Lumber Liquidators Holdings, Inc.
Form 10-Q
April 29, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-33767

Lumber Liquidators Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-1310817**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3000 John Deere Road Toano, Virginia	**23168**
(Address of Principal Executive Offices)	**(Zip Code)**

(757) 259-4280
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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

x Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

As of April 27, 2015, there are 27,080,952 shares of the registrant's common stock, par value of $0.001 per share, outstanding.

LUMBER LIQUIDATORS HOLDINGS, INC.

Quarterly Report on Form 10-Q

For the quarter ended March 31, 2015

TABLE OF CONTENTS

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Lumber Liquidators Holdings, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share data)

	March 31, 2015 (unaudited)	**December 31, 2014**
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 43,889	$ 20,287
Merchandise Inventories	301,476	314,371
Prepaid Expenses	7,488	5,575
Other Current Assets	12,669	17,044
Total Current Assets	365,522	357,277
Property and Equipment, net	129,190	124,867
Goodwill	9,693	9,693
Other Assets	1,622	1,625
Total Assets	$ 506,027	$ 493,462
Liabilities and Stockholders’ Equity		
Current Liabilities:		
Accounts Payable	$ 63,574	$ 80,303
Customer Deposits and Store Credits	34,165	34,943
Accrued Compensation	4,028	3,693
Sales and Income Tax Liabilities	5,486	7,472
Other Current Liabilities	36,409	17,836
Total Current Liabilities	143,662	144,247
Deferred Rent	6,647	6,603
Deferred Tax Liability	10,508	10,558
Revolving Credit Facility	20,000	—
Total Liabilities	180,817	161,408

Stockholders’ Equity:		
Common Stock ($0.001 par value; 35,000,000 shares authorized; 27,080,952 and 27,069,307 shares outstanding, respectively)	30	30
Treasury Stock, at cost (2,822,927 and 2,816,780 shares, respectively)	(138,953)	(138,692)
Additional Capital	179,021	177,479
Retained Earnings	286,253	294,033
Accumulated Other Comprehensive Loss	(1,141)	(796)
Total Stockholders’ Equity	325,210	332,054
Total Liabilities and Stockholders’ Equity	$ 506,027	$ 493,462

See accompanying notes to condensed consolidated financial statements

Lumber Liquidators Holdings, Inc.

Condensed Consolidated Statements of Income (Loss)

(in thousands, except share data and per share amounts)

(unaudited)

	Three Months Ended March 31, 2015	2014
Net Sales	$259,961	$246,291
Cost of Sales	168,349	145,004
Gross Profit	91,612	101,287
Selling, General and Administrative Expenses	97,445	78,866
Operating (Loss) Income	(5,833)	22,421
Other (Income) Expense	251	94
(Loss) Income Before Income Taxes	(6,084)	22,327
Provision for Income Taxes	1,696	8,633
Net (Loss) Income	$(7,780)	$13,694
Net (Loss) Income per Common Share—Basic	$(0.29)	$0.50
Net (Loss) Income per Common Share—Diluted	$(0.29)	$0.49
Weighted Average Common Shares Outstanding:		
Basic	27,071,684	27,521,443
Diluted	27,071,684	27,832,110

See accompanying notes to condensed consolidated financial statements

Lumber Liquidators Holdings, Inc.

Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2015	**2014**
Net (Loss) Income	$ (7,780)	$ 13,694
Foreign Currency Translation Adjustments	(345)	151
Comprehensive (Loss) Income	$ (8,125)	$ 13,845

See accompanying notes to condensed consolidated financial statements

Lumber Liquidators Holdings, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash Flows from Operating Activities:		
Net (Loss) Income	$ (7,780)	$ 13,694
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,170	3,437
Stock-Based Compensation Expense	1,326	1,514
Changes in Operating Assets and Liabilities:		
Merchandise Inventories	12,662	4,897
Accounts Payable	(15,464)	(16,305)
Customer Deposits and Store Credits	(671)	11,170
Prepaid Expenses and Other Current Assets	2,454	(533)
Other Assets and Liabilities	16,460	4,421
Net Cash Provided by Operating Activities	13,157	22,295
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(8,980)	(14,384)
Net Cash Used in Investing Activities	(8,980)	(14,384)
Cash Flows from Financing Activities:		
Payments for Stock Repurchases	(261)	(17,664)
Proceeds from the Exercise of Stock Options	—	2,089
Excess Tax Benefit from Stock-Based Compensation	(78)	3,224
Borrowings on Revolving Credit Facility	39,000	—
Payments on Revolving Credit Facility	(19,000)	—
Net Cash Provided by (Used in) Financing Activities	19,661	(12,351)
Effect of Exchange Rates on Cash and Cash Equivalents	(236)	(129)
Net Increase (Decrease) in Cash and Cash Equivalents	23,602	(4,569)
Cash and Cash Equivalents, Beginning of Period	20,287	80,634
Cash and Cash Equivalents, End of Period	$ 43,889	$ 76,065

See accompanying notes to condensed consolidated financial statements

6

Lumber Liquidators Holdings, Inc.

