. As to matters of fact relevant to this opinion, we have relied upon, and assumed without independent verification, the accuracy of certificates of public officials and officers of the Company. We have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as certified, facsimile or photostatic copies, and the authenticity of the originals of such copies. We have also assumed that certificates representing the Shares will have been properly signed by authorized officers of the Company or their agents.

Based upon the foregoing, and subject to the limitations, qualifications, exceptions and assumptions expressed herein, we are of the opinion, assuming no change in the applicable law or pertinent facts, that the Shares, when issued pursuant to, and as described in, the Registration Statement and the related prospectus (as amended and supplemented through the date of issuance) will be duly authorized, legally issued, fully paid and non-assessable.

This opinion is limited in all respects to the General Corporation Law of the State of Delaware, and we express no opinion as to the laws, statutes, rules or regulations of any other jurisdiction. The reference and limitation to the "General Corporation Law of the State of Delaware" includes all applicable Delaware statutory provisions of law and reported judicial decisions interpreting these laws.

We hereby consent to the filing of this opinion letter as Exhibit 5.1 to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the prospectus contained in the Registration Statement, and we further consent to the incorporation of this opinion by reference in any registration statement filed pursuant to Rule 462(b) under the Securities Act in connection with the offering covered by the Registration Statement. In giving the foregoing consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Very truly yours,

/s/ Proskauer Rose LLP

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 20, 2017 (except for Note 12, as to which the date is April 24, 2017), in Amendment No. 4 to the Registration Statement (Form S-1 No. 333-216000) and related Prospectus of Floor & Decor Holdings, Inc. (f/k/a FDO Holdings, Inc.) for the registration of its common stock.

/s/ Ernst & Young LLP
Atlanta, Georgia

April 24, 2017

QuickLinks

[Exhibit 23.2](#)

[Consent of Independent Registered Public Accounting Firm](#)