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**As confidentially submitted to the Securities and Exchange Commission on May 22, 2015**

**Registration No. 333-**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**



**Amendment No. 2**

**to**

**FORM S-1**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

**Planet Fitness, Inc.**



|  |  |  |
| --- | --- | --- |
|  | (Exact name of registrant as specified in its charter) |  |
| **Delaware** | **7997** | **38-3942097** |
| (State or other jurisdiction of | (Primary Standard Industrial | (I.R.S. Employer Identification Number) |
| incorporation or organization) | Classification Code Number) |  |

**26 Fox Run Road**

**Newington, NH 03801**

**(603) 750-0001**

(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)



**Chris Rondeau**

**Chief Executive Officer**

**Planet Fitness, Inc.**

**26 Fox Run Road**

**Newington, NH 03801**

**(603) 750-0001**

(Name, address, including zip code, and telephone number, including area code, of agent for service)



|  |  |  |
| --- | --- | --- |
|  | *Copies to:* |  |
| **David A. Fine** | **Dorvin Lively** | **D. Rhett Brandon** |
| **Ropes & Gray LLP** | **Chief Financial Officer** | **John C. Ericson** |
| **Prudential Tower** | **Planet Fitness, Inc.** | **Simpson Thacher & Bartlett LLP** |
| **800 Boylston Street** | **26 Fox Run Road** | **425 Lexington Avenue** |
| **Boston, MA 02199** | **Newington, NH 03801** | **New York, NY 10017** |
| **(617) 951-7000** | **(603) 750-0001** | **(212) 455-2000** |



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

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. ☐

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

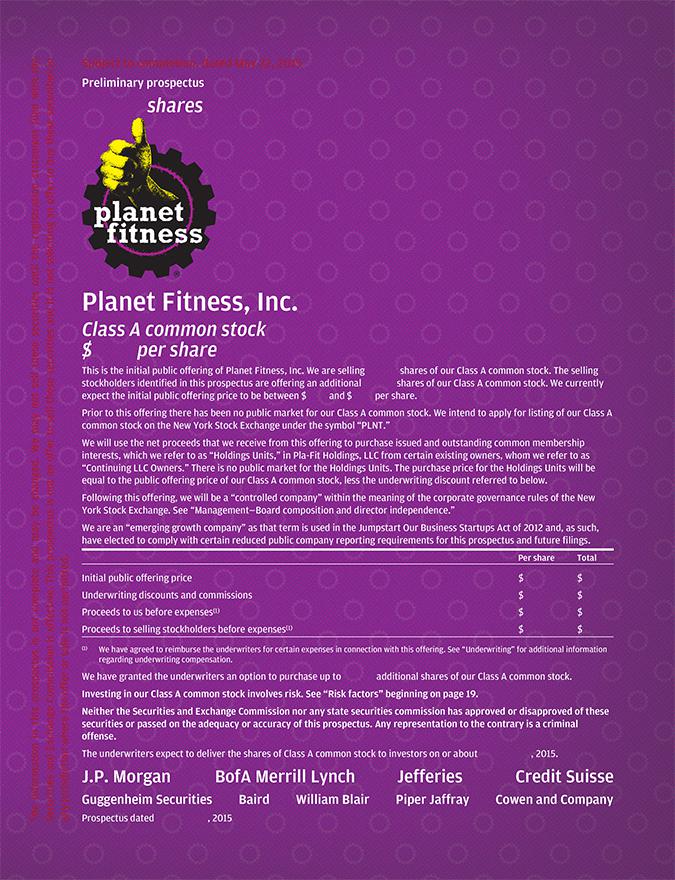
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| --- | --- | --- | --- | --- | --- |
|  | Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☒ | | Smaller reporting company ☐ |
|  |  |  | (Do not check if a | |  |
|  |  |  | smaller reporting company) | |  |
|  |  | **CALCULATION OF REGISTRATION FEE** | | |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  | **Proposed** |  |
|  |  |  |  | **maximum** |  |
|  |  | **Title of each class of** |  | **aggregate** | **Amount of** |
|  |  | **securities to be registered** |  | **offering price(1)(2)** | **registration fee** |
|  | Class A Common Stock, $0.0001 par value |  |  | $ | $ |
|  |  |  |  |  |  |

1. Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, amended.
2. Includes shares that may be sold upon exercise of the underwriters’ option to purchase additional shares. See “Underwriting.”



**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 Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**We are responsible for the information contained in this prospectus and in any free writing prospectus we prepare or authorize. Neither we nor the selling stockholders nor the underwriters have authorized anyone to provide you with different information, and neither we nor the selling stockholders nor the underwriters take responsibility for any other information others may give you. Neither we nor the selling stockholders nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than its date.**

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**Industry and market data**

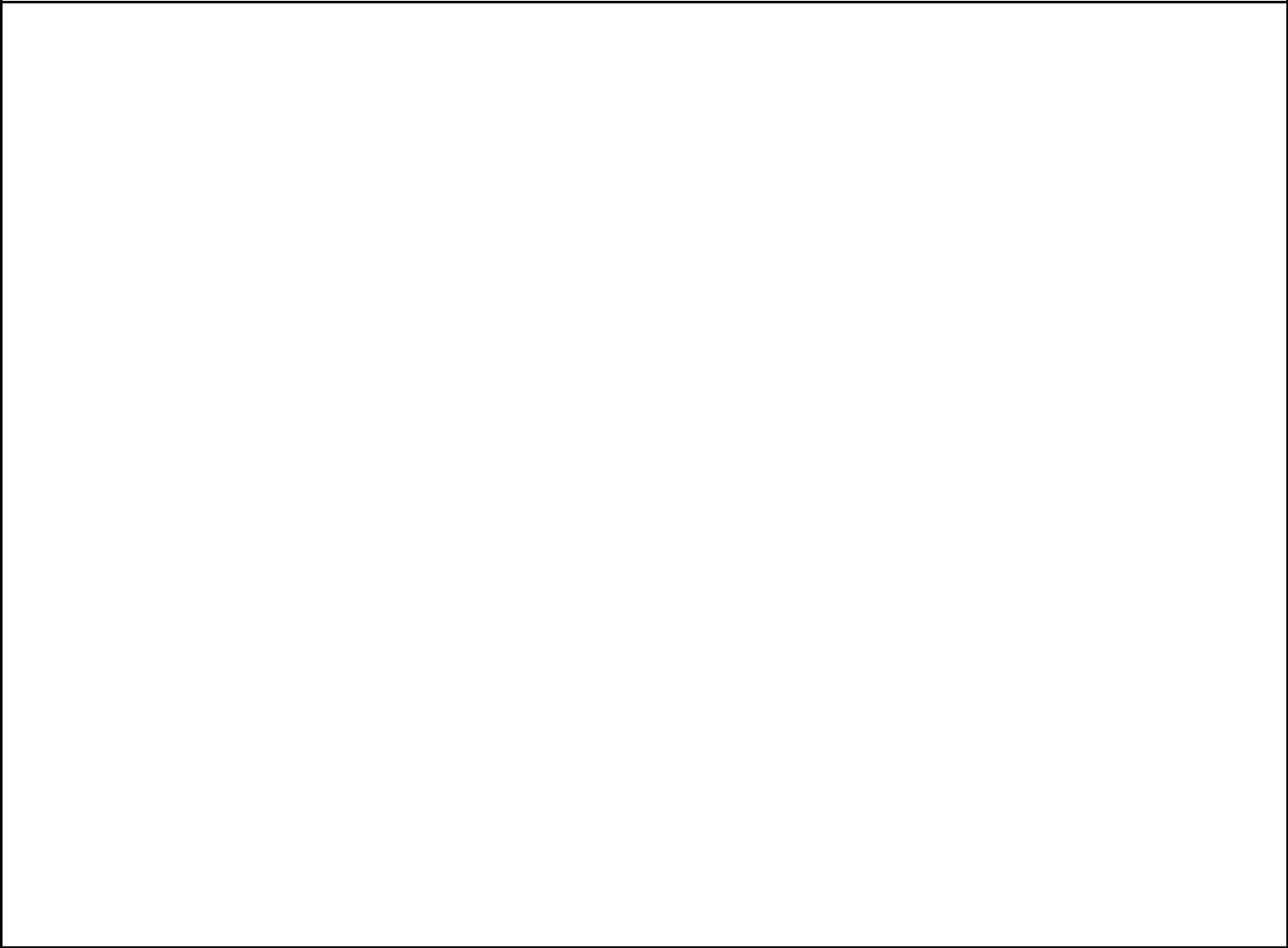
This prospectus includes market data with respect to the health club industry. Although we are responsible for all of the disclosure contained in this prospectus, in some cases we rely on and refer to market data and certain industry forecasts that were obtained from third-party surveys, market research, consultant surveys, publicly available information and industry publications and surveys, including the International Health, Racquet & Sportsclub Association, which we believe to be reliable. In some cases, the information has been developed by us for purposes of this offering based on our existing data and is believed by us to have been prepared in a reasonable manner. Other industry and market data included in this prospectus are from internal analyses based upon data available from known sources or other proprietary research and analysis. We believe this data to be accurate as of the date of this prospectus. However, this information may prove to be inaccurate because it cannot always be verified with complete certainty due to the limitations on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. As a result, you should be aware that market and other similar industry data included in this prospectus, and estimates and beliefs based on that data, may not be reliable.

**Trademarks, trade names and service marks**

We own or have rights to trademarks, trade names and service marks that we use in connection with the operation of our business, including “Planet Fitness,” “Judgement Free Zone,” “We’re Not a Gym. We’re Planet Fitness.,” “PE@PF,” “No Lunks,” “PF Black Card,” “No Gymtimidation,” “You Belong” and various other marks. Solely for convenience, the trademarks, trade names and service marks referred to in this prospectus are listed without the ®, SM and TM symbols, but we will assert our rights to our trademarks, trade names and service marks to the fullest extent under applicable law.

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**Prospectus summary**

*This summary highlights information contained in other parts of this prospectus. Because it is only a summary, it does not contain all of the information that you should consider before investing in shares of our Class A common stock, and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus. You should read the entire prospectus carefully, especially “Risk factors” and our financial statements and the related notes, before deciding to purchase shares of our Class A common stock. Unless the context requires otherwise, references in this prospectus to the “Company,” “we,” “us” and “our” refer to Pla-Fit Holdings, LLC and its consolidated subsidiaries prior to the recapitalization transactions described in this prospectus and to Planet Fitness, Inc. and its consolidated subsidiaries following the recapitalization transactions.*

**Our Company**

***Fitness for everyone***

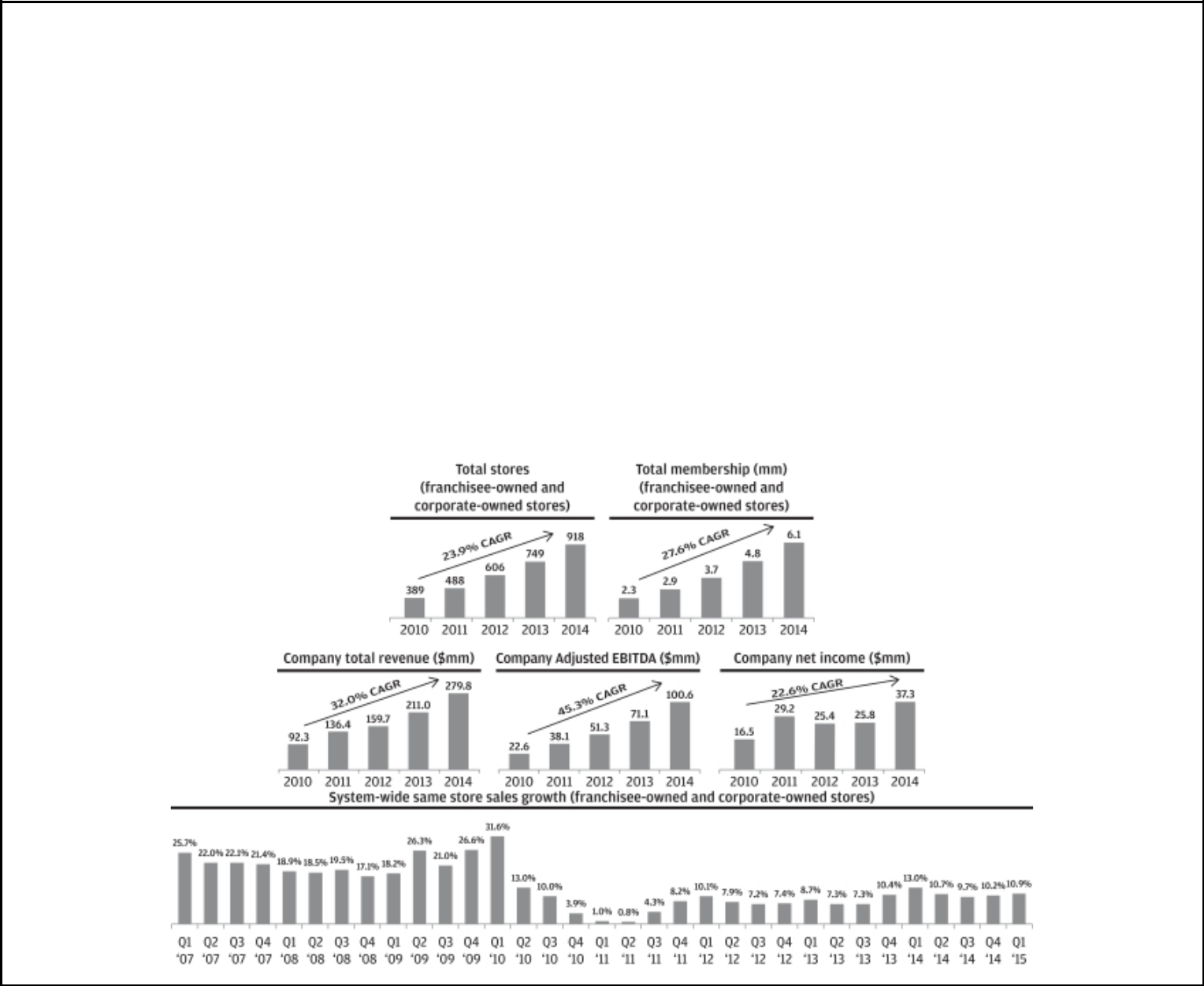
We are one of the largest and fastest-growing franchisors and operators of fitness centers in the United States by number of members and locations, with a highly recognized national brand. Our mission is to enhance people’s lives by providing a high-quality fitness experience in a welcoming, non-intimidating environment, which we call the Judgement Free Zone, where anyone – and we mean anyone – can feel they belong. Our bright, clean locations (which we refer to as stores) are typically 20,000 square feet, with a large selection of high-quality, purple and yellow Planet Fitness-branded cardio, circuit- and weight-training equipment and friendly staff trainers who offer unlimited free fitness instruction to all our members in small groups through our PE@PF program. We offer this differentiated fitness experience at only $10 per month for our standard membership. This exceptional value proposition is designed to appeal to a broad population, including occasional gym users and the approximately 80% of the U.S. and Canadian populations over age 14 who are not gym members, particularly those who find the traditional fitness club setting intimidating and expensive. We and our franchisees fiercely protect Planet Fitness’ community atmosphere – a place where you do not need to be fit before joining and where progress toward achieving your fitness goals (big or small) is supported and applauded by our staff and fellow members.

Our judgement-free approach to fitness and exceptional value proposition have enabled us to grow our revenues to $279.8 million in 2014 and to become an industry leader with $1.2 billion in system-wide sales during 2014 (which we define as monthly dues and annual fees billed by us and our franchisees), and more than 7.1 million members and 976 stores in 47 states, Puerto Rico and Canada as of March 31, 2015. System-wide sales for 2014 include $1.1 billion attributable to franchisee-owned stores, from which we generate royalty revenue, and $82.0 million attributable to our corporate-owned stores. Of our 976 stores, 919 are franchised and 57 are corporate-owned. Our stores are successful in a wide range of geographies and demographics. According to internal and third-party analysis, we believe we have the opportunity to more than quadruple our store count to over 4,000 stores in the United States alone. Under signed area development agreements (“ADAs”) as of March 31, 2015, our franchisees have committed to open more than 1,000 additional stores.