Notes to Condensed Consolidated Financial Statements

(amounts in thousands, except share data and per share amounts)

(unaudited)

Note 1. Basis of Presentation

Lumber Liquidators Holdings, Inc. and its direct and indirect subsidiaries (collectively and, where applicable, individually, the "Company") engage in business as a multi-channel specialty retailer of hardwood flooring, and hardwood flooring enhancements and accessories, operating as a single business segment. The Company offers an extensive assortment of exotic and domestic hardwood species, engineered hardwood, laminate and vinyl plank flooring direct to the consumer. The Company also features the renewable flooring products, bamboo and cork, and provides a wide selection of flooring enhancements and accessories, including moldings, noise-reducing underlay, adhesives and flooring tools. These products are primarily sold under the Company's private label brands, including the premium Bellawood brand floors. The Company also provides in-home delivery and installation services to certain of its customers. The Company sells primarily to homeowners or to contractors on behalf of homeowners through a network of 347 store locations in primary or secondary metropolitan areas in 46 states and nine store locations in Canada at March 31, 2015. In addition to the store locations, the Company's products may be ordered, and customer questions/concerns addressed, through both its call center in Toano, Virginia, and its website, *www.lumberliquidators.com*. The Company finishes the majority of the Bellawood products on its finishing lines in Toano, Virginia, which along with the call center, corporate offices, and a distribution center, represent the "Corporate Headquarters."

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for interim financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission. While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results of the interim period, they do not include all of the information and footnotes required by United States ("U.S.") generally accepted accounting principles for complete financial statements. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's annual report filed on Form 10-K for the year ended December 31, 2014.

The consolidated financial statements of the Company include the accounts of its wholly owned subsidiaries and variable interest entity for which the Company is the primary beneficiary. All significant intercompany transactions have been eliminated in consolidation.

Results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year.

Note 2. Summary of Significant Accounting Policies

Fair Value of Financial Instruments

The carrying amounts of financial instruments such as cash and cash equivalents, accounts payable, other liabilities and borrowings under the revolving credit agreement approximate fair value because of the short-term nature of these items. Of these financial instruments, the cash equivalents are classified as Level 1 as defined in the Financial Accounting Standards Board ASC 820 fair value hierarchy.

Merchandise Inventories

The Company values merchandise inventories at the lower of cost or market value. In determining market value, the Company makes judgments and estimates as to the market value of its products, based on factors such as historical results and current sales trends. The Company maintains an inventory reserve for loss or obsolescence which was $4,937 at March 31, 2015 and $3,242 at December 31, 2014. Any reasonably likely changes that may occur in the future related to the assumptions used in the reserve may require the Company to record charges for losses or obsolescence against its assets in the future.

Recognition of Net Sales

The Company recognizes net sales for products purchased at the time the customer takes possession of the merchandise. Service revenue, primarily installation revenue and freight charges for in-home delivery, is included in net sales and recognized when the service has been rendered. The Company reports sales exclusive of sales taxes collected from customers and remitted to governmental taxing authorities, and net of an allowance for anticipated sales returns based on historical and current sales trends and experience. The sales returns allowance and related changes were not significant for the three month periods ended March 31, 2015 and 2014.

Cost of Sales

Cost of sales includes the cost of the product sold, cost of installation services, transportation costs from vendor to the Company's distribution centers or store locations, any applicable finishing costs related to production of the Company's proprietary brands, transportation costs from distribution centers to store locations, transportation costs for the delivery of products from store locations to customers, certain costs of quality control procedures, warranty and customer satisfaction costs, inventory adjustments including shrinkage, and costs to produce samples, reduced by vendor allowances. In the first quarter of 2015, cost of sales included approximately $1,800 incurred for the air quality testing program provided to the Company's customers.

