

TOWN SPORTS INTERNATIONAL HOLDINGS INC

Form S-1/A

April 06, 2006

Table of Contents

**As filed with the Securities and Exchange Commission on April 6, 2006**

**Registration No. 333-126428**

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

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

**Town Sports International Holdings, Inc.**  
(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**7997**

(Primary standard industrial  
classification code number)

**20-0640002**

(I.R.S. employer  
identification number)

**888 Seventh Avenue (25th Floor)  
New York, New York 10106  
(212) 246-6700**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal  
Executive Offices)

**Robert J. Giardina  
Chief Executive Officer  
Town Sports International Holdings, Inc.  
888 Seventh Avenue (25th Floor)  
New York, New York 10106  
(212) 246-6700**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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**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, 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.  \_\_\_\_\_

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to Be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, par value \$0.001 per share	\$195,500,000	\$22,764.25

(1) Estimated solely for purpose of calculating the registration fee for this offering in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price. \$20,303.25 has been paid previously.

**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.**

**Table of Contents**

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 these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED APRIL 6, 2006**

**Shares  
Common Stock**

We are selling \_\_\_\_\_ shares of common stock and the selling stockholders are selling \_\_\_\_\_ shares of common stock. Prior to this offering, there has been no public market for our common stock. The initial public offering price of the common stock is expected to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. We have applied to list our common stock on The NASDAQ National Market under the symbol CLUB.

The underwriters have an option to purchase a maximum of \_\_\_\_\_ additional shares from the selling stockholders to cover over-allotments of shares.

We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

**Investing in our common stock involves risks. See Risk Factors on page 10.**

	<b>Price to Public</b>	<b>Underwriting Discounts and Commissions</b>	<b>Proceeds to Town Sports (before expenses)</b>	<b>Proceeds to Selling Stockholders (before expenses)</b>
Per share	\$	\$	\$	\$
Total	\$	\$	\$	\$

Delivery of the shares of common stock will be made on or about \_\_\_\_\_, 2006.

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.

**Credit Suisse**

**Deutsche Bank Securities**

**Goldman, Sachs & Co.**

The date of this prospectus is \_\_\_\_\_, 2006

**Table of Contents**

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**Table of Contents**

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**Table of Contents**

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**TABLE OF CONTENTS**

	<b>Page</b>
<u>Prospectus Summary</u>	1
<u>The Offering</u>	6
<u>Summary Consolidated Financial and Other Data</u>	7
<u>Risk Factors</u>	10
<u>Forward-Looking Statements</u>	19
<u>Industry and Market Data</u>	19
<u>Use of Proceeds</u>	20
<u>Dividend Policy</u>	21
<u>Capitalization</u>	22
<u>Dilution</u>	23
<u>Selected Consolidated Financial and Other Data</u>	24
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Business</u>	45
<u>Management</u>	62
<u>Related Party Transactions</u>	68
<u>Principal and Selling Stockholders</u>	71
<u>Description of Capital Stock</u>	73
<u>Shares Eligible for Future Sale</u>	75
<u>Material United States Federal Income and Estate Tax Consequences to Non-U.S. Holders</u>	77
<u>Underwriting</u>	80
<u>Legal Matters</u>	84
<u>Experts</u>	84
<u>Where You Can Find Additional Information</u>	84
<u>Index to Consolidated Financial Statements</u>	F-1
<u>EX-23.1: CONSENT OF PRICEWATERHOUSECOOPERS LLP</u>	
<u>EX-23.2: CONSENT OF SQUIRE, LEMKIN &amp; O'BRIEN LLP</u>	

**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

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**Table of Contents**

**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 common stock. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed in the Risk Factors section of this prospectus and our consolidated financial statements and the related notes appearing at the end of this prospectus, before making an investment decision.*

**Our Company**

We are one of the two leading owners and operators of fitness clubs in the Northeast and Mid-Atlantic regions of the United States and the third largest fitness club operator in the United States, in each case as measured by number of clubs. As of December 31, 2005, we owned and operated 139 fitness clubs and partly owned and operated two fitness clubs. These 141 clubs collectively served approximately 409,000 members. We have developed and refined our fitness club model through our clustering strategy, offering fitness clubs close to our members work and home. Our club model targets the upper value market segment, comprising individuals aged between 21 and 50 with income levels between \$50,000 and \$150,000 per year. We believe that the upper value segment is not only the broadest segment of the market, but also the segment with the greatest growth opportunities.

Our revenues, operating income, net income and EBITDA for the year ended December 31, 2005 were \$388.6 million, \$40.3 million, \$1.8 million and \$81.6 million, respectively. Our revenues, operating income, net loss and EBITDA for the year ended December 31, 2004 were \$353.0 million, \$34.3 million, (\$3.9) million and \$72.7 million, respectively.

Our goal is to be the most recognized health club network in each of the four major metropolitan regions we serve. We believe that our strategy of clustering clubs provides significant benefits to our members and allows us to achieve strategic operating advantages. In each of our markets, we have developed clusters by initially opening or acquiring clubs located in the more central urban markets of the region and then branching out from these urban centers to suburbs and neighboring communities. Capitalizing on this clustering of clubs, as of December 31, 2005, approximately 45% of our members participated in our Passport Membership plan that allows unlimited access to all of our clubs in our clusters for a higher monthly membership fee.

We have executed our clustering strategy successfully in the New York region through the network of fitness clubs we operate under our New York Sports Clubs brand name. We are the largest fitness club operator in Manhattan with 37 locations (more than twice as many as our nearest competitor) and operate a total of 95 clubs under the New York Sports Clubs brand name within a 50 mile radius of New York City. We operate 18 clubs in the Boston region under our Boston Sports Clubs brand name, 19 clubs in the Washington, D.C. region under our Washington Sports Clubs brand name and we are establishing a similar cluster in the Philadelphia region with six clubs under our Philadelphia Sports Clubs brand name. In addition, we operate three clubs in Switzerland. We employ localized brand names for our clubs to create an image and atmosphere consistent with the local community and to foster recognition as a local network of quality fitness clubs rather than a national chain.

Over our 32-year history, we have developed and refined a club format that allows us to cost-effectively construct and efficiently operate our fitness clubs. Our model is flexible enough to adapt to the difficult real estate environments in our markets. It is designed to accommodate all relevant club sizes between 15,000 and 55,000 square feet necessary to operate our key club formats ranging from fitness-only to various multi-recreational formats. The average size of our clubs is approximately 24,000 square feet. Clubs typically have an open fitness area to accommodate cardiovascular and strength-training exercises, as well as special purpose rooms for group fitness class instruction and other exercise programs, as well as massage. Locker rooms generally include saunas and steam rooms, as well as daily and rental lockers. We seek to provide a broad array of high-quality exercise programs and equipment that are popular and effective, promoting the quality exercise experience that we strive to make available to our members. When developing clubs, we carefully examine the potential membership base and the likely demand for

**Table of Contents**

supplemental offerings such as swimming, basketball, children's programs, tennis or squash and, provided suitable real estate is available, we will add one or more of these offerings to our fitness-only model. For example, a suburban club in a family market may include Sports Clubs for Kids programs, which can include swim lessons and sports camps.

**Industry Overview**

Total U.S. fitness club industry revenues increased at a compound annual growth rate, or CAGR, of 7.7% from \$6.5 billion in 1993 to \$14.8 billion in 2004, according to the International Health, Racquet and Sportsclub Association, or IHRSA. Total U.S. fitness club memberships increased at a compound annual growth rate of 5.5% from 22.9 million in 1993 to 41.3 million in 2004, according to IHRSA.

**U.S. Fitness Club Industry Revenues**

**(\$ in billions)**

IHRSA Profiles of Success 2004; IHRSA Global Report 2005.

**U.S. Fitness Club Memberships**

**(in millions)**

IHRSA/ American Sports Data Health Club Trend Report.

Demographic trends have helped drive the growth experienced by the fitness industry over the past decade. The industry has benefited from the aging of the "baby boomer" generation and the coming of age of their offspring, the "echo boomers" (ages eight to 26). Government-sponsored reports, such as the Surgeon General's Report on Physical Activity & Health (1996) and the Call to Action to Prevent and Decrease Overweight and Obesity (2001), have helped to increase the general awareness of the benefits of exercise to these demographic segments over those of prior generations. Membership penetration (defined as club members as a percentage of the total U.S. population over the age of six) has increased significantly from 7.4% in 1990 to 14.0% in 2003, according to the IHRSA/ American Sports Data Health Club Trend Report.

Notwithstanding these longstanding growth trends, the fitness club industry continues to be highly fragmented. Less than 10.0% of clubs in the United States are owned and operated by companies that own more than 25 clubs, and the two largest fitness club operators each generate less than 8.0% of total United States fitness club revenues, according to management estimates.

As a large operator with recognized brand names, leading regional market shares and an established operating history, we believe we are well positioned to benefit from these favorable industry dynamics.

**Table of Contents**

**Competitive Strengths**

We believe the following competitive strengths are instrumental to our success:

*Strong market position with leading brands.* We are the third largest fitness club operator in the United States, as measured by number of clubs. We are also one of the two leading owners and operators of fitness clubs in the Northeast and Mid-Atlantic regions of the United States. We are the largest fitness club owner and operator in the New York and Boston regions, and we believe we are the second largest owner and operator in the Washington, D.C. region and the third largest in the Philadelphia region. We attribute our leadership positions in these markets in part to the strength of our localized brand names, which foster recognition as a local network of quality fitness clubs.

*Regional clustering strategy providing significant benefits to members.* By operating a network of clubs in a concentrated geographic area, the value of our memberships is enhanced by our ability to offer members access to any of our clubs through our Passport Membership, which provides the convenience of having fitness clubs near a member's work and home. Approximately 45% of our members have a Passport Membership plan, and because these memberships offer enhanced privileges and greater convenience, they generate higher monthly dues than single club memberships. Regional clustering also allows us to provide special facilities within a local area, such as swimming pools and squash, tennis and basketball courts, without offering them at every location. In addition, our regional clustering strategy is attractive to corporations seeking group memberships.

*Regional clustering strategy designed to maximize revenues and achieve economies of scale.* We believe our regional clustering strategy allows us to maximize revenue and earnings growth by providing high-quality, conveniently located fitness facilities on a cost-effective basis while making it more difficult for potential new entrants to come into our markets. Regional clustering has allowed us to create an extensive network of clubs in our core markets, in addition to a widely recognized brand with strong local identity. We believe that potential new entrants would need to establish or acquire a large number of clubs in a market to effectively compete with us. We believe that this would be difficult given the relative scarcity of suitable sites in our markets. Our clustering strategy also enables us to achieve economies of scale with regard to sales, marketing, purchasing, general operations and corporate administrative expenses, and to reduce our capital spending needs.

*Expertise in site selection and development process.* We believe that our expertise in site selection and development provides a significant advantage over our competitors given the real estate markets in the cities in which we operate and the relative scarcity of suitable sites. Before opening or acquiring a new club, we undertake a rigorous process involving demographic and competitive analysis, financial modeling, site selection and negotiation of lease and acquisition terms to ensure that a location meets our criteria for a model club. We believe our flexible club formats are well suited to the challenging real estate environments in our markets.

*Proven and predictable club-level economic model.* We have established a track record of consistent growth in revenue and profitability across our club base. We opened or acquired 78 clubs between January 1, 1997 and December 31, 2000. Of these, our wholly owned clubs that have been in operation from January 1, 2001 through December 31, 2005 generated revenues and operating income (after corporate expenses allocated on a revenue basis) of \$195.4 million and \$25.3 million, respectively, during the year ended December 31, 2005, as compared to \$168.2 million and \$8.2 million, respectively, during the year ended December 31, 2001. We believe that the track record of our mature clubs provides a reasonable basis for expected improved performance in our recently opened clubs and continued investment in new clubs. In addition, for the year ended December 31, 2005, revenues from clubs that have been open for more than 24 months grew at 5.8%. Further, we have demonstrated our ability to deliver similar club-level returns in varying club formats and sizes.

*Experienced management team.* We believe that our management team is one of the most experienced management teams in the industry. Our three most senior executives have over 60 years of combined experience in the fitness club industry and have been working together at Town Sports since

## **Table of Contents**

1990. We believe that our management has the depth, experience and motivation to manage our growth. In the aggregate, our entire management team owns approximately 18.8% of our common stock before this offering, and will own % of our common stock after this offering ( % if the underwriters exercise their over-allotment option in full), in each case on a fully diluted basis.

### **Business Strategy**

We intend to continue to grow our revenues, earnings and cash flows using the following strategies:

*Drive comparable club revenue and profitability growth.* For the year ended December 31, 2005, comparable club revenue growth was 6.9%. We define comparable club revenues as revenues at those clubs that were operated by us for over 12 months and comparable club revenue growth as revenues for the thirteenth month and thereafter as compared to the same period at the prior year. Our comparable club revenues increased as a result of our strategic initiatives, including our commit membership plan and focus on growing ancillary revenues. The commit membership model that we implemented in 2003 encourages new members to commit to a one- or two-year membership at a discount to our month-to-month plan. Since the implementation of the new membership model, attrition rates have declined dramatically and comparable club revenues have increased. We intend to capitalize on this momentum to drive revenue and profitability growth by increasing our membership base as well as the amount of revenue that we generate from each member. Our margins will also continue to improve as the positive comparable club revenue growth allows us to leverage our fixed-cost base.

*Increase number of clubs by expanding within regional clusters.* We intend to strengthen our market position and to increase revenues and earnings in our existing markets through the opening of new clubs and the acquisition of existing clubs. Our expertise in the site selection and development process combined with our proven and predictable club-level economic model enables us to generate significant returns from the opening of new clubs. We have currently identified over 100 urban and suburban locations in our existing markets that we believe possess the criteria for a model club. In addition, we have identified further growth opportunities in secondary markets located near our existing markets.

*Grow ancillary and other non-membership revenues.* We intend to grow our ancillary and other non-membership revenues through a continued focus on increasing the additional value-added services that we provide to our members as well as capitalizing on the opportunities for other non-membership revenues such as in-club advertising and retail sales. Non-membership revenues have increased from \$42.0 million, or 15.0% of revenues for the year ended December 31, 2001, to \$66.8 million, or 17.2% of revenues for the year ended December 31, 2005. We intend to continue to expand the current range of value-added services and programs that we offer to our members, such as personal training, massage, Sports Clubs for Kids and Group Exclusives. These sources of ancillary and other non-membership revenues generate incremental profits with minimal capital investment and assist in attracting and retaining members.

*Realize benefits from maturation of recently opened clubs.* From January 1, 2003 to December 31, 2005, we opened or acquired 18 clubs. We believe that our recent financial performance does not fully reflect the benefit of these clubs. Based on our experience, a new club tends to achieve significant increases in revenues during its first three years of operation as the number of members grows. Because there is relatively little incremental cost associated with such increasing revenues, there is a greater proportionate increase in profitability. We believe that the revenues and profitability of these 18 clubs will significantly improve as the clubs reach maturity.

*Execute new business initiatives.* We continually undertake initiatives to improve our business. For example, we have undertaken a significant study of various pricing and membership structure initiatives across our portfolio of clubs to seek to influence attrition and average length of membership. We have also improved the process surrounding the opening of newly constructed clubs to yield higher membership revenue in the first month of operation. In addition, we undertook a statistical multi-variable testing study and found a number of initiatives that could be undertaken to improve our business. Of those, we tested 25 and have implemented seven initiatives in a combination that we believe will increase our membership and ancillary revenues and reduce attrition. Separately, we have a corporate sales division that targets or



**Table of Contents**

focuses on companies with more than 100 workers. In addition, we established an on-line corporate sales program to support the division in the first quarter of 2005. We believe these changes will lead to an increase in new corporate memberships in the future. Currently, 18.6% of our members have corporate memberships.

**Company History**

We were founded in 1973. Since our three most senior executives began working together for us in 1990, through the end of 2005:

we grew our number of clubs from nine to 141;

we grew our revenues at a compound annual growth rate of 25.8%, from \$10.8 million to \$388.6 million;

we improved our annual operating income from \$0.1 million to \$40.3 million;

we moved from an annual net loss of \$0.6 million to net income of \$1.8 million; and

we grew our EBITDA at a compound annual growth rate of 34.3%, from \$0.8 million to \$81.6 million.

In the mid-1990s, we began a period of rapid growth by acquiring individual clubs and two-to-six club chains in suburban regions. After the terrorist attacks of September 11, 2001, we shifted our focus from growth to improving operations at our existing clubs and understanding the changing market dynamics in the metropolitan areas in which we operated. By 2004, after beginning to see the benefits of our strategic initiatives, including the selling of one-and two-year commit memberships, we returned our focus to the development of new clubs.

Our business is incorporated in the State of Delaware. Our principal executive offices are located at 888 Seventh Avenue (25th Floor), New York, New York 10106. Our telephone number is (212) 246-6700. The address of our principal web site is *www.mysportsclubs.com*. Our web site address is provided for information purposes only and the information contained on our web site does not constitute part of this prospectus.

New York Sports Clubs®, Boston Sports Clubs®, Washington Sports Clubs® and Philadelphia Sports Clubs® are our registered trademarks. This prospectus contains other product names, trademarks, tradenames and service marks of TSI.

In this prospectus, unless otherwise stated or the context otherwise indicates, references to TSI Holdings, Town Sports, TSI, we, us, our and similar references refer to Town Sports International Holdings, Inc. and its subsidiaries and references to TSI, Inc. refer to Town Sports International, Inc.

**Table of Contents**

	<b>The Offering</b>
Common stock offered by Town Sports	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	<p>We intend to use the net proceeds to us from this offering to fund our offer to purchase of up to approximately \$        million aggregate principal amount at maturity of our senior discount notes and pay any related tender premium, interest and fees thereto. The remaining net proceeds of approximately \$        million, together with \$        million of available cash, will be used to fund TSI, Inc.'s offer to purchase of up to approximately \$        million aggregate principal amount of TSI, Inc.'s senior notes and pay any related tender premium, interest and fees thereto. At December 31, 2005, the aggregate principal amount at maturity of this debt was approximately \$213.0 million.</p> <p>We will not receive any proceeds from the sale of shares by the selling stockholders.</p>
Proposed NASDAQ National Market symbol	CLUB
<p>The number of shares of our common stock to be outstanding after this offering is based on 1,309,123 shares of common stock outstanding as of April 1, 2006. Except as otherwise stated, the common stock information we present in this prospectus:</p> <ul style="list-style-type: none"> <li>excludes 88,366 shares of common stock issuable upon exercise of options outstanding as of April 1, 2006 at a weighted average exercise price of \$86.26 per share;</li> <li>excludes an additional 4,177 shares of common stock reserved for issuance under our stock option plan;</li> <li>assumes no exercise of stock options after April 1, 2006; and</li> <li>assumes no exercise of the underwriters' over-allotment option.</li> </ul> <p>All club data that we present in this prospectus is as of December 31, 2005, except as otherwise stated.</p>	

**Table of Contents**

**Summary Consolidated Financial and Other Data**  
**(In thousands, except share, per share, club and membership data)**

We present our summary consolidated financial data in the following table to aid you in your analysis of a potential investment in our common stock. The summary consolidated balance sheet data as of December 31, 2005 and the summary consolidated statement of operations data for the years ended December 31, 2003, 2004 and 2005 have been derived from our audited consolidated financial statements included elsewhere herein. Other data and club and membership data for all periods presented have been derived from our unaudited books and records. Our historical results are not necessarily indicative of results for any future period. You should read this data in conjunction with the Selected Consolidated Financial and Other Data and Management's Discussion and Analysis of Financial Condition and Results of Operations sections of this prospectus and our consolidated financial statements and the related notes appearing at the end of this prospectus. The pro forma basic and diluted earnings (loss) per share gives effect to the issuance of \_\_\_\_\_ shares of our common stock in this offering, as if it had occurred at the beginning of the periods presented. The pro forma balance sheet data reflects our sale of \_\_\_\_\_ shares of our common stock in this offering at an assumed public offering price of \$ \_\_\_\_\_ per share, after deducting the estimated underwriting discounts and commissions and our estimated offering expenses.

	<b>Year Ended December 31,</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Statement of Operations Data:</b>			
Revenues	\$ 341,172	\$ 353,031	\$ 388,556
Total operating expenses	298,576	318,739	348,303
Operating income	42,596	34,292	40,253
Net income (loss)	7,429	(3,905)	1,769
Net income (loss) attributable to common stockholders(1)	\$ (3,555)	\$ (4,689)	\$ 1,769
<b>Earnings (loss) per share:</b>			
Basic	\$ (2.85)	\$ (3.61)	\$ 1.35
Diluted(2)	\$ (2.85)	\$ (3.61)	\$ 1.35
<b>Weighted average number of shares used in calculating earnings (loss) per share:</b>			
Basic	1,247,674	1,299,332	1,309,616
Diluted(2)	1,247,674	1,299,332	1,312,473
<b>Pro forma earnings (loss) per share:</b>			
Basic			\$
Diluted(2)			\$
<b>Weighted average number of shares used in calculating pro forma earnings (loss) per share:</b>			
Basic			
Diluted(2)			



As of December 31, 2005

	Actual	Pro Forma
<b>Balance Sheet Data:</b>		
Cash and cash equivalents	\$ 51,304	\$
Working capital (deficit)	(2,262)	
Total assets	433,771	
Long-term debt, including current installments	411,162	
Total stockholders (deficit) equity	(115,683)	

**Table of Contents**

	<b>Year Ended December 31,</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Other Data:</b>			
EBITDA(3)	\$ 71,119	\$ 72,654	\$ 81,579
EBITDA margin(4)	20.8%	20.6%	21.0%

	<b>Year Ended December 31,</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Club and Membership Data:</b>			
New clubs opened	3	5	5
Clubs acquired		3	2
Clubs closed, relocated or sold	(3)		(3)
Wholly owned clubs operated at end of period	127	135	139
Total clubs operated at end of period(5)	129	137	141
Members at end of period(6)	342,000	383,000	409,000
Comparable club revenue increase(7)	3.5%	2.5%	6.9%
Mature club revenue increase(8)	1.6%	2.1%	5.8%
Revenue per weighted average club(9)	\$ 2,680	\$ 2,680	\$ 2,816
Average revenue per member(10)	987	960	968

(1) After adding accreted dividends on preferred stock.

(2) The diluted weighted average number of shares used in calculating earnings (loss) per share is the weighted average number of shares of common stock plus the weighted average conversion of any dilutive common stock equivalents, such as the assumed weighted average exercise of dilutive stock options using the treasury stock method. For the years ended December 31, 2003 and 2004, these common stock equivalents were antidilutive and have been excluded from the diluted weighted average number of shares. For the year ended December 31, 2005, the shares issuable upon the exercise of stock options were dilutive. The number of shares excluded from the computation of diluted earnings per share was 52,807 and 15,481 for the years ended December 31, 2003 and 2004, respectively.

The following table summarizes the weighted average number of shares of common stock outstanding for basic and diluted earnings per share computations:

	<b>Year Ended December 31,</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Weighted average number of shares outstanding basic	1,247,674	1,299,332	1,309,616
Effect of dilutive stock options			2,857
Weighted average number of shares outstanding diluted	1,247,674	1,299,332	1,312,473

- (3) EBITDA consists of net income (loss) plus interest expense, net of interest income, provision for corporate income taxes and depreciation and amortization. This term, as we define it, may not be comparable to a similarly titled measure used by other companies and is not a measure of performance presented in accordance with generally accepted accounting principles (GAAP). We use EBITDA as a measure of operating performance. EBITDA should not be considered as a substitute for net income, operating income, cash flows provided by operating activities or other income or cash flow data prepared in accordance with GAAP. The funds depicted by EBITDA are not necessarily available for discretionary use if they are reserved for particular capital purposes, to maintain compliance with debt covenants, to service debt or to pay taxes. Additional details related to EBITDA are provided in Management's Discussion and Analysis of Financial Condition and