In 2014, our corporate-owned stores had segment EBITDA margin of 37.3% and had average unit volumes (“AUVs”) of approximately $1.6 million with four-wall EBITDA margins (an assessment of store-level profitability which includes local and national advertising expense) of approximately 41%, or approximately 36% after applying the 5% royalty rate under our current franchise agreement. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. Our strong member value proposition has also driven growth throughout a variety of economic cycles and conditions. For a reconciliation of segment EBITDA margin to four-wall EBITDA margin for

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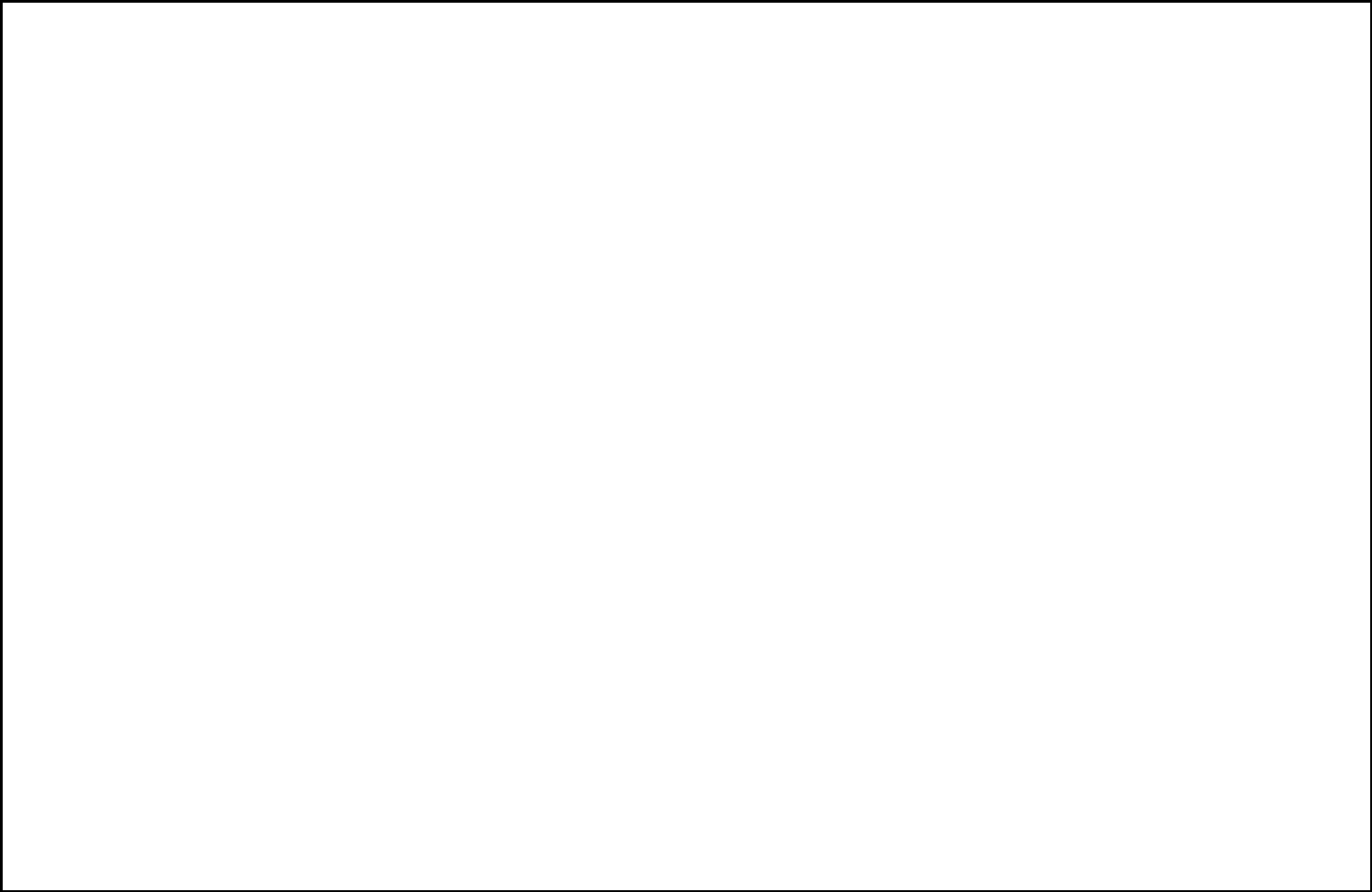
corporate-owned stores, see “—Management’s discussion and analysis of results of operations and financial condition—Non-GAAP measures.”

Our significant growth is reflected in:

* 918 stores as of December 31, 2014, compared to 389 as of December 31, 2010, reflecting a compound annual growth rate (“CAGR”) of 23.9%;
* 6.1 million members as of December 31, 2014, compared to 2.3 million as of December 31, 2010, reflecting a CAGR of 27.6%;
* 2014 system-wide sales of $1.2 billion, reflecting a CAGR of 30.1%, or increase of $774.3 million, since 2010;
* 2014 total revenue of $279.8 million, reflecting a CAGR of 32.0%, or increase of $187.5 million, since 2010, of which 3.6% is attributable to revenues from corporate-owned stores acquired from or sold to franchisees since 2010;
* 33 consecutive quarters of system-wide same store sales growth (which we define as year-over-year growth solely of monthly dues from stores that have been open and for which membership dues have been billed for longer than 12 months);
* 2014 Adjusted EBITDA of $100.6 million, reflecting a CAGR of 45.3%, or increase of $78.0 million, since 2010; and
* 2014 net income of $37.3 million, reflecting a CAGR of 22.6%, or increase of $20.8 million, since 2010. Our historical results benefit from insignificant income taxes due to our status as a pass-through entity for U.S. federal income tax purposes, and we anticipate future results will not be consistent as our income will be subject to U.S. federal and state taxes.

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For a discussion of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see “Selected consolidated financial and other data.” For a discussion of same store sales, see “Management’s discussion and analysis of financial condition and results of operations—How we assess the performance of our business.”

***We’re not a gym. We’re Planet Fitness.***

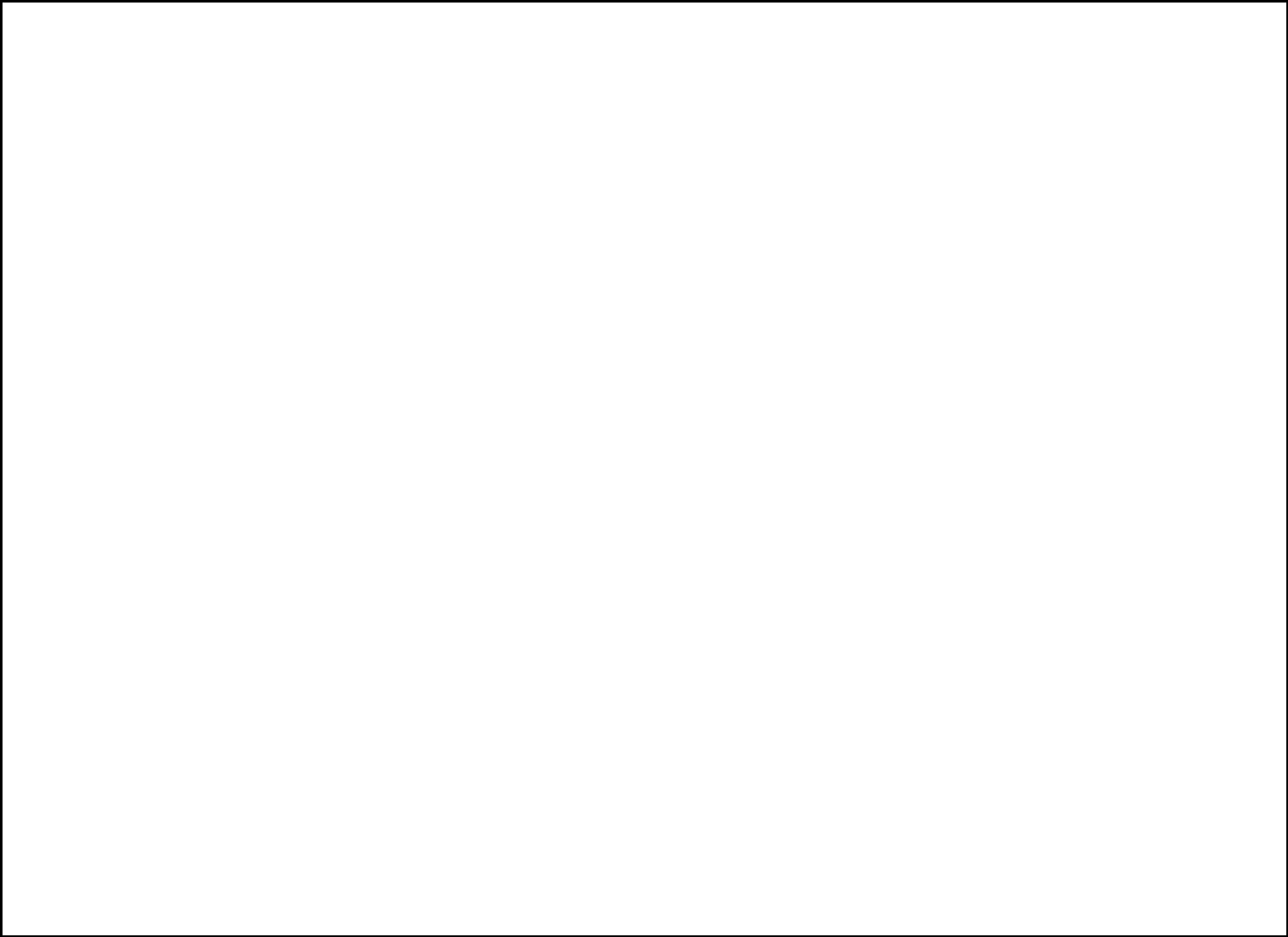
We believe our approach to fitness is revolutionizing the industry by bringing fitness to a large, previously underserved segment of the population. Our differentiated member experience is driven by three key elements:

* ***Judgement Free Zone***: We believe every member should feel accepted and respected when they walk into a Planet Fitness. Our storesprovide a Judgement Free Zone where members of all fitness levels can enjoy a non-intimidating environment. Our “come as you are” approach has fostered a strong sense of community among our members, allowing them not only to feel comfortable as they work toward their fitness goals but also to encourage others to do the same. The removal of heavy free weights reinforces our Judgement Free Zone by discouraging what we call “Lunkhead” behavior, such as dropping weights and grunting, that can be intimidating to new and occasional gym users. In addition, to help maintain our welcoming, judgement-free environment, each store has a purple and yellow branded “Lunk” alarm on the wall that staff occasionally rings as a light-hearted reminder of our policies.
* ***Distinct store experience:*** Our bright, clean, large-format stores offer our members a selection of high-quality, purple and yellow PlanetFitness-branded cardio, circuit- and weight-training equipment that is commonly used by first-time and occasional gym users. Because our stores are typically 20,000 square feet and we do not offer non-essential amenities such as group exercise classes, pools, day care centers and juice bars, we have more space for the equipment our members do use, and we have not needed to impose time limits on our cardio machines.
* ***Exceptional value for members:*** Both our standard and PF Black Card memberships are priced significantly below the industry averageof $46 per month and still provide our members with a high-quality fitness experience. For only $10 per month, our standard membership includes unlimited access to one Planet Fitness location and unlimited free fitness instruction to all members in small groups through our PE@PF program. For $19.99 per month, our PF Black Card members have access to all of our stores system-wide and can bring a guest on each visit, which provides an additional opportunity to attract new members. Our PF Black Card members also have access to exclusive areas in our stores that provide amenities such as water massage beds, massage chairs, tanning equipment and more.

Our differentiated approach to fitness has allowed us to create an attractive franchise model that is both profitable and scalable. We recognize that our success depends on a shared passion with our franchisees for providing a distinctive store experience based on a judgement-free environment and an exceptional value for our members. We enhance the attractiveness of our streamlined, easy-to-operate franchise model by providing franchisees with extensive operational support relating to site selection and development, marketing and training. We also take a highly collaborative, teamwork approach to our relationship with franchisees, as captured by our motto “One Team, One Planet.*”* The strength of our brand and the attractiveness of our franchise model are evidenced by the fact that 87% of our new stores in 2014 were opened by our existing franchisee base and 22 new franchisee groups opened their first store in 2014.

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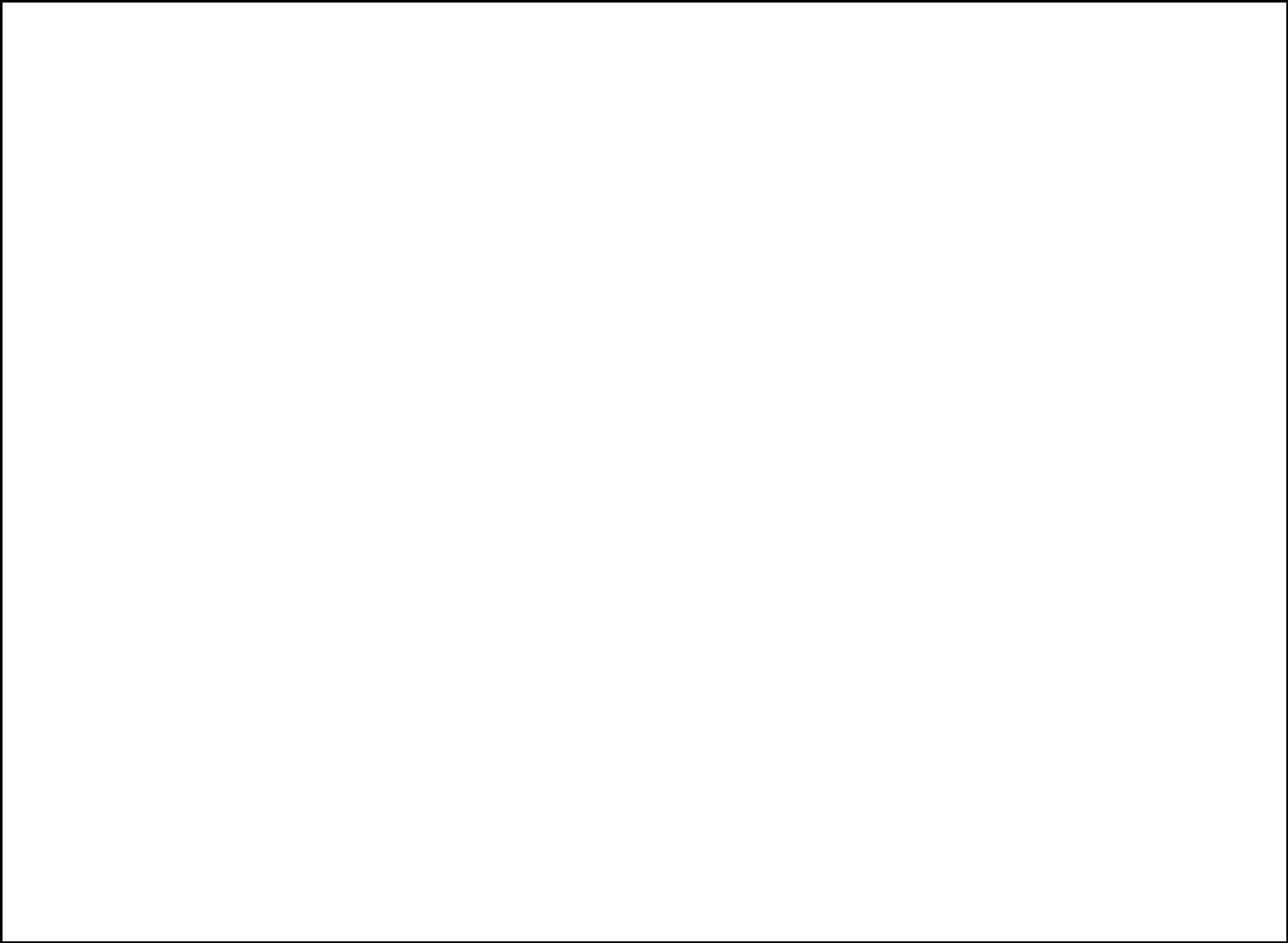
**Our competitive strengths**

We attribute our success to the following strengths:

* ***Market leader with differentiated member experience, nationally recognized brand and scale advantage.*** We believe we are thelargest operator of fitness centers in the United States by number of members, with more than 7.1 million members as of March 31, 2015. Our franchisee-owned and corporate-owned stores generated $1.2 billion in system-wide sales during 2014. Through our differentiated member experience, nationally recognized brand and scale advantage, we will continue to deliver a compelling value proposition to our members and our franchisees and, we believe, grow our store and total membership base.
  + *Differentiated member experience.* We seek to provide our members with a high-quality fitness experience in a non-intimidating,judgement-free environment at an exceptional value. We have a dedicated Brand Excellence team that seeks to ensure that all our franchise stores uphold our brand standards and deliver a consistent Planet Fitness member experience in every store.
  + *Nationally recognized brand.* We have developed a highly relatable and recognized brand that emphasizes our focus on providingour members with a judgement-free environment. We do so through fun and memorable marketing campaigns and in-store signage that often poke fun at “Lunk” behavior. As a result, we have among the highest aided and unaided brand awareness scores in the U.S. fitness industry, according to a third-party consumer study that we commissioned in the fall of 2014. Our brand strength also helps our franchisees attract members, with new stores in 2014 signing up an average of approximately 1,300 members even before opening their doors.
  + *Scale advantage.* Our scale provides several competitive advantages, including enhanced purchasing power with our fitnessequipment and other suppliers and the ability to attract high-quality franchisee partners. In addition, we estimate that our large national advertising fund, funded by franchisees and us, together with our requirement that franchisees generally spend 5 to 7% of their monthly membership dues on local advertising, have enabled us and our franchisees to spend over $150 million since 2011 on marketing to drive consumer brand awareness.
* ***Exceptional value proposition that appeals to a broad member demographic*.**We offer a high-quality and consistent fitnessexperience throughout our entire store base at low monthly membership dues. Combined with our non-intimidating and welcoming environment, we are able to attract a broad member demographic based on age, household income, gender and ethnicity. Our member base is over 50% female and our members come from both high- and low-income households. Our broad appeal and ability to attract occasional and first-time gym users enable us to continue to target a large segment of the population in a variety of markets and geographies across the United States and Canada.
* ***Strong store-level economics*.**Our store model is designed to generate attractive four-wall EBITDA margins, strong free cash flow andhigh returns on invested capital for both our corporate-owned and franchise stores. Average four-wall EBITDA margins for our corporate-owned stores have increased significantly since 2010, driven by higher average members per store as well as a higher percentage of PF Black Card members, which leverage our relatively fixed costs. In 2014, our corporate-owned stores had segment EBITDA margin of 37.3% and had AUVs of approximately $1.6 million with four-wall EBITDA margins of approximately 41%, or approximately 36% after applying the 5% royalty rate under our current franchise agreement. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. We believe that our strong store-level economics are important to our ability to attract and retain successful franchisees and grow our store base.