The Company offers a range of limited warranties from the durability of the finish on its prefinished products to its services provided. Warranty reserves are based primarily on claims experience, sales history and other considerations, including payments made to satisfy customers for claims not directly related to the warranty on the Company's products. Warranty costs are recorded in cost of sales. The reserve was estimated using information through the date of the financial statements. This reserve, included in other current liabilities, was $2,377 at March 31, 2015 and $1,568 at December 31, 2014. Should the Company's actual experience related to results of its indoor air quality testing program and subsequent follow-up with customers differ from these estimates, additional reserves for customer satisfaction costs may be recorded in the future.

Note 3. Stockholders' Equity

Net (Loss) Income per Common Share

The following table sets forth the computation of basic and diluted net income (loss) per common share:

	Three Months Ended March 31,		
	2015		**2014**
Net (Loss) Income	$ (7,780	)	$ 13,694
Weighted Average Common Shares Outstanding—Basic	27,071,684		27,521,443
Effect of Dilutive Securities:			
Common Stock Equivalents	—		310,667
Weighted Average Common Shares Outstanding—Diluted	27,071,684		27,832,110
Net (Loss) Income per Common Share—Basic	$ (0.29	)	$ 0.50
Net (Loss) Income per Common Share—Diluted	$ (0.29	)	$ 0.49

The following have been excluded from the computation of Weighted Average Common Shares Outstanding—Diluted because the effect would be anti-dilutive:

	Three Months Ended March 31,	
	2015	2014
Stock Options	692,430	35,366
Restricted Shares	102,966	6,534

Stock Repurchase Program

The Company's board of directors has authorized the repurchase of up to $150,000 of the Company's common stock. At March 31, 2015, the Company had $14,728 remaining under this authorization. During the three months ended March 31, 2015, the Company did not repurchase any shares of its common stock under this program. During the three months ended March 31, 2014, the Company repurchased 168,000 shares of its common stock at an average price of $99.39 per share for an aggregate cost of $16,698.

Note 4. Related Party Transactions

As of March 31, 2015, the Company leased 30 of its locations and the Corporate Headquarters, which includes a store location, representing 8.7% of the total number of store leases in operation, from entities controlled by the Company's founder and current chairman of the board ("Controlled Companies"). As of March 31, 2014, the Company leased 28 of its locations and the Corporate Headquarters, representing 8.8% of the total number of store leases in operation at that time, from Controlled Companies. Rental expense related to Controlled Companies was as follows:

	Three Months Ended March 31,	
	2015	2014
Rental expense related to Controlled Companies	$ 754	$ 760

Note 5. Income Taxes

The year-over-year difference in the Company's effective tax rate resulted primarily from an increase in the first quarter of 2015 in the Company's liability for uncertain tax positions, excluding interest and penalties, related to uncertainty around the deductibility of a legal accrual. Additionally, the effective tax rate in the first quarter of 2015 was impacted by lower projected pretax income for 2015 as compared to 2014 actuals.

Note 6. Revolving Credit Agreement

On April 24, 2015, the Company, exclusive of the non-domestic subsidiaries, entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") with Bank of America, N.A. as administrative agent, collateral agent and lender (the "Bank"). The Credit Agreement amended and restated the Amended and Restated Credit Agreement (the "Revolver") that was entered into between Lumber Liquidators, Inc. and the Bank on February 21, 2012 and amended on March 27, 2015. Under the Credit Agreement, the Bank agreed to provide the Company with an asset-based revolving credit facility (the "Revolving Credit Facility") under which the Company may obtain loans and letters of credit from the Bank up to a maximum aggregate outstanding principal amount of the lesser of $100,000 or a calculated borrowing base. Using March 31, 2015 balances, the calculated borrowing base would have been $115,598, calculated as 50% of the cost of eligible inventory, as defined in the Credit Agreement, plus 90% of credit card transactions which have not settled, less certain reserves. Letters of credit are subject to a sublimit of $20,000 (subject to the borrowing base). The Company has the option to increase the Revolving Credit Facility up to a maximum of $175,000 subject to the satisfaction of the conditions to such increase specified in the Credit Agreement.

At March 31, 2015, the Company had $27,300 available to borrow under the Revolver, which was net of $2,700 in outstanding letters of credit and $20,000 in outstanding borrowings. At April 24, 2015, the Company had $79,129 available to borrow under the Revolving Credit Facility, which was net of $871 in outstanding letters of credit and $20,000 in outstanding borrowings.

The Credit Agreement expires on April 24, 2020, is guaranteed by the Company and certain of its domestic subsidiaries and secured primarily by the Company’s inventory. The Revolving Credit Facility has no mandated payment provisions and a fee of 0.15% per annum on any unused portion, paid quarterly in arrears. Loans outstanding under the Revolving Credit Facility can bear interest based on the Base Rate or the LIBOR Rate, each as defined in the Credit Agreement. Interest on Base Rate loans is charged at varying per annum rates computed by applying a margin ranging from 0.125% to 0.375% (dependent on the Company’s average daily excess borrowing availability during the most recently completed fiscal quarter) over the applicable base interest rate (defined as the greatest of the prime rate, a specified federal funds rate plus 0.50%, or the one-month LIBOR Rate plus 1.00%). Interest on LIBOR Rate loans and fees for standby letters of credit are charged at varying per annum rates computed by applying a margin ranging from 1.125% to 1.375% (dependent on the Company’s average daily excess borrowing availability during the most recently completed fiscal quarter) over the applicable LIBOR rate for one, two, three or six month interest periods as selected by the Company.

The Credit Agreement contains a fixed charge coverage ratio covenant that becomes effective in the event that the Company’s excess borrowing availability under the Revolving Credit Facility at any time during the term of the Revolving Credit Facility falls below the greater of $10,000 or 10% of the borrowing base.

Note 7. Commitments and Contingencies

Government Investigation

On September 26, 2013, sealed search warrants were executed at the Company’s corporate offices in Toano and Richmond, Virginia by the Department of Homeland Security’s Immigration and Customs Enforcement and the U.S. Fish and Wildlife Service. The search warrants requested information, primarily documentation, related to the importation of certain of the Company’s wood flooring products in accordance with the Lacey Act. Since then, the Company has been cooperating with the federal authorities, including the Department of Justice (“DOJ”), in their investigation. In recent communications, the DOJ indicated that it is seeking criminal charges under the Lacey Act.

In March 2015, a Special Committee of the Board of Directors (the “Special Committee”) was formed of independent directors to make decisions surrounding this matter, among others. The Company, through the Special Committee, expects to continue to communicate with the DOJ regarding its intentions and possible courses of action in this matter.

Based on the information available, including communications with the DOJ, the Company’s best estimate of the probable loss that may result from this action is approximately $10,000, which the Company recorded in other current liabilities and selling, general and administrative expenses in the first quarter of 2015. The Company believes that there is at least a reasonable possibility that a loss greater than or less than the amount accrued may be incurred, but the Company is unable to estimate the amount at this time.

Securities Litigation Matter

On or about November 26, 2013, Gregg Kiken ("Kiken") filed a securities class action lawsuit (the "Kiken Lawsuit"), which was subsequently amended, in the United States District Court for the Eastern District of Virginia against the Company, its founder, Chief Executive Officer and President, Chief Financial Officer and Chief Merchandising Officer (collectively, the "Kiken Defendants"). On or about September 17, 2014, the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust ("Hallandale") filed a securities class action lawsuit (the "Hallandale Lawsuit") in the United States District Court for the Eastern District of Virginia against the Company, its Chief Executive Officer and President and its Chief Financial Officer (collectively, the "Hallandale Defendants," and with the Kiken Defendants, the "Defendants"). On March 23, 2015, the court consolidated the Kiken Lawsuit with the Hallandale Lawsuit, appointed lead plaintiffs and lead counsel for the consolidated action, and captioned the consolidated action as *In re Lumber Liquidators Holdings, Inc. Securities Litigation*. The lead plaintiffs filed a consolidated amended complaint on April 22, 2015. The consolidated amended complaint alleges that the Defendants made material false and/or misleading statements that caused losses to investors. In particular, the lead plaintiffs allege that that the Defendants made material misstatements or omissions related to the Company's compliance with the federal Lacey Act, the chemical content of certain of its wood products, and the Company's supply chain and inventory position. The lead plaintiffs do not quantify any alleged damages in their consolidated amended complaint but, in addition to attorneys' fees and costs, they seek to recover damages on behalf of themselves and other persons who purchased or otherwise acquired the Company's stock during the putative class period at allegedly inflated prices and purportedly suffered financial harm as a result. The Company disputes these claims and intends to defend the matter vigorously. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, class certification and success on the merits, the Company cannot estimate the reasonably possible loss or range of loss that may result from this action.

TCPA Matter

On or about March 4, 2014, Richard Wade Architects, P.C. (“RWA”) filed a lawsuit in the United States District Court for the Northern District of Illinois (the “RWA Lawsuit”), which was subsequently amended, alleging that the Company violated the Telephone Consumer Protection Act (“TCPA”), the Illinois Consumer Fraud Act and the common law by sending an unsolicited facsimile advertisement to RWA. RWA seeks recourse on its own behalf as well as other similarly situated parties that received unsolicited facsimile advertisements from the Company. The TCPA provides for recovery of actual damages or five hundred dollars for each violation, whichever is greater. If it is determined that a defendant acted willfully or knowingly in violating the TCPA, the amount of the award may be increased by up to three times the amount provided above. Although the Company believes it has valid defenses to the claims asserted, the Company has agreed to a proposed settlement of the claims in the RWA Lawsuit, which the court has preliminary approved. Under the proposed settlement agreement, the Company would pay the plaintiffs’ attorneys’ fees, a sum to RWA and a cash sum to members of the putative class. Based upon the terms of the proposed settlement, the Company’s best estimate of the probable loss that may result from this action is approximately $300, which the Company accrued in 2014. In the event the court does not grant final approval of the proposed settlement, the Company intends to continue to defend this case vigorously but given the current status of the case, legal standards and pending motions, it would not be possible at this time for the Company to estimate the reasonably possible loss or range of loss that may result from this action.

Prop 65 Matter

On or about July 23, 2014, Global Community Monitor and Sunshine Park LLC (together, the “Prop 65 Plaintiffs”) filed a lawsuit, which was subsequently amended, in the Superior Court of the State of California, County of Alameda, against the Company. In the complaint, the Prop 65 Plaintiffs allege that the Company violated California’s Safe Drinking Water and Toxic Enforcement Act of 1986, Health and Safety Code section 25249.5, et seq. (“Proposition 65”). In particular, the Prop 65 Plaintiffs allege that the Company failed to warn consumers in California that certain of the Company’s products (collectively, the “Products”) emit formaldehyde in excess of the applicable safe harbor limits. The Prop 65 Plaintiffs did not quantify any alleged damages in their complaint but, in addition to attorneys’ fees and costs, the Prop 65 Plaintiffs seek (i) equitable relief involving the reformulation of the Products, additional warnings related to the Products, the issuance of notices to certain of the purchasers of the Products (the “Customers”) and the waiver of restocking fees for Customers who return the Products and (ii) civil penalties in the amount of two thousand five hundred dollars per day for each violation of Proposition 65. The Company disputes the claims of the Prop 65 Plaintiffs and intends to defend the matter vigorously. Further, the Company filed a counterclaim against the Prop 65 Plaintiffs for trade libel, unfair business practices, intentional interference with a prospective business advantage, negligent interference with economic relations, and declaratory relief. The Prop 65 Plaintiffs filed a motion to dismiss the Company’s counterclaim, which was granted by the court on April 15, 2015. Among other things, the order calls for the Company to pay the Prop 65 Plaintiffs’ fees and costs incurred in filing and arguing their motion to dismiss. The Company currently intends to appeal the court’s ruling. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, the Company cannot estimate the reasonably possible loss or range of loss that may result from this action.

Gold Matter

On or about December 8, 2014, Dana Gold (“Gold”) filed a purported class action lawsuit in the United States District Court for the Northern District of California alleging that the Morning Star bamboo flooring (the “Bamboo Product”) that the Company sells is defective. On February 13, 2015, Gold filed an amended complaint, which added three additional plaintiffs (collectively with Gold, “Gold Plaintiffs”). Gold Plaintiffs allege that the Company has engaged in unfair business practices and unfair competition by falsely representing the quality and characteristics of the Bamboo Product and by concealing the Bamboo Product’s defective nature. Gold Plaintiffs seek the certification of two separate classes: (i) individuals in the United States who own homes or other structures where the Bamboo Product has been installed or where Bamboo Product has been removed and replaced; and (ii) the same description but for owners of California homes or structures only. Gold Plaintiffs did not quantify any alleged damages in their complaint but, in addition to attorneys’ fees and costs, Gold Plaintiffs seek (i) a declaration that the Company is financially responsible for notifying all purported class members, (ii) injunctive relief requiring the Company to replace and/or repair all of the Bamboo Product installed in structures owned by the purported class members, and (iii) a declaration that the Company must disgorge, for the benefit of the purported classes, all or part of its profits received from the sale of the defective Bamboo Product and/or to make full restitution to Gold Plaintiffs and the purported class me