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* ***Highly attractive franchise system built for growth.*** Our easy-to-operate model, strong store-level economics and brand strength haveenabled us to attract a team of professional, successful franchisees from a variety of industries. We believe that our franchise model enables us to scale more rapidly than a company-owned model. Our streamlined model features relatively fixed labor costs, minimal inventory, automatic billing and limited cash transactions. Our franchisees enjoy recurring monthly member dues, regardless of member use, weather or other factors. Based on survey data and management estimates, we believe our franchisees can earn, in their second year of operations, on average, a cash-on-cash return on initial investment greater than 25% after royalties and advertising, which is in line with our corporate-owned stores. The attractiveness of our franchise model is further evidenced by the fact that our franchisees re-invest their capital with us, with 87% of our new stores in 2014 opened by our existing franchisee base. We have received numerous accolades, including #4 among Franchise Times’ “Smartest Growing Brands” for 2015 and #3 among Forbes Magazine’s “America’s Best Franchises” in 2014 (in which we also received an “A” rating for franchisee support). We view our franchisees as strategic partners in expanding the Planet Fitness store base and brand.
* ***Predictable and recurring revenue streams with high cash flow conversion*.**Our business model provides us with predictable andrecurring revenue streams. In 2014, approximately 80% of our franchise revenues and over 90% of our corporate-owned store revenues consisted of recurring revenue streams, which include royalties, vendor commissions, monthly dues and annual fees. In addition, our franchisees are obligated to purchase fitness equipment from us for their new stores and to replace this equipment every four to seven years. As a result, these “equip” and “re-equip” requirements create a predictable and growing revenue stream as our franchisees open new stores under their ADAs. By re-investing in stores, we and our franchisees maintain and enhance our member experience. Our predictable and recurring revenue streams, combined with our attractive margins and minimal capital requirements, result in high cash flow conversion and increased capacity to invest in future growth initiatives.
* ***Proven, experienced management team driving a strong culture*.**Our strategic vision and unique culture have been developed andfostered by our senior management team under the stewardship of Chief Executive Officer Chris Rondeau. Mr. Rondeau has been with Planet Fitness for over 20 years and helped develop the Planet Fitness business model and brand elements that give us our distinct personality and spirited culture. Dorvin Lively, our Chief Financial Officer, brings valuable expertise from his 30 years of corporate finance experience with companies such as RadioShack and Ace Hardware, and from the initial public offering of Maidenform. We have assembled a management team that shares our passion for “fitness for everyone” and has extensive experience across a broad range of disciplines, including retail, franchising, finance, consumer marketing, brand development and information technology. We believe our senior management team is a key driver of our success and has positioned us well to execute our long-term growth strategy.

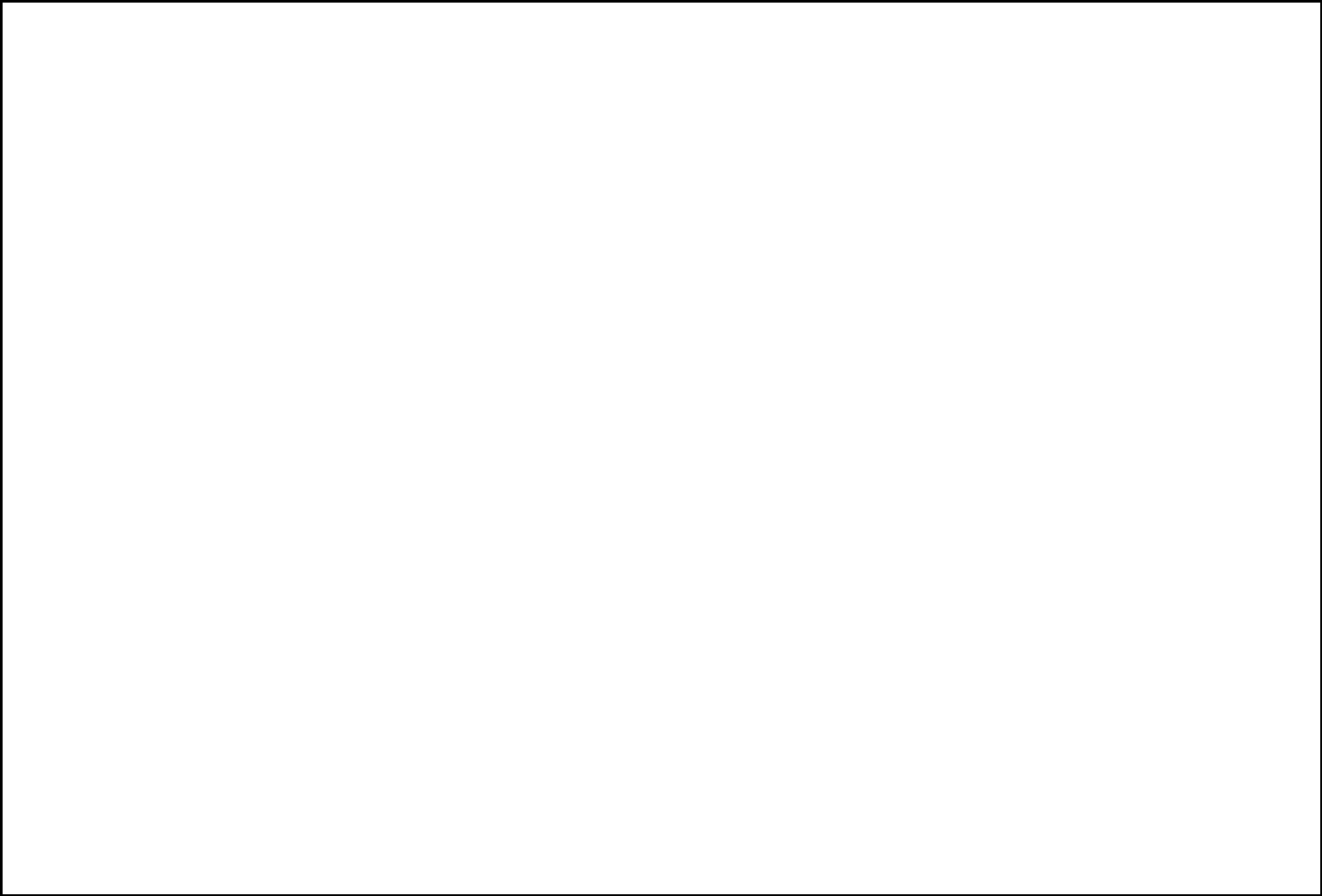
**Our growth strategies**

We believe there are significant opportunities to grow our brand awareness, increase our revenues and profitability and deliver shareholder value by executing on the following strategies:

* ***Continue to grow our store base across a broad range of markets.*** We have more than tripled our store count over the last five years,expanding from 302 stores as of December 31, 2009 to 918 stores as of December 31, 2014. As of March 31, 2015, our franchisees have signed ADAs to open more than 1,000 additional stores over the next seven years, including approximately 500 over the next three years. Because our stores are successful across a wide range of geographies and demographics with varying population densities, we believe that our high level of brand awareness and low per capita penetration outside of our original Northeast market create a significant opportunity to open new Planet Fitness stores across the

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United States and Canada. Based on our internal and third-party analysis, we believe we have the potential to more than quadruple our store base to over 4,000 stores in the United States alone.

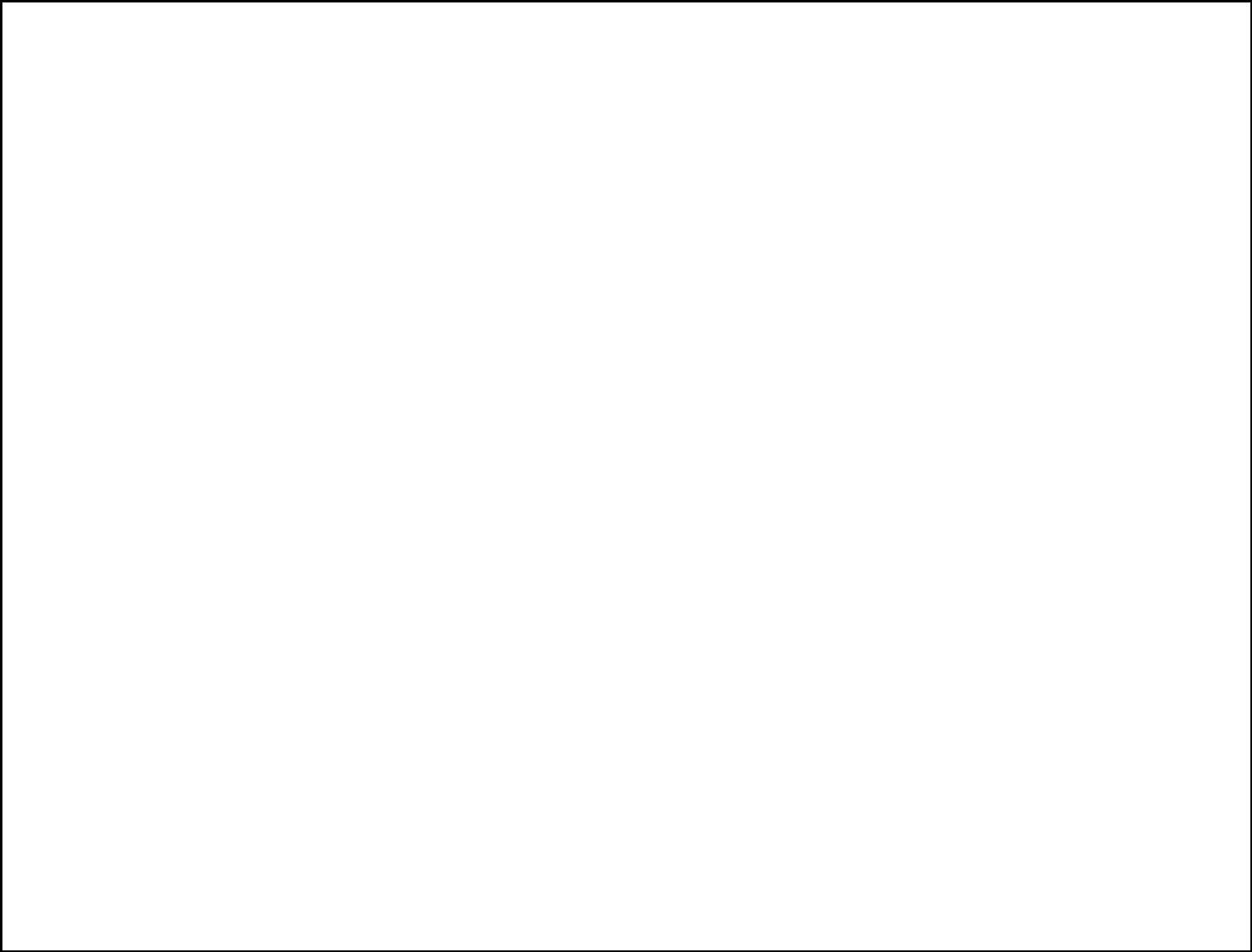
* ***Drive revenue growth and system-wide same store sales.*** Because we provide a high-quality, affordable, non-intimidating fitnessexperience that is designed for first-time and occasional gym users, we have achieved positive system-wide same store sales growth in each of the past 33 quarters. We expect to continue to grow system-wide same store sales primarily by:
  + *Attracting new members to existing Planet Fitness stores.* As the U.S. and Canadian populations continue to focus on health andwellness, we believe we are well-positioned to capture a disproportionate share of the population given our appeal to first-time and occasional gym users. In addition, because our stores offer a large, focused selection of equipment geared toward first-time and occasional gym users, we are able to service higher member volumes without sacrificing the member experience. We also have continued to evolve our offerings to appeal to our target member base, such as the introduction of 12-minute abdominal circuits and 30-minute express workout areas.
  + *Increasing mix of PF Black Card memberships by enhancing value and member experience*. We expect to drive sales by convertingour existing members with standard membership dues at $10 per month to our premium PF Black Card membership with dues at $19.99 per month as well as attracting new members to join at the PF Black Card level. We encourage this upgrade by continuing to enhance the value of our PF Black Card benefits through additional in-store amenities and affinity partnerships with national retail brands for discounts and promotions. Since 2010, our PF Black Card members as a percentage of total membership has increased from 38% in 2010 to 55% in 2014, and our average monthly dues per member have increased from $14.22 to $15.45 over the same period.

We may also explore other future revenue opportunities, such as optimizing member pricing and fees, offering new merchandise and services inside and outside our stores, and securing affinity and other corporate partnerships.

* ***Increase brand awareness to drive growth.*** We plan to continue to increase our strong national brand awareness by leveragingsignificant marketing expenditures by our franchisees and us, which we believe will result in increasing membership in new and existing stores and continue to attract high-quality franchisee partners. Under our current franchise agreement, franchisees are required to contribute 2% of their monthly membership dues to our National Advertising Fund (“NAF”), from which we spent over $21 million in 2014 alone to support our national marketing campaigns, our social media platforms and the development of local advertising materials. Under our current franchise agreement, franchisees are also required to spend 7% of their monthly membership dues on local advertising. We expect both our NAF and local advertising spending to grow as our membership grows.
* ***Continue to expand royalties from increases in average royalty rate and new franchisees.*** While our current franchise agreementstipulates monthly royalty rates of 5% of monthly dues and annual fees, only 30% of our stores are paying royalties at the current franchise agreement rate, primarily due to lower rates in historical agreements. As new franchisees enter our system and, generally, as current franchisees open new stores or renew their existing franchise agreements at the current royalty rate, our average system-wide royalty rate will increase. In 2014, our average monthly royalty rate was 2.95% compared to 1.39% in 2010. In addition to rising average royalty rates, total royalty revenue will continue to grow as we expand our franchise store base and increase franchise same store sales.

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* ***Grow sales from fitness equipment and related services.*** Our franchisees are contractually obligated to purchase fitness equipmentfrom us and, due to our scale and negotiating power, we believe we offer competitive pricing for high-quality, purple and yellow Planet Fitness-branded fitness equipment. We expect our equipment sales to grow as our franchisees open new stores. Additionally, franchisees are required to replace their existing equipment with new equipment every four to seven years. As the number of franchise stores continues to increase and existing franchise stores continue to mature, we anticipate incremental growth in revenue related to the sale of equipment. In addition, we believe that regularly refreshing equipment helps our franchise stores maintain a consistent, high-quality fitness experience and drives new member growth.

**Summary risk factors**

An investment in our Class A common stock involves a high degree of risk. Any of the factors set forth under “Risk factors” may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus, and, in particular, you should evaluate the specific factors set forth under “Risk factors” in deciding whether to invest in our Class A common stock. Among these important risks are the following:

* our dependence on the operational and financial results of, and our relationships with, our franchisees and the success of their new and existing stores;
* risks relating to damage to our brand and reputation;
* our ability to successfully implement our growth strategy;
* technical, operational and regulatory risks related to our third-party providers’ systems and our own information systems;
* our and our franchisees’ ability to attract and retain members;
* the high level of competition in the health club industry generally;
* our reliance on a limited number of vendors, suppliers and other third-party service providers; and
* the substantial indebtedness of our subsidiary, Planet Fitness Holdings, LLC, which totaled $506.4 million as of March 31, 2015, including capital leases.

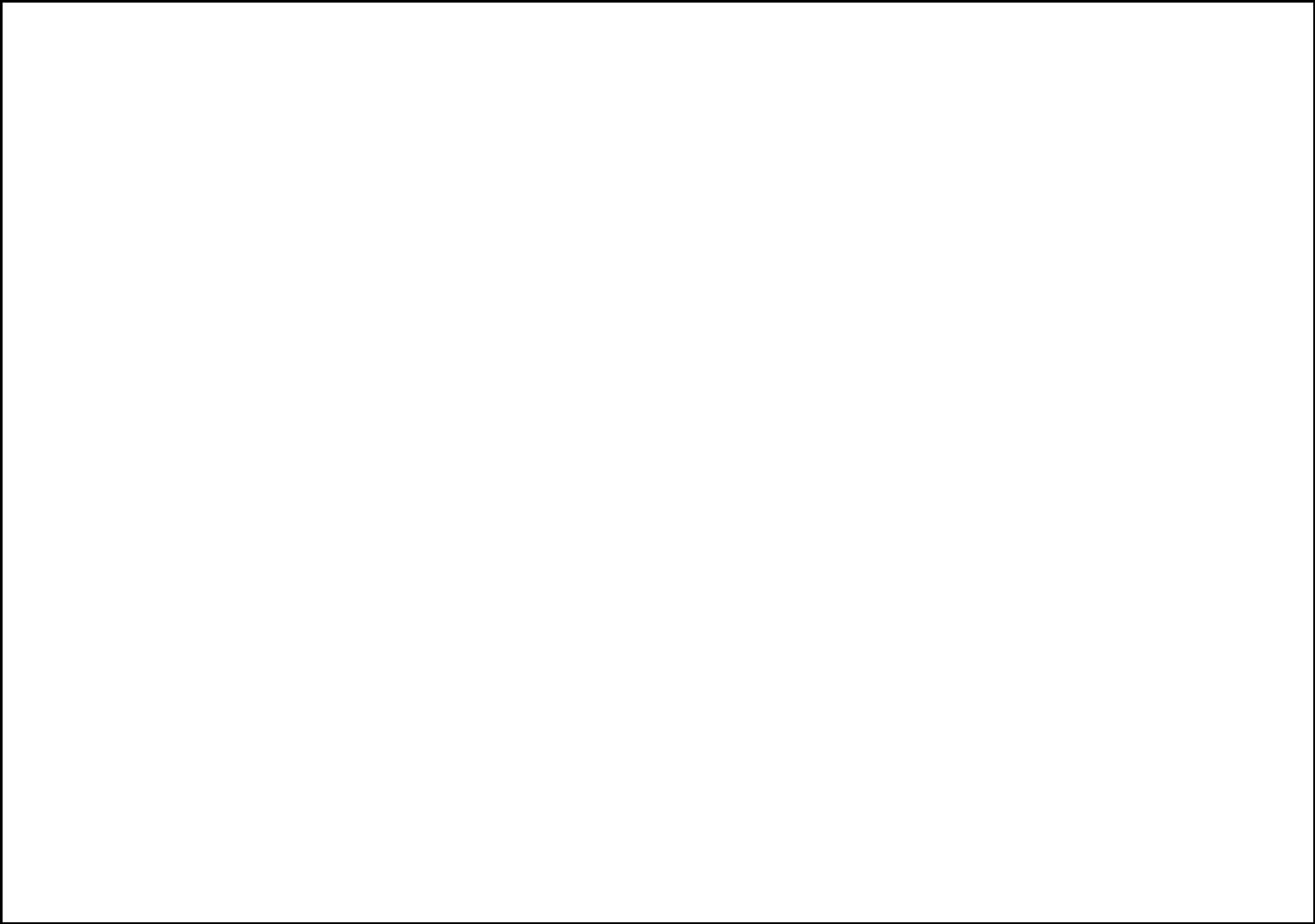
**Implications of being an emerging growth company**

As a company with less than $1.0 billion in revenues during our most recently completed fiscal year, we qualify as an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies that are not emerging growth companies. These provisions include:

* reduced disclosure about our executive compensation arrangements;
* no non-binding shareholder advisory votes on executive compensation or golden parachute arrangements; and
* exemption from the auditor attestation requirement of our internal control over financial reporting.

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We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenues as of the end of our fiscal year, we have more than $700.0 million in market value of our stock held by non-affiliates as of the end of our second fiscal quarter or we issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some or all of these reduced disclosure obligations.

The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required for public companies that are not emerging growth companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

**Our structure**

Our business is conducted through Pla-Fit Holdings, LLC and its subsidiaries. In connection with the recapitalization transactions described under the heading “The recapitalization transactions” elsewhere in this prospectus, Planet Fitness, Inc. will become the sole managing member of Pla-Fit Holdings, LLC. Our existing equity owners consist of holders of interests in Pla-Fit Holdings, LLC, which we refer to as the “Continuing LLC Owners,” and holders of interests in a predecessor entity to Planet Fitness, Inc., which we refer to as the “Direct TSG Investors.”

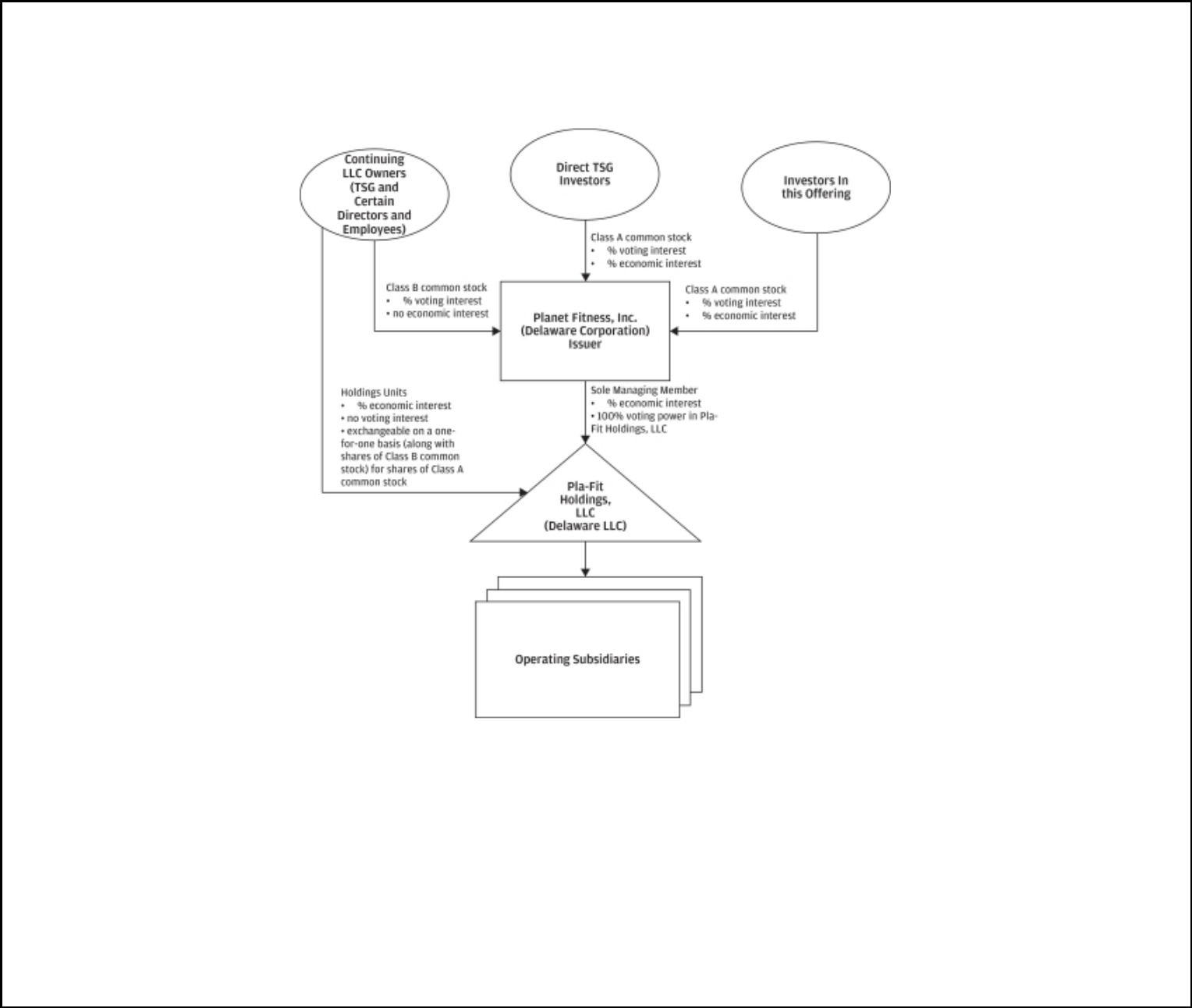
In connection with the recapitalization transactions, the interests held by the Direct TSG Investors in Planet Fitness, Inc. will be converted into shares of our Class A common stock. In addition, the limited liability company agreement of Pla-Fit Holdings, LLC will be amended and restated to, among other things, modify its capital structure to create a single new class of units, which we refer to as “Holdings Units,” held by the Continuing LLC Owners and Planet Fitness, Inc. Planet Fitness, Inc. will then issue to the Continuing LLC Owners one share of our Class B common stock for each Holdings Unit that they hold. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, but entitle the holder to one vote per share on matters presented to stockholders of Planet Fitness, Inc. See “Description of capital stock.” Our Continuing LLC Owners consist of investment funds affiliated with TSG Consumer Partners, LLC, which we refer to, together with its affiliates, as “TSG” or our “Sponsor,” and certain employees and directors. The Direct TSG Investors consist of investment funds affiliated with TSG.

We and the Continuing LLC Owners will also enter into an exchange agreement under which they will have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, together with the corresponding shares of Class B common stock, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends, reclassifications and other similar transactions.

Immediately following this offering, after giving effect to the recapitalization transactions, Planet Fitness, Inc. will be a holding company, and its sole material asset will be an equity interest, indirectly held through its wholly owned subsidiaries, in Pla-Fit Holdings, LLC. As the sole managing member of Pla-Fit Holdings, LLC, Planet Fitness, Inc. will operate and control all of the business and affairs of Pla-Fit Holdings, LLC and, through Pla-Fit Holdings, LLC and its subsidiaries, conduct our business. Accordingly, although we will have a minority economic interest in Pla-Fit Holdings, LLC, we will have the sole voting interest in, and control the management of, Pla-Fit Holdings, LLC. As a result, Planet Fitness, Inc. will consolidate Pla-Fit Holdings, LLC in its consolidated

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financial statements and will report a noncontrolling interest related to the Holdings Units held by the Continuing LLC Owners in our consolidated financial statements.

The diagram below depicts our organizational structure immediately following this offering, after giving effect to the recapitalization transactions, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.

See “The recapitalization transactions” elsewhere in this prospectus for a description of our structure and the recapitalization transactions.

**Our sponsor**

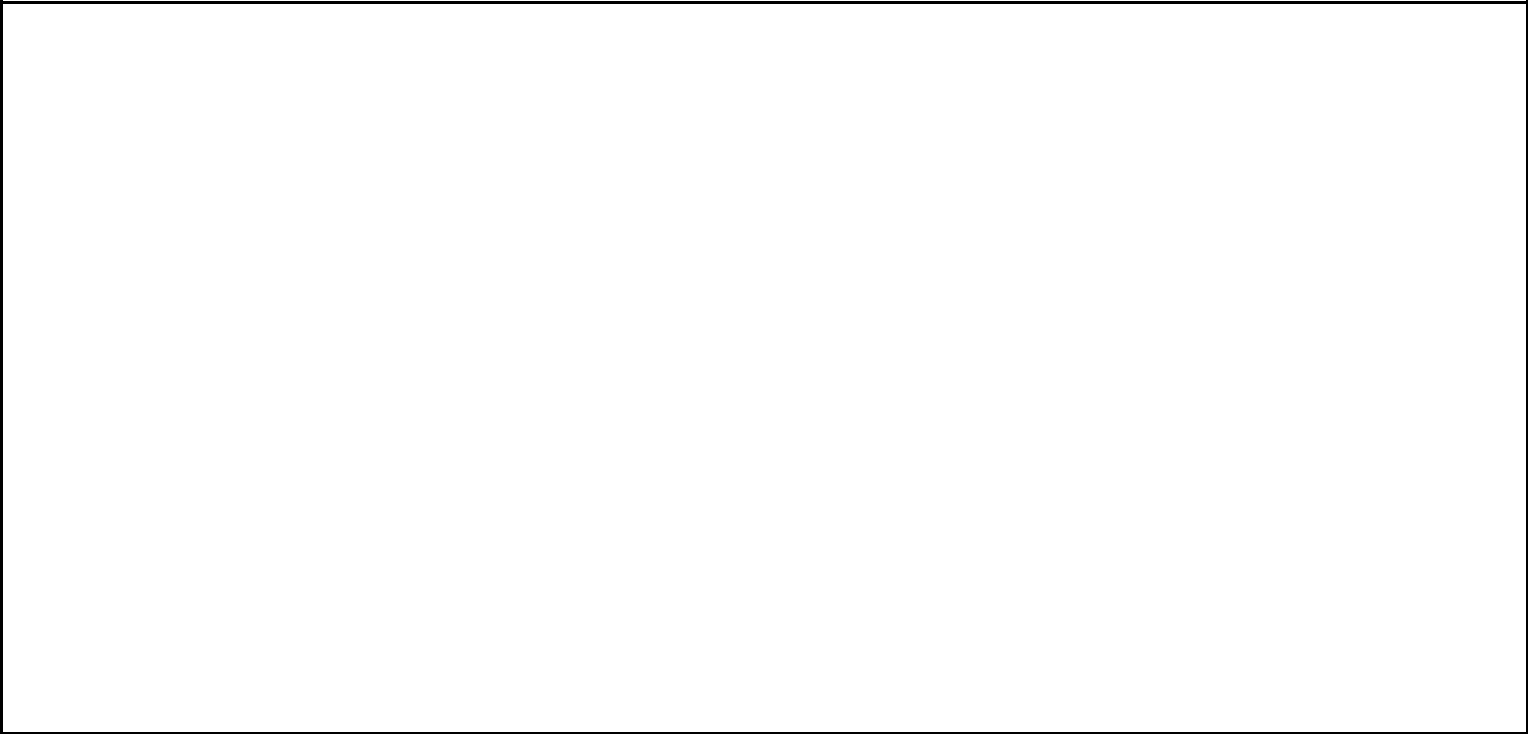
TSG Consumer Partners is a leading private equity firm focused exclusively on the branded consumer sector. TSG manages $2.7 billion of institutional equity capital and has invested in over 70 consumer brands since its founding in 1987. TSG utilizes its extensive industry expertise across verticals, such as food, beverage, beauty, apparel, accessories, restaurants, retail and franchisors, and works closely with its partner companies to implement fundamental improvements in sales, marketing, operations and financial controls.

Following the completion of this offering, investment funds affiliated with TSG will own approximately % of our Class A common stock, or % if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, and % of our outstanding

Class B common stock, or % if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, which, combined with

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their holdings of our Class A common stock, aggregates to % of our voting power, or % of our voting power if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, and % of the outstanding Holdings Units, or % of the outstanding Holdings Units if the underwriters exercise in full their option to purchase additional shares of our Class A common stock. As a result, we expect to be a “controlled company” within the meaning of the corporate governance standards of the New York Stock Exchange (the “NYSE”) and TSG will continue to have significant influence over us and decisions made by stockholders and may have interests that differ from yours. See “Risk factors—Risks related to our Class A common stock and this offering—TSG will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.”

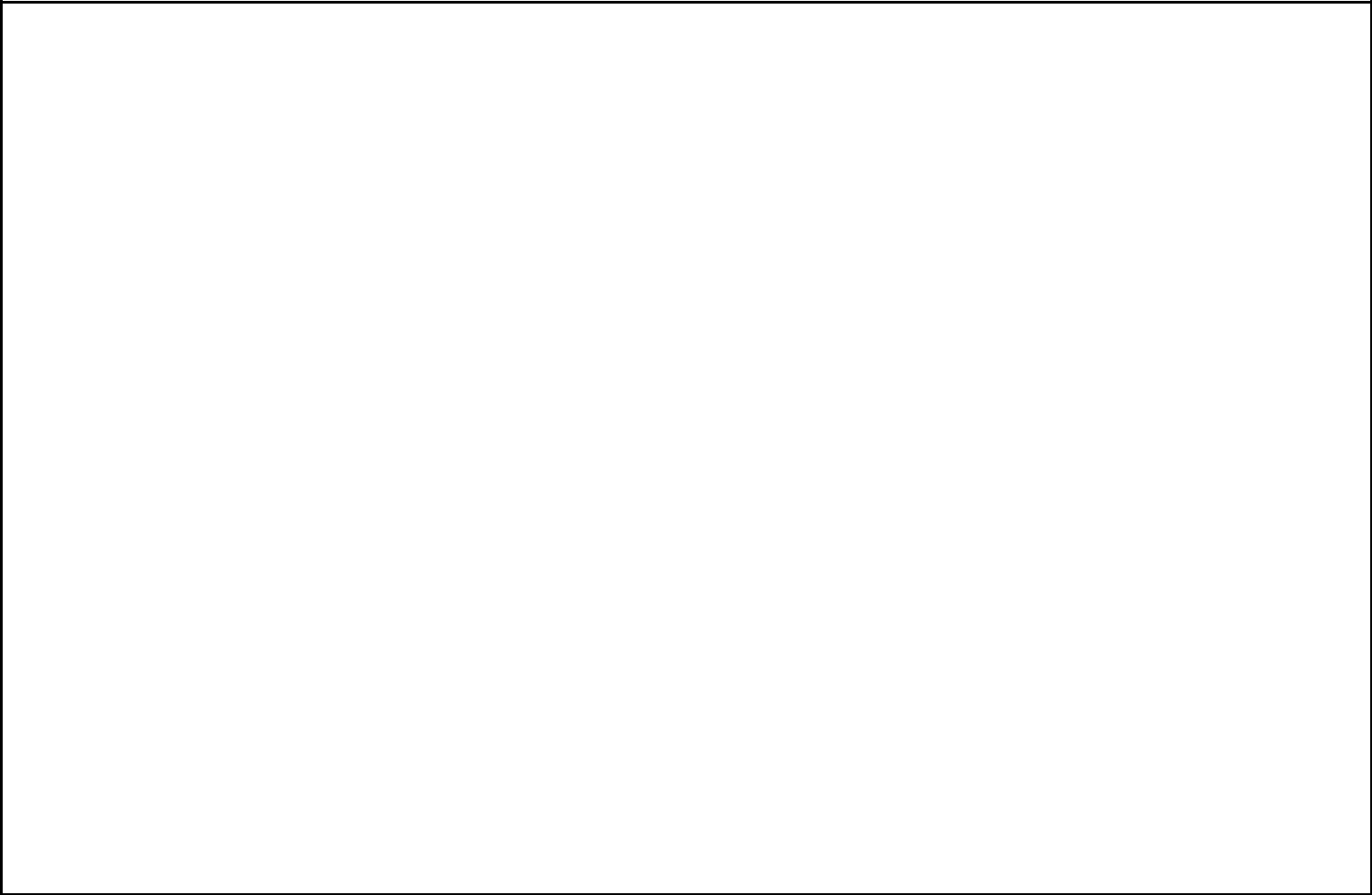
In connection with this offering, we intend to enter into a stockholders agreement with investment funds affiliated with TSG. Pursuant to the stockholders agreement, we will be required to take all necessary action to cause the board of directors and its committees to include individuals designated by TSG and to include such individuals in the slate of nominees recommended by the board of directors for election by our stockholders. These nomination rights are described in this prospectus in the sections titled “Management—Board composition and director independence” and “Management—Board committees.” In addition, our certificate of incorporation provides that we renounce any interest or expectancy in the business opportunities of TSG and of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries, and each such party will have no obligation to offer us those opportunities unless presented to one of our directors or officers in his or her capacity as a director or officer. Our TSG-affiliated directors have fiduciary duties to us and, in addition, have duties to TSG. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and TSG, whose interests may be adverse to ours in some circumstances.

**Corporate information**

Planet Fitness, Inc. was incorporated in Delaware in March 2015. Our principal executive offices are located at 26 Fox Run Road, Newington, New Hampshire 03801, and our telephone number is (603) 750-0001. Our Internet website is www.planetfitness.com. The information on, or that can be accessed through, this website and the other Internet websites that we present in this prospectus is not part of this prospectus, and you should not rely on any such information in making the decision whether to purchase shares of our Class A common stock.

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**The offering**

**Issuer in this offering** Planet Fitness, Inc.

**Class A common stock offered by** shares

**us**

**Class A common stock offered by** shares

**the selling stockholders**

**Underwriters’ option to purchase** shares

**additional shares of Class A**

**common stock from us**

**Class A common stock to be outstanding after this offering**

**Class B common stock to be outstanding after this offering**

**Voting rights**

shares (or shares if the underwriters exercise in full their option to purchase additional

shares of Class A common stock)

shares (or shares if the underwriters exercise in full their option to purchase additional

shares of Class A common stock), all of which will be owned by the Continuing LLC Owners.

Holders of our Class A common stock and Class B common stock will vote together as a single class on all matters presented to stockholders for their vote or approval, except as otherwise required by law or as otherwise provided by our certificate of incorporation. Each share of Class A common stock and Class B common stock will entitle its holder to one vote per share on all such matters. See “Description of capital stock.”

**Ratio of shares of Class A common** Our certificate of incorporation and the amended and restated limited liability company agreement of

**stock to Holdings Units** Pla-Fit Holdings, LLC (the “New LLC Agreement”) will require that (i) we at all times maintain a ratio of one Holdings Unit owned by us for each share of Class A common stock issued by us (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities), and (ii) Pla-Fit Holdings, LLC at all times maintain (x) a one-to-one ratio between the number of shares of Class A common stock issued by us and the number of Holdings Units owned by us and (y) a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owners and the number of Holdings Units owned by the Continuing LLC Owners. This construct is intended to result in the Continuing LLC Owners having a voting interest in Planet Fitness, Inc. that is identical to the Continuing LLC Owners’ percentage economic interest in Pla-Fit Holdings, LLC. The Continuing LLC Owners will own all of our outstanding Class B common stock.

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**Use of proceeds**

We estimate that the net proceeds to us from this offering will be approximately $ million, or approximately $ million if the underwriters exercise in full their option to purchase additional shares of Class A common stock, at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses.

We intend to use the net proceeds of this offering to purchase, through wholly owned subsidiaries, issued and outstanding Holdings Units from certain Continuing LLC Owners consisting of

investment funds affiliated with TSG (or Holdings Units if the underwriters exercise in full their option to purchase additional shares of Class A common stock), at a purchase price per unit equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions. Pla-Fit Holdings, LLC will not receive any proceeds that we use to purchase Holdings Units from Continuing LLC Owners, and we will not receive any of the proceeds from the sale of shares of our Class A common stock by the selling stockholders. Pla-Fit Holdings, LLC will bear or reimburse Planet Fitness, Inc. and the selling stockholders for all of the expenses of this offering. See “Use of proceeds.”

**Exchange and redemption rights of** The Continuing LLC Owners, from time to time following the offering, may require us to exchange all or

**holders of Holdings Units** a portion of their Holdings Units for newly issued shares of our Class A common stock on a one-for-one basis or, at our discretion, cash. Shares of our Class B common stock will be cancelled on a one-for-one basis if we, at the election of a Continuing LLC Owner, redeem or exchange Holdings Units of such Continuing LLC Owner pursuant to the terms of the exchange agreement. The decision whether to tender Holdings Units to us will be made solely at the discretion of the Continuing LLC Owners. We will exercise discretion regarding the form of consideration in a redemption or exchange. We expect such decisions will be made on behalf of the Company by the disinterested members of its board of directors.

|  |  |
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| **Tax receivable agreements** | Our acquisition of Holdings Units in connection with this offering and future and certain past exchanges |
|  | of Holdings Units for shares of our Class A common stock (or cash) are expected to produce and have |
|  | produced favorable tax attributes for us. Upon the completion of this offering, we will be a party to two |
|  | tax receivable agreements. Under the first of those agreements, we generally will be required to pay to |
|  | our Continuing LLC Owners 85% of the applicable cash savings, if any, in U.S. federal and state income |
|  | tax that we are deemed to realize as a result of certain tax attributes of their Holdings Units sold to us |
|  | (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units |
|  | for shares of our Class A common stock and (ii) tax benefits attributable to payments made under the |
|  | tax receivable agreement (including imputed |
|  |  |
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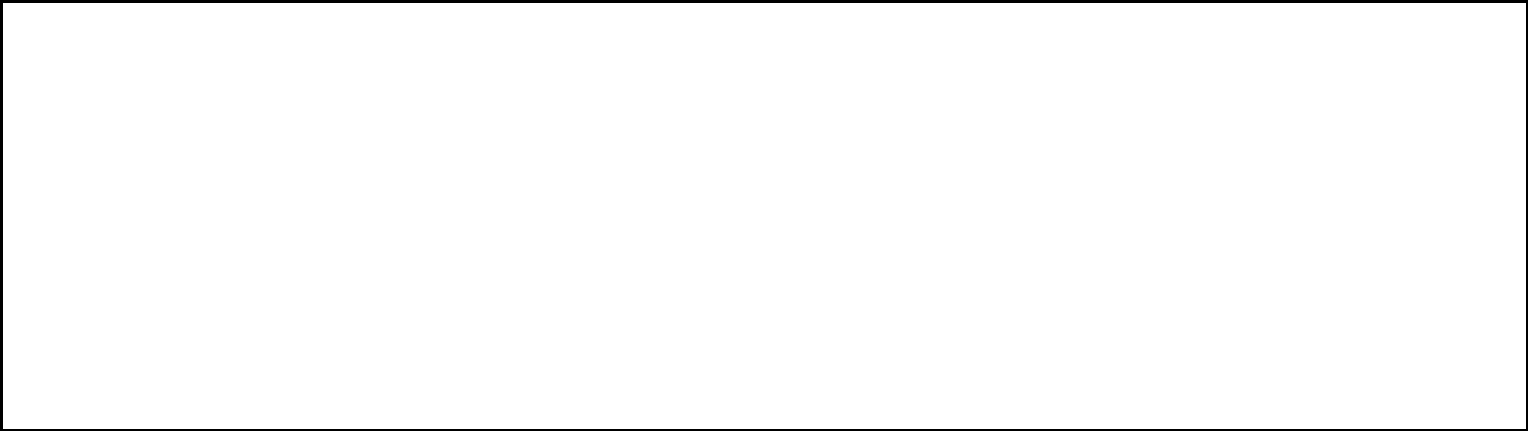
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interest). Under the second tax receivable agreement, we generally will be required to pay to the Direct TSG Investors 85% of the amount of cash savings, if any, that we are deemed to realize as a result of the tax attributes of the Holdings Units that we hold in respect of the Direct TSG Investors’ interest in us, which resulted from the Direct TSG Investors’ purchase of interests in our 2012 acquisition by investment funds affiliated with TSG (the “2012 Acquisition”), and certain other tax benefits. Under both agreements, we generally will retain the benefit of the remaining 15% of the applicable tax savings. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Tax receivable agreements.”

|  |  |  |
| --- | --- | --- |
| **Directed share program** | At our request, the underwriters have reserved up to | shares of Class A common stock, or |
|  | approximately % of the shares being offered by this prospectus, for sale, at the initial public offering | |
|  | price, to our directors, officers, employees and other parties associated with us or TSG. Shares of | |
|  | Class A common stock purchased by any of such other parties subject to a lock-up agreement with the | |
|  | underwriters will be subject to the 180-day lockup restriction described in the “Underwriting” section of | |
|  | this prospectus. The number of shares of Class A common stock available for sale to the general public | |
|  | will be reduced to the extent these parties purchase any of these reserved shares. Any reserved shares | |
|  | of Class A common stock that are not so purchased will be offered by the underwriters to the general | |
|  | public on the same terms as the other shares offered by this prospectus. | |
| **Controlled company** | Following this offering we will be a “controlled company” within the meaning of the corporate | |
|  | governance rules of the NYSE. See “Management—Board composition and director independence.” | |
| **Dividend policy** | We do not currently intend to pay dividends on our Class A common stock. Holders of our Class B | |
|  | common stock are not entitled to participate in any dividends declared by our board of directors. Any | |
|  | future determination to pay dividends to holders of Class A common stock will be at the sole discretion | |
|  | of our board of directors and will depend upon many factors, including general economic conditions, our | |
|  | financial condition and results of operations, our available cash and current and anticipated cash needs, | |
|  | capital requirements, contractual, legal, tax and regulatory restrictions, the implications of the payment | |
|  | of dividends by us to our stockholders or by our subsidiaries to us and any other factors that our board | |
|  | of directors may deem relevant. See “Dividend policy.” |  |
| **Risk factors** | You should read the “Risk factors” section of this prospectus for a discussion of factors to consider | |
|  | carefully before deciding to invest in shares of our Class A common stock. | |
|  |  |  |
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**Proposed NYSE symbol**

“PLNT”

The number of shares of Class A common stock to be outstanding after this offering is based on outstanding as of , 2015 and excludes the following:

shares of Class A common stock

* shares of Class A common stock issuable upon exchange or redemption of Holdings Units, together with corresponding shares of Class B common stock; and

• shares of Class A common stock reserved for future issuance under our equity incentive plans as of , 2015.

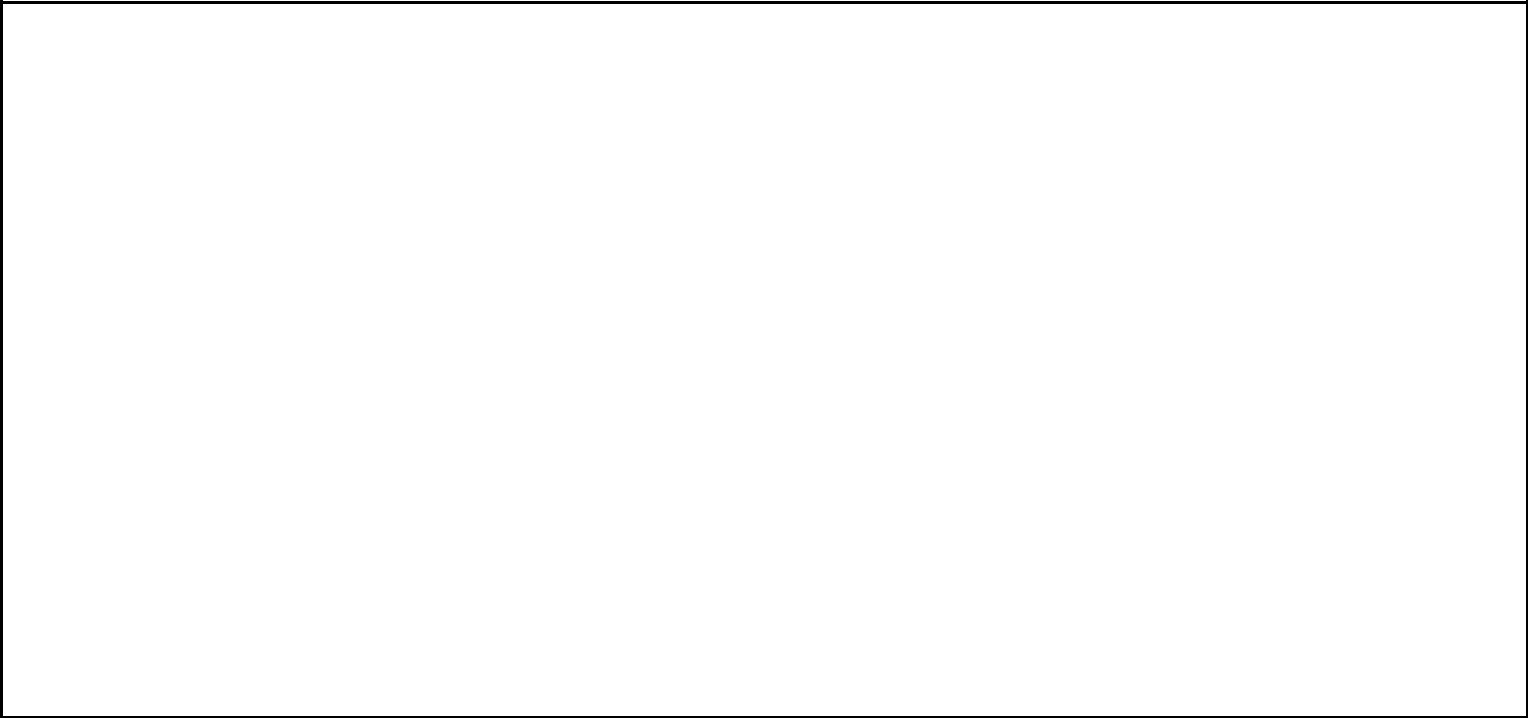
Unless otherwise indicated, this prospectus reflects and assumes the following:

* the consummation of the recapitalization transactions;
* the adoption of our certificate of incorporation and our bylaws to be effective upon the completion of this offering; and

• no exercise by the underwriters of their option to purchase up to additional shares of our Class A common stock in this offering.

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**Summary consolidated financial and other data**

The following table sets forth the summary consolidated financial and other data of Pla-Fit Holdings, LLC for the periods presented and at the dates indicated below. The following information should be read in conjunction with “The recapitalization transactions,” “Use of proceeds,” “Capitalization,” “Management’s discussion and analysis of financial condition and results of operations” and our audited and unaudited consolidated financial statements and the related notes included elsewhere in this prospectus. Following this offering, Pla-Fit Holdings, LLC will be considered our predecessor for accounting purposes, and its consolidated financial statements will be our historical financial statements. The terms “Predecessor” and “Successor” used below and throughout this prospectus refer to the periods prior and subsequent to the 2012 Acquisition, respectively.

The summary consolidated financial data as of December 31, 2013 and 2014 and for the periods from January 1, 2012 to November 7, 2012 (Predecessor) and November 8, 2012 to December 31, 2012 (Successor) and for the years ended December 31, 2013 and 2014 (Successor) are derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of March 31, 2015 and for the quarters ended March 31, 2014 and 2015 are derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of March 31, 2014 is derived from our unaudited balance sheet not included in this prospectus. In the opinion of our management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for those periods have been reflected.

The unaudited combined results of operations and cash flows for the year ended December 31, 2012 represents the mathematical addition of our Predecessor’s results of operations from January 1, 2012 to November 7, 2012, and the Successor’s results of operations from November 8, 2012 to December 31, 2012. We have included the unaudited combined financial information in order to facilitate a comparison with our other years.

Summary consolidated financial data for Planet Fitness, Inc. has not been provided, as Planet Fitness, Inc. is a newly incorporated entity and has had no business transactions or other activities to date and no assets or liabilities during the periods presented below.

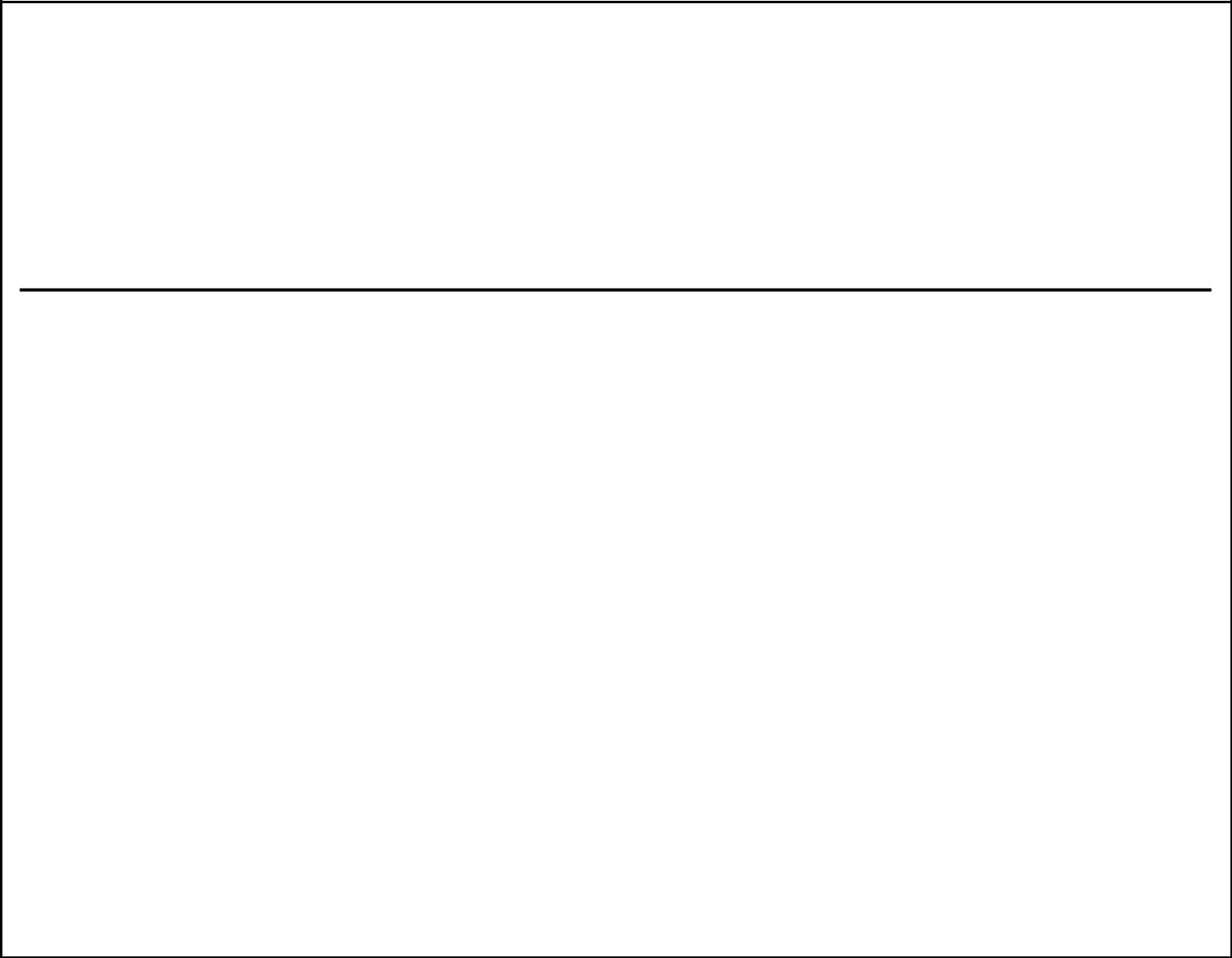
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **Period from** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **January 1,** | | |  |  | **Period from** | | |  | **Combined** | | |  |  |  | **Years ended** | | | |  | **Quarters ended** | | | | | |  |  |
|  |  |  | **2012** | |  |  | **November 8, 2012** | | | |  | **year ended** | | |  |  |  |  |  |  |
|  |  |  | **through** | | |  |  | **through** | | |  | **December** | | |  | **December 31,** | | | | | |  |  |  | **March 31,** | | | |  |  |
|  |  |  | **November 7,** | | |  |  | **December 31,** | | |  | **31,** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **(in millions, except per share data)** |  | **2012** | |  |  |  | **2012** | |  |  | **2012** | |  |  | **2013** | |  |  | **2014** | |  | **2014** | |  |  | **2015** | |  |  |
|  |  |  |  |  |  |  |  |  |  |  | **(Unaudited)(1)** | |  |  |  |  |  |  |  |  |  | **(Successor,** | | |  | **(Successor,** | | |  |  |
|  |  | **(Predecessor)** | | | |  |  | **(Successor)** | | | **(Successor)** | | |  | **(Successor)** | | | **Unaudited)** | | |  | **Unaudited)** | | |  |  |
|  | **Consolidated statement of operations** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **data:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Revenue:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Franchise | $ | 28.4 | |  |  | $ | 6.3 | |  | $ | 34.7 | |  | $ | 44.1 | | $ | | 71.9 | | $ | 16.5 | | $ | | 21.8 | |  |  |
|  | Corporate-owned stores |  | 40.4 | |  |  |  | 8.8 | |  |  | 49.2 | |  |  | 67.4 | |  |  | 85.0 | |  | 17.7 | |  |  | 23.5 | |  |  |
|  | Equipment |  | 49.1 | |  |  |  | 26.7 | |  |  | 75.8 | |  |  | 99.5 | |  |  | 122.9 | |  | 23.4 | |  |  | 31.6 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total revenue |  | 117.9 | |  |  |  | 41.8 | |  |  | 159.7 | |  |  | 211.0 | |  |  | 279.8 | |  | 57.6 | |  |  | 76.9 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Operating costs and expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cost of revenue |  | 41.0 | |  |  |  | 21.5 | |  |  | 62.5 | |  |  | 81.4 | |  |  | 100.3 | |  | 19.2 | |  |  | 26.0 | |  |  |
|  | Store operations |  | 28.4 | |  |  |  | 5.9 | |  |  | 34.3 | |  |  | 41.7 | |  |  | 49.5 | |  | 10.5 | |  |  | 14.3 | |  |  |
|  | Selling, general and administrative |  | 19.5 | |  |  |  | 2.6 | |  |  | 22.1 | |  |  | 23.1 | |  |  | 35.1 | |  | 6.6 | |  |  | 14.1 | |  |  |
|  | Depreciation and amortization |  | 5.7 | |  |  |  | 7.0 | |  |  | 12.7 | |  |  | 28.8 | |  |  | 32.3 | |  | 6.5 | |  |  | 8.2 | |  |  |
|  | Other (gains) losses |  | (1.9) | |  |  |  | — | | |  | (1.9) | |  |  | — | |  |  | 1.0 | |  | 1.3 | |  |  | — | |  |  |
|  | Total operating costs and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | expenses |  | 92.7 | |  |  |  | 37.0 | |  |  | 129.7 | |  |  | 175.0 | |  |  | 218.2 | |  | 44.1 | |  |  | 62.6 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Income from operations |  | 25.2 | |  |  |  | 4.8 | |  |  | 30.0 | |  |  | 36.0 | |  |  | 61.6 | |  | 13.5 | |  |  | 14.3 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Other income (expense), net: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Interest income |  | 0.9 | |  |  |  | 0.1 | |  |  | 1.0 | |  |  | 0.5 | |  |  | 0.4 | |  | 0.1 | |  |  | 0.2 | |  |  |
|  | Interest expense(2) |  | (2.3) | |  |  |  | (2.5) | |  |  | (4.8) | |  |  | (9.4) | |  |  | (22.2) | |  | (6.6) | |  |  | (5.0) | |  |  |
|  | Other income (expense) |  | — | | |  |  | (0.1) | |  |  | (0.1) | |  |  | (0.7) | |  |  | (1.3) | |  | (0.4) | |  |  | (0.7) | |  |  |
|  | Total |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | other |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | expense, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | net |  | (1.4) | |  |  |  | (2.5) | |  |  | (3.9) | |  |  | (9.6) | |  |  | (23.1) | |  | (6.9) | |  |  | (5.5) | |  |  |
|  | Income before provision for income |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | taxes |  | 23.8 | |  |  |  | 2.3 | |  |  | 26.1 | |  |  | 26.4 | |  |  | 38.5 | |  | 6.6 | |  |  | 8.8 | |  |  |
|  | Provision for income taxes |  | 0.6 | |  |  |  | 0.1 | |  |  | 0.7 | |  |  | 0.6 | |  |  | 1.2 | |  | 0.3 | |  |  | 0.3 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net income |  | 23.2 | |  |  |  | 2.2 | |  |  | 25.4 | |  |  | 25.8 | |  |  | 37.3 | |  | 6.3 | |  |  | 8.5 | |  |  |
|  | Less net income attributable to |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | noncontrolling interests |  | 1.0 | |  |  |  | — | | |  | 1.0 | |  |  | 0.4 | |  |  | 0.5 | |  | 0.2 | |  |  | 0.1 | |  |  |
|  | Net income attributable to members |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | of Pla-Fit Holdings, LLC | $ | 22.2 | |  |  | $ | 2.2 | |  | $ | 24.4 | |  | $ | 25.4 | | $ | | 36.8 | | $ | 6.1 | | $ | | 8.4 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Pro forma net income per share data** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **(unaudited):**(3) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Pro forma net income per share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | | — | |  |  |  | $ | | — | |  |  |
|  | Diluted |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | | — | |  |  |  | $ | | — | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Pro forma weighted average shares of |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Class A common stock outstanding: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Diluted |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Consolidated statement of cash flows** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **data:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash provided by operating activities |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 66.9 | | $ | | 79.4 | | $ | 8.2 | | $ | | 12.0 | |  |  |
|  | Net cash used in investing activities |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | (7.1) | | $ | | (54.4) | | $ | (39.5) | | $ | | (5.3) | |  |  |
|  | Net cash used in financing activities |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | (38.0) | | $ | | (13.0) | | $ | 15.0 | | $ | | (22.5) | |  |  |
|  | **Consolidated balance sheet data:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 31.3 | | $ | | 43.3 | | $ | 15.0 | | $ | | 27.5 | |  |  |
|  | Property and equipment, net |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 33.8 | | $ | | 49.6 | | $ | 40.6 | | $ | | 51.6 | |  |  |
|  | Total assets |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 562.1 | | $ | | 609.3 | | $ | 579.4 | | $ | | 579.6 | |  |  |
|  | Total debt and capital lease obligations |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 184.5 | | $ | | 387.5 | | $ | 391.1 | | $ | | 506.4 | |  |  |
|  | Total equity |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 321.9 | | $ | | 151.7 | | $ | 144.3 | | $ | | 12.4 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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1. The table above sets forth our results of operations for the period from January 1, 2012 to November 7, 2012 (Predecessor), and the period November 8, 2012 to December 31, 2012 (Successor). The unaudited combined results of operations and cash flows for the year ended December 31, 2012 represents the mathematical addition of our Predecessor’s results of operations from January 1, 2012 to November 7, 2012, and the Successor’s results of operations from November 8, 2012 to December 31, 2012. We have included the unaudited combined financial information in order to facilitate a comparison with our other years. Each of the Predecessor and Successor results for the period from January 1, 2012 to November 7, 2012, and the period from November 8, 2012 to December 31, 2012, respectively, have been audited and are consistent with United States Generally Accepted Accounting Principles (“GAAP”). However, the presentation of unaudited combined financial information for the year ended December 31, 2012 is not consistent with GAAP or with the pro forma requirements of Article 11 of Regulation S-X, and may yield results that are not comparable on a period-to-period basis primarily due to (i) the impact of required purchase accounting adjustments and (ii) the new basis of accounting established in connection with the 2012 Acquisition. Such results are not necessarily indicative of what the results for the respective periods would have been had the 2012 Acquisition not occurred. All references to the year ended December 31, 2012 in this prospectus are based on this unaudited combined information.
2. Interest expense in 2014 includes $4.7 million for the loss on extinguishment of debt.
3. Basic net income per share is computed by dividing the net income available to common stockholders by the weighted-average shares of common stock outstanding during the period. Diluted net income per share is computed by dividing the net income available to common stockholders by the weighted-average shares of common stock outstanding adjusted to give effect to potentially dilutive securities. For more information regarding the pro forma presentation of these measures, see “Unaudited pro forma consolidated financial information.”

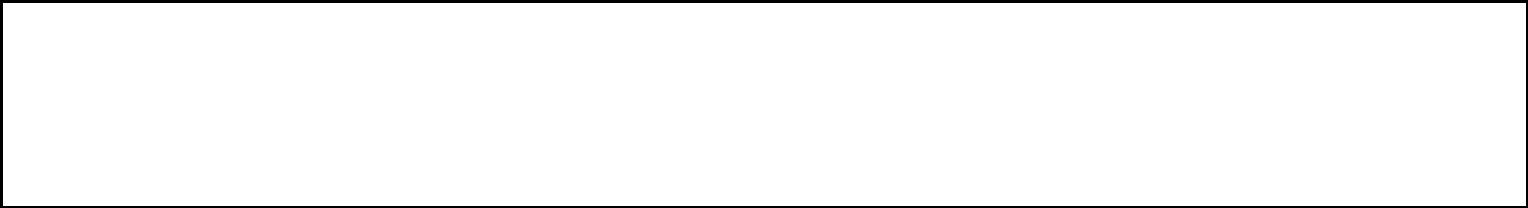
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Years ended December 31,** | | | |  |  | **Quarters ended March 31,** | | | | |  |  |
|  |  | **2012** | |  | **2013** | |  | **2014** | |  | **2014** | |  | **2015** | |  |  |
|  | **(Combined)** | | | **(Successor)** | | | **(Successor)** | | | **(Successor)** | | | **(Successor)** | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Other Operating Data: (Unaudited)(1)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Number of stores at end of period:(2)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchisee-owned |  | 562 | |  | 704 | |  | 863 | |  | 732 | |  | 919 | |  |  |
| Corporate-owned |  | 44 | |  | 45 | |  | 55 | |  | 53 | |  | 57 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| System-wide |  | 606 | |  | 749 | |  | 918 | |  | 785 | |  | 976 | |  |  |
| Same store sales growth:(3) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchisee-owned |  | 8.7% | |  | 9.1% | |  | 11.5% | |  | 13.6% | |  | 11.7% | |  |  |
| Corporate-owned |  | 4.8% | |  | 6.1% | |  | 5.4% | |  | 6.1% | |  | 4.6% | |  |  |
| System-wide |  | 8.1% | |  | 8.4% | |  | 10.8% | |  | 13.0% | |  | 10.9% | |  |  |
| **(In millions)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| System-wide membership data: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Number of members at end of period(4) |  | 3.7 | |  | 4.8 | |  | 6.1 | |  | 5.7 | |  | 7.1 | |  |  |
| System-wide sales(5) | $ | 693.7 | | $ | 891.0 | | $ | 1,189.9 | | $ | 228.0 | | $ | 328.0 | |  |  |
| EBITDA(6) | $ | 42.6 | | $ | 64.1 | | $ | 92.6 | | $ | 19.6 | | $ | 21.8 | |  |  |
| Adjusted EBITDA(6) | $ | 51.3 | | $ | 71.1 | | $ | 100.6 | | $ | 22.0 | | $ | 28.5 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. For the other operating data shown in the table above, we have combined the Predecessor and the Successor periods to present 2012 on a combined basis only.
2. We classify a store as open on the date the store receives its occupancy certificate, which is typically the date the store is first available for use by its members.
3. Same store sales refers to year-over-year sales comparisons for the same store sales base. We define the same store sales base to include those stores that have been open and for which membership dues have been billed for longer than 12 months. We measure same store sales based solely on monthly dues billed to members of our corporate-owned stores and franchisee-owned stores.
4. We define members as all active members, which includes monthly billing members, prepay members and all pre-sale members. Pre-sale members include those that have joined a store prior to the store opening. This data is system-wide, which includes members of both corporate-owned and franchisee-owned stores.
5. We define system-wide sales as the monthly dues and annual fees from members of both corporate-owned and franchisee-owned stores.

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1. EBITDA is defined as net income before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as net income before interest, taxes, depreciation and amortization, adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include certain purchase accounting adjustments, management fees, certain IT system upgrade costs, acquisition transaction fees, IPO-related costs, pre-opening costs and certain other charges and gains that we do not believe reflect our underlying business performance. EBITDA and Adjusted EBITDA as presented in this prospectus are supplemental measures of our performance that are neither required by, nor presented in accordance with, GAAP. EBITDA and Adjusted EBITDA should not be considered as substitutes for GAAP metrics such as net income or any other performance measures derived in accordance with GAAP. Also, in the future we may incur expenses or charges such as those added back to calculate Adjusted EBITDA. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. See “Management’s discussion and analysis of financial condition and results of operations—Non-GAAP financial measures.”



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**Risk factors**

*This offering and investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including our consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our Class A common stock. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of our Class A common stock could decline and you could lose all or part of your investment.*

**Risks related to our business and industry**

***Our financial results are affected by the operating and financial results of and our relationships with our franchisees.***

A substantial portion of our revenues come from royalties, which are generally based on a percentage of monthly membership dues and annual fees at our franchise stores, other fees and commissions generated from activities associated with our franchisees and equipment sales to our franchisees. As a result, our financial results are largely dependent upon the operational and financial results of our franchisees. As of March 31, 2015, we had 187 franchisee groups operating 919 stores. Negative economic conditions, including inflation, increased unemployment levels and the effect of decreased consumer confidence or changes in consumer behavior, could materially harm our franchisees’ financial condition, which would cause our royalty and other revenues to decline and materially and adversely affect our results of operations and financial condition as a result. In addition, if our franchisees fail to renew their franchise agreements, these revenues may decrease, which in turn could materially and adversely affect our results of operations and financial condition.

***Our franchisees could take actions that harm our business.***

Our franchisees are contractually obligated to operate their stores in accordance with the operational, safety and health standards set forth in our agreements with them. However, franchisees are independent third parties and their actions are outside of our control. In addition, we cannot be certain that our franchisees will have the business acumen or financial resources necessary to operate successful franchises in their approved locations, and certain state franchise laws may limit our ability to terminate or modify these franchise agreements. The franchisees own, operate and oversee the daily operations of their stores. As a result, the ultimate success and quality of any franchise store rests with the franchisee. If franchisees do not successfully operate stores in a manner consistent with required standards and comply with local laws and regulations, franchise fees and royalties paid to us may be adversely affected and our brand image and reputation could be harmed, which in turn could adversely affect our results of operations and financial condition.

Moreover, although we believe we generally maintain positive working relationships with our franchisees, disputes with franchisees could damage our brand image and reputation and our relationships with our franchisees, generally.

***Our success depends substantially on the value of our brand.***

Our success is dependent in large part upon our ability to maintain and enhance the value of our brand, our store members’ connection to our brand and a positive relationship with our franchisees. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to the way we manage our relationships with our franchisees, our growth strategies, our development efforts or the ordinary course of our, or our

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franchisees’, businesses. Other incidents that could be damaging to our brand may arise from events that are or may be beyond our ability to control, such as:

* actions taken (or not taken) by one or more franchisees or their employees relating to health, safety, welfare or otherwise;
* data security breaches or fraudulent activities associated with our and our franchisees’ electronic payment systems;
* litigation and legal claims;
* third-party misappropriation, dilution or infringement of our intellectual property;
* regulatory, investigative or other actions relating to our and our franchisees’ provision of indoor tanning services; and
* illegal activity targeted at us or others.

Consumer demand for our stores and our brand’s value could diminish significantly if any such incidents or other matters erode consumer confidence in us or our stores, which would likely result in fewer memberships sold or renewed and, ultimately, lower royalty revenue, which in turn could materially and adversely affect our results of operations and financial condition.

***If we fail to successfully implement our growth strategy, which includes new store development by existing and new franchisees, our ability to increase our revenues and operating profits could be adversely affected.***

Our growth strategy relies in large part upon new store development by existing and new franchisees. Our franchisees face many challenges in opening new stores, including:

* availability and cost of financing;
* selection and availability of suitable store locations;
* competition for store sites;
* negotiation of acceptable lease and financing terms;
* securing required domestic or foreign governmental permits and approvals;
* health and fitness trends in new geographic regions and acceptance of our offerings;
* employment, training and retention of qualified personnel;
* ability to open new stores during the timeframes we and our franchisees expect; and
* general economic and business conditions.

In particular, because the majority of our new store development is funded by franchisee investment, our growth strategy is dependent on our franchisees’ (or prospective franchisees’) ability to access funds to finance such development. If our franchisees (or prospective franchisees) are not able to obtain financing at commercially reasonable rates, or at all, they may be unwilling or unable to invest in the development of new stores, and our future growth could be adversely affected.

Our growth strategy also relies on our ability to identify, recruit and enter into agreements with a sufficient number of franchisees. In addition, our ability and the ability of our franchisees to successfully open and operate new stores in new markets may be adversely affected by a lack of awareness or acceptance of our

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brand as well as a lack of existing marketing efforts and operational execution in these new markets. To the extent that we are unable to implement effective marketing and promotional programs and foster recognition and affinity for our brand in new markets, our and our franchisees’ new stores may not perform as expected and our growth may be significantly delayed or impaired. In addition, franchisees of new stores may have difficulty securing adequate financing, particularly in new markets, where there may be a lack of adequate history and brand familiarity. New stores may not be successful or our average store membership sales may not increase at historical rates, which could materially and adversely affect our business, results of operations and financial condition.

To the extent our franchisees are unable to open new stores as we anticipate, we will not realize the revenue growth that we hope or expect. Our failure to add a significant number of new stores would adversely affect our ability to increase our revenues and operating income and could materially and adversely affect our business, results of operations and financial condition.

***Our planned growth could place strains on our management, employees, information systems and internal controls, which may adversely impact our business.***

Over the past several years, we have experienced growth in our business activities and operations, including a significant increase in the number of system-wide stores. Our past expansion has placed, and our planned future expansion may place, significant demands on our administrative, operational, financial and other resources. Any failure to manage growth effectively could seriously harm our business. To be successful, we will need to continue to implement management information systems and improve our operating, administrative, financial and accounting systems and controls. We will also need to train new employees and maintain close coordination among our executive, accounting, finance, legal, human resources, risk management, marketing, technology, sales and operations functions. These processes are time-consuming and expensive, increase management responsibilities and divert management attention, and we may not realize a return on our investment in these processes. In addition, we believe the culture we foster at our and our franchisees’ stores is an important contributor to our success. However, as we expand we may have difficulty maintaining our culture or adapting it sufficiently to meet the needs of our operations. These risks may be heightened as our growth accelerates. In 2014, our franchisees opened 169 stores, compared to 148 stores in 2013 and 118 stores in 2012. Our failure to successfully execute on our planned expansion of stores could materially and adversely affect our results of operations and financial condition.

***We and our franchisees rely heavily on information systems, and any material failure, interruption or weakness may prevent us from effectively operating our business and damage our reputation.***

We and our franchisees increasingly rely on information systems, including our point-of-sale processing systems in our stores and other information systems managed by third parties, to interact with our franchisees and members and collect, maintain and store member information and other personally identifiable information, including for the operation of stores, collection of cash, management of our supply chain, accounting, staffing, payment of obligations, Automated Clearing House (“ACH”) transactions, credit and debit card transactions and other processes and procedures. Furthermore, we have recently migrated our point-of-sale system from a proprietary, third-party hosted system to a commercially available, third-party hosted system. In connection with the migration, there may be issues, bugs, data inconsistencies, outages and interruptions that could impact our business. Our ability to efficiently and effectively manage our franchisee and corporate-owned stores depends significantly on the reliability and capacity of these systems, and any potential failure of these third parties to provide quality uninterrupted service is beyond our control.

Our and our franchisees’ operations depend upon our ability, and the ability of our franchisees and third-party service providers, to protect our computer equipment and systems against damage from physical theft, fire,

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power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, denial-of-service attacks and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding our systems as we grow, a breach in security of these systems or other unanticipated problems could result in interruptions to or delays in our business and member service and reduce efficiency in our operations. In addition, the implementation of technology changes and upgrades to maintain current and integrate new systems, as well as transitions from one service provider to another, may also cause service interruptions, operational delays due to the learning curve associated with using a new system, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. If our information systems, or those of our franchisees and third-party service providers, fail and our or our partners’ third-party back-up or disaster recovery plans are not adequate to address such failures, our revenues and profits could be reduced and the reputation of our brand and our business could be materially adversely affected. If we need to move to a different third-party system, our operations, including electronic funds transfer (“EFT”) drafting, could be interrupted. In addition, remediation of such problems could result in significant, unplanned operating or capital expenditures.

***If we fail to properly maintain the confidentiality and integrity of our data, including member credit, debit card and bank account information, our reputation and business could be materially and adversely affected.***

In the ordinary course of business, we and our franchisees collect, transmit and store member and employee data, including credit and debit card numbers, bank account information, drivers license numbers, dates of birth and other highly sensitive personally identifiable information, in information systems that we maintain and in those maintained by franchisees and third parties with whom we contract to provide services. Some of this data is sensitive and could be an attractive target of criminal attack by malicious third parties with a wide range of motives and expertise, including organized criminal groups, “hactivists,” disgruntled current or former employees, and others. The integrity and protection of that member and employee data is critical to us.

Despite the security measures we have in place to comply with applicable laws and rules, our facilities and systems, and those of our franchisees and third-party service providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, misplaced, corrupted or lost data, programming or human errors or other similar events. Furthermore, the size and complexity of our information systems, and those of our franchisees and our third-party vendors, make such systems potentially vulnerable to security breaches from inadvertent or intentional actions by our employees, franchisees or vendors, or from attacks by malicious third parties. Because such attacks are increasing in sophistication and change frequently in nature, we, our franchisees and our third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of our systems, or those of our franchisees and third-party vendors, may not be discovered promptly.

Additionally, the collection, maintenance, use, disclosure and disposal of personally identifiable information by our, or our franchisees’, businesses are regulated at the federal, state and provincial levels as well as by certain industry groups, such as the Payment Card Industry organization and the National Automated Clearing House Association (“NACHA”). Federal, state, provincial and industry groups may also consider and implement from time to time new privacy and security requirements that apply to our businesses. Compliance with evolving privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on our business models and the development of new administrative processes. They also may impose further restrictions on our collection, disclosure and use of personally identifiable information that are housed in one or more of our franchisees’ databases or those of our third-party service providers. Noncompliance with privacy laws, industry group requirements or a security breach involving the misappropriation, loss or other unauthorized disclosure of personal, sensitive or confidential information, whether by us or by one of our franchisees or vendors, could have material adverse effects on our and our franchisees’

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business, operations, brand, reputation and financial condition, including decreased revenue, material fines and penalties, litigation, increased financial processing fees, compensatory, statutory, punitive or other damages, adverse actions against our licenses to do business and injunctive relief by court or consent order. We maintain and we require our franchisees to maintain cyber risk insurance, but in the event of a significant data security breach, this insurance may not cover all of the losses that we would be likely to suffer.

***Changes in legislation or requirements related to electronic fund transfer, or our failure to comply with existing or future regulations, may adversely impact our business.***

We primarily accept payments for our memberships through electronic fund transfers from members’ bank accounts and, therefore, we are subject to federal, state and provincial legislation and certification requirements governing EFT, including the Electronic Funds Transfer Act. Some states, such as New York and Tennessee, have passed or have considered legislation requiring gyms and health clubs to offer a prepaid membership option at all times and/or limit the duration for which gym memberships can auto-renew through EFT payments, if at all. Our business relies heavily on the fact that our memberships continue on a month-to-month basis after the completion of any initial term requirements, and compliance with these laws and regulations and similar requirements may be onerous and expensive. In addition, variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business. States that have such health club statutes provide harsh penalties for violations, including membership contracts being void or voidable. Our failure to comply fully with these rules or requirements may subject us to fines, higher transaction fees, penalties, damages and civil liability and may result in the loss of our ability to accept EFT payments, which would have a material adverse effect on our business, results of operations and financial condition. In addition, any such costs, which may arise in the future as a result of changes to the legislation and regulations or in their interpretation, could individually or in the aggregate cause us to change or limit our business practice, which may make our business model less attractive to our franchisees and our and their members.

***We are subject to a number of risks related to ACH, credit card and debit card payments we accept.***

We accept payments through ACH, credit card and debit card transactions. For ACH, credit card and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our memberships, which could cause us to lose members or suffer an increase in our operating expenses, either of which could harm our operating results.

If we or any of our processing vendors have problems with our billing software, or the billing software malfunctions, it could have an adverse effect on our member satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our members’ credit cards, debit cards or bank accounts on a timely basis or at all, we could lose membership revenue, which would harm our operating results.

If we fail to adequately control fraudulent ACH, credit card and debit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher ACH, credit card and debit card related costs, each of which could adversely affect our business, financial condition and results of operations. The termination of our ability to process payments through ACH transactions or on any major credit or debit card would significantly impair our ability to operate our business.

***Our and our franchisees’ stores may be unable to attract and retain members, which would materially and adversely affect our business, results of operations and financial condition.***

Our target market is average people seeking regular exercise and people who are new to fitness. The success of our business depends on our and our franchisees’ ability to attract and retain members. Our and our

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franchisees’ marketing efforts may not be successful in attracting members to stores, and membership levels may materially decline over time, especially at stores in operation for an extended period of time. Members may cancel their memberships at any time after giving proper advance written notice, subject to an initial minimum term applicable to certain memberships. We may also cancel or suspend memberships if a member fails to provide payment for an extended period of time. In addition, we experience attrition and must continually engage existing members and attract new members in order to maintain membership levels. A portion of our member base does not regularly use our stores and may be more likely to cancel their membership. Some of the factors that could lead to a decline in membership levels include changing desires and behaviors of consumers or their perception of our brand, changes in discretionary spending trends and general economic conditions, market maturity or saturation, a decline in our ability to deliver quality service at a competitive price, an increase in monthly membership dues due to inflation, direct and indirect competition in our industry, and a decline in the public’s interest in health and fitness, among other factors. In order to increase membership levels, we may from time to time offer promotions or lower monthly dues or annual fees. If we and our franchisees are not successful in optimizing price or in adding new memberships in new and existing stores, growth in monthly membership dues or annual fees may suffer. Any decrease in our average dues or fees or higher membership costs may adversely impact our results of operation and financial condition.

***If we and our franchisees are unable to identify and secure suitable sites for new franchise stores, our revenue growth rate and profits may be negatively impacted.***

To successfully expand our business, we and our franchisees must identify and secure sites for new franchise stores and, to a lesser extent, new corporate-owned stores that meet our established criteria. In addition to finding sites with the right demographic and other measures we employ in our selection process, we also need to evaluate the penetration of our competitors in the market. We face significant competition for sites that meet our criteria, and as a result we may lose those sites, our competitors could copy our format or we could be forced to pay significantly higher prices for those sites. If we and our franchisees are unable to identify and secure sites for new stores, our revenue growth rate and profits may be negatively impacted. Additionally, if our or our franchisees’ analysis of the suitability of a store site is incorrect, we or our franchisees may not be able to recover the capital investment in developing and building the new store.

As we increase our number of stores, we and our franchisees may also open stores in higher-cost geographies, which could entail greater lease payments and construction costs, among others. The higher level of invested capital at these stores may require higher operating margins and higher net income per store to produce the level of return we or our franchisees and potential franchisees expect. Failure to provide this level of return could adversely affect our results of operations and financial condition.

***Opening new stores in close proximity may negatively impact our existing stores’ revenues and profitability.***

We and our franchisees currently operate stores in 47 states, Puerto Rico and Canada, and we and our franchisees plan to open many new stores in the future, some of which will be in existing markets. We intend to continue opening new franchise stores in our existing markets as part of our growth strategy, some of which may be located in close proximity to stores already in those markets. Opening new stores in close proximity to existing stores may attract some memberships away from those existing stores, which may lead to diminished revenues and profitability for us and our franchisees rather than increased market share. In addition, as a result of new stores opening in existing markets and because older stores will represent an increasing proportion of our store base over time, our same store sales increases may be lower in future periods than they have been historically.

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***We are subject to a variety of additional risks associated with our franchisees.***

Our franchise business model subjects us to a number of risks, any one of which may impact our royalty revenues collected from our franchisees, may harm the goodwill associated with our brand, and may materially and adversely impact our business and results of operations.

*Bankruptcy of franchisees.* A franchisee bankruptcy could have a substantial negative impact on our ability to collect payments due under suchfranchisee’s franchise agreement(s). In a franchisee bankruptcy, the bankruptcy trustee may reject its franchise agreement(s), ADA(s) and/or franchisee lease/sublease pursuant to Section 365 under the U.S. bankruptcy code, in which case there would be no further royalty payments from such franchisee, and we may not ultimately recover those payments in a bankruptcy proceeding of such franchisee in connection with a damage claim resulting from such rejection.

*Franchisee changes in control.* Our franchises are operated by independent business owners. Although we have the right to approve franchiseowners, and any transferee owners, it can be difficult to predict in advance whether a particular franchise owner will be successful. If an individual franchise owner is unable to successfully establish, manage and operate the store, the performance and quality of service of the store could be adversely affected, which could reduce memberships and negatively affect our royalty revenues and brand image. Although our agreements prohibit “changes in control” of a franchisee without our prior consent as the franchisor, a franchise owner may desire to transfer a store to a transferee franchisee. In addition, in the event of the death or disability of a franchisee (if a natural person) or a principal of a franchisee entity, the executors and representatives of the franchisee are required to transfer the relevant franchise agreements to a successor franchisee approved by the franchisor. In any transfer situation, the transferee may not be able to perform the former franchisee’s obligations under such franchise agreements and successfully operate the store. In such a case the performance and quality of service of the store could be adversely affected, which could also reduce memberships and negatively affect our royalty revenues and brand image.

*Franchisee insurance.* Our franchise agreements require each franchisee to maintain certain insurance types and levels. Losses arising fromcertain extraordinary hazards, however, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks. Moreover, any loss incurred could exceed policy limits and policy payments made to franchisees may not be made on a timely basis. Any such loss or delay in payment could have a material adverse effect on a franchisee’s ability to satisfy its obligations under its franchise agreement or other contractual obligations, which could cause a franchisee to terminate its franchise agreement and, in turn, negatively affect our operating and financial results.

*Some of our franchisees are operating entities.* Franchisees may be natural persons or legal entities. Our franchisees that are operatingcompanies (as opposed to limited purpose entities) are subject to business, credit, financial and other risks, which may be unrelated to the operation of their stores. These unrelated risks could materially and adversely affect a franchisee that is an operating company and its ability to service its members and maintain store operations while making royalty payments, which in turn may materially and adversely affect our business and operating results.

*Franchise agreement termination; nonrenewal.* Each franchise agreement is subject to termination by us as the franchisor in the event of adefault, generally after expiration of applicable cure periods, although under certain circumstances a franchise agreement may be terminated by us upon notice without an opportunity to cure. The default provisions under the franchise agreements are drafted broadly and include, among other things, any failure to meet operating standards and actions that may threaten the licensed intellectual property. Moreover, a franchisee may have a right to terminate its franchise agreement in certain circumstances.

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In addition, each franchise agreement has an expiration date. Upon the expiration of a franchise agreement, we or the franchisee may, or may not, elect to renew the franchise agreement. If the franchise agreement is renewed, the franchisee will receive a “successor” franchise agreement for an additional term. Such option, however, is contingent on the franchisee’s execution of the then-current form of franchise agreement (which may include increased royalty revenues, advertising fees and other fees and costs), the satisfaction of certain conditions (including re-equipment and remodeling of the store and other requirements) and the payment of a renewal fee. If a franchisee is unable or unwilling to satisfy any of the foregoing conditions, the expiring franchise agreement will terminate upon expiration of its term.

*Franchisee litigation; effects of regulatory efforts.* We and our franchisees are subject to a variety of litigation risks, including, but not limited to,member claims, personal injury claims, vicarious liability claims, litigation with or involving our relationship with franchisees, litigation alleging that the franchisees are our employees or that we are the co-employer of our franchisees’ employees, employee allegations against the franchisee or us of improper termination and discrimination, landlord/tenant disputes and intellectual property claims, among others. Each of these claims may increase costs, reduce the execution of new franchise agreements and affect the scope and terms of insurance or indemnifications we and our franchisees may have. In addition, we and our franchisees are subject to various regulatory efforts to enforce employment laws, such as efforts to categorize franchisors as the co-employers of their franchisees’ employees; legislation to categorize individual franchised businesses at large employers for the purposes of various employment benefits; and other legislation or regulations that may have a disproportionate impact on franchisors and/or franchised businesses. These changes may impose greater costs and regulatory burdens on franchising, and negatively affect our ability to sell new franchises.

*Franchise agreements and franchisee relationships.* Our franchisees develop and operate their stores under terms set forth in our ADAs andfranchise agreements, respectively. These agreements give rise to long-term relationships that involve a complex set of mutual obligations and mutual cooperation. We have a standard set of agreements that we typically use with our franchisees, but various franchisees have negotiated specific terms in these agreements. Furthermore, we may from time to time negotiate terms of our franchise agreements with individual franchisees or groups of franchisees (e.g., a franchisee association). We seek to have positive relationships with our franchisees, based in part on our common understanding of our mutual rights and obligations under our agreements, to enable both the franchisees’ business and our business to be successful. However, we and our franchisees may not always maintain a positive relationship or always interpret our agreements in the same way. Our failure to have positive relationships with our franchisees could individually or in the aggregate cause us to change or limit our business practices, which may make our business model less attractive to our franchisees or our members.

While our franchisee revenues are not concentrated among one or a small number of parties, the success of our business does depend in large part on our ability to maintain contractual relationships with franchisees in profitable stores. A typical franchise agreement has a ten-year term. While our largest franchisee group accounts for less than 6% of our total stores, certain of our franchisee groups account for 5%, or close to 5%, of our total stores. If we fail to maintain or renew our contractual relationships on acceptable terms, or if one or more of these significant franchisees were to become insolvent or otherwise were unwilling to pay amounts due to us, our business, reputation, financial condition and results of operations could be materially adversely affected.

***The high level of competition in the health and fitness industry could materially and adversely affect our business.***

We compete with the following industry participants: other health and fitness clubs; physical fitness and recreational facilities established by non-profit organizations and businesses for their employees; private

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studios and other boutique fitness offerings; racquet, tennis and other athletic clubs; amenity and condominium/apartment clubs; country clubs; online personal training and fitness coaching; the home-use fitness equipment industry; local tanning salons; businesses offering similar services; and other businesses that rely on consumer discretionary spending. We may not be able to compete effectively in the markets in which we operate in the future. Competitors may attempt to copy our business model, or portions thereof, which could erode our market share and brand recognition and impair our growth rate and profitability. Competitors, including companies that are larger and have greater resources than us, may compete with us to attract members in our markets. Non-profit organizations in our markets may be able to obtain land and construct stores at a lower cost and collect membership dues and fees without paying taxes, thereby allowing them to charge lower prices. Luxury fitness companies may attempt to enter our market by lowering prices or creating lower price brand alternatives. Furthermore, due to the increased number of low-cost health and fitness club alternatives, we may face increased competition if we increase our price or if discretionary spending declines. This competition may limit our ability to attract and retain existing members and our ability to attract new members, which in each case could materially and adversely affect our results of operation and financial condition.

***Our dependence on a limited number of suppliers for equipment and certain products and services could result in disruptions to our business and could adversely affect our revenues and gross profit.***

Equipment and certain products and services used in our stores, including our exercise equipment and point-of-sale software and hardware, are sourced from third-party suppliers. In addition, we rely on third-party suppliers to manage and maintain both our domestic and Canadian websites, and in 2014 over 20% of our new members joined online through our websites. Although we believe that adequate substitutes are currently available, we depend on these third-party suppliers to operate our business efficiently and consistently meet our business requirements. The ability of these third-party suppliers to successfully provide reliable and high-quality services is subject to technical and operational uncertainties that are beyond our control, including, for our overseas suppliers, vessel availability and port delays or congestion. Any disruption to our suppliers’ operations could impact our supply chain and our ability to service our existing stores and open new stores on time or at all and thereby generate revenue. If we lose such suppliers or our suppliers encounter financial hardships unrelated to the demand for our equipment or other products or services, we may not be able to identify or enter into agreements with alternative suppliers on a timely basis on acceptable terms, if at all. Transitioning to new suppliers would be time consuming and expensive and may result in interruptions in our operations. If we should encounter delays or difficulties in securing the quantity of equipment we or our franchisees require to open new and refurbish existing stores, our suppliers encounter difficulties meeting our and our franchisees’ demands for products or services, our websites experience delays or become impaired due to errors in the third-party technology or there is a deficiency, lack or poor quality of products or services provided, our ability to serve our members and grow our brand would be interrupted. If any of these events occur, it could have a material adverse effect on our business and operating results.

***Our franchisees may incur rising costs related to construction of new stores and maintenance of existing stores, which could adversely affect the attractiveness of our franchise model, and in turn our business, results of operations and financial condition.***

Our stores require significant upfront and ongoing investment, including periodic remodels and equipment replacement. If our franchisees’ costs are greater than expected, franchisees may need to outperform their operational plan to achieve their targeted return. In addition, increased costs may result in lower profits to the franchisees, which may cause them to terminate their franchise agreement or make it harder for us to attract new franchisees, which in turn could materially and adversely affect our business, results of operations and financial condition.

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In addition, if a franchisee is unwilling or unable to acquire the necessary financing to invest in the maintenance and upkeep of its stores, including periodic remodeling and replacement of equipment, the quality of its stores could deteriorate, which may have a negative impact on our brand image and our ability to attract and maintain members, which in turn may have a negative impact on our revenues.

***We and our franchisees could be subject to claims related to health and safety risks to members that arise while at both our corporate-owned and franchise stores.***

Use of our and our franchisees’ stores poses some potential health and safety risks to members or guests through physical exertion and use of our services and facilities, including exercise and tanning equipment. Claims might be asserted against us and our franchisees for injuries suffered by or death of members or guests while exercising and using the facilities at a store. We may not be able to successfully defend such claims. We also may not be able to maintain our general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against potential claims. Depending upon the outcome, these matters may have a material adverse effect on our results of operations, financial condition and cash flows.

***If we cannot retain our key employees and hire additional highly qualified employees, we may not be able to successfully manage our businesses and pursue our strategic objectives.***

We are highly dependent on the services of our senior management team and other key employees at our corporate headquarters and our corporate-owned stores, and on our and our franchisees’ ability to recruit, retain and motivate key employees. Competition for such employees can be intense, and the inability to attract and retain the additional qualified employees required to expand our activities, or the loss of current key employees, could adversely affect our and our franchisees’ operating efficiency and financial condition.

***Our intellectual property rights, including trademarks and trade names, may be infringed, misappropriated or challenged by others.***

We believe our brand and related intellectual property are important to our continued success. We seek to protect our trademarks, trade names, copyrights and other intellectual property by exercising our rights under applicable state and federal laws. If we were to fail to successfully protect our intellectual property rights for any reason, or if any third party misappropriates, dilutes or infringes our intellectual property, the value of our brands may be harmed, which could have an adverse effect on our business, results of operations and financial condition. Any damage to our reputation could cause membership levels to decline or make it more difficult to attract new members.

We may also from time to time be required to initiate litigation to enforce our trademarks, service marks and other intellectual property. Third parties may also assert that we have infringed, misappropriated or otherwise violated their intellectual property rights, which could lead to litigation against us. Litigation is inherently uncertain and could divert the attention of management, result in substantial costs and diversion of resources and could negatively affect our membership sales and profitability regardless of whether we are able to successfully enforce or defend our rights.

***Use of social media may adversely impact our reputation or subject us to fines or other penalties.***

There has been a substantial increase in the use of social media platforms, including blogs, social media websites and other forms of internet-based communication, which allow individuals access to a broad audience of consumers and other interested persons. Negative commentary about us may be posted on social media platforms or similar devices at any time and may harm our reputation or business. Consumers value readily available information about health clubs and often act on such information without further investigation and

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without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correction. In addition, social media platforms provide users with access to such a broad audience that collective action against our stores, such as boycotts, can be more easily organized. If such actions were organized, we could suffer reputational damage as well as physical damage to our stores.

We also use social medial platforms as marketing tools. For example, we maintain Facebook and Twitter accounts. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees, our franchisees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our and our franchisees’ business, financial condition and results of operations or subject us to fines or other penalties.

***If we fail to obtain and retain high-profile strategic partnership arrangements, or if the reputation of any of our partners is impaired, our business may suffer.***

A principal component of our marketing program has been to partner with high-profile marketing partners, such as NBC’s “The Biggest Loser” and our sponsorship of ABC’s “Dick Clark’s New Year’s Rockin’ Eve with Ryan Seacrest 2015,” to help us extend the reach of our brand. Although we have partnered with several well-known partners in this manner, we may not be able to attract and partner with new marketing partners in the future. In addition, if the actions of our partners were to damage their reputation, our partnerships may be less attractive to our current or prospective members. Any of these failures by us or our partners could adversely affect our business and revenues.

***We are subject to risks associated with leasing property subject to long-term non-cancelable leases.***

We do not own any real property, and all of our corporate-owned stores are located on leased premises. The leases for our stores generally have initial terms of 10 years and typically provide for two renewal options in five-year increments as well as for rent escalations.

Generally, our leases are net leases that require us to pay our share of the costs of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent. We generally cannot terminate these leases before the end of the initial lease term. Additional sites that we lease are likely to be subject to similar long-term, non-terminable leases. If we close a store, we nonetheless may be obligated to perform our monetary obligations under the applicable lease, including, among other things, payment of the base rent for the balance of the lease term. In addition, if we fail to negotiate renewals, either on commercially acceptable terms or at all, as each of our leases expire we could be forced to close stores in desirable locations. We depend on cash flows from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to us from borrowings under our senior secured credit facility or other sources, we may not be able to service our lease expenses or fund our other liquidity and capital needs, which would materially affect our business.

***Our business is subject to various laws and regulations and changes in such laws and regulations, or failure to comply with existing or future laws and regulations, could adversely affect our business.***

We are subject to a trade regulation rule on franchising (“FTC Franchise Rule”) promulgated by the Federal Trade Commission (the “FTC”) that regulates the offer and sale of franchises in the United States and that requires us to provide to all prospective franchisees certain mandatory disclosure in a franchise disclosure document (“FDD”). In addition, we are subject to state franchise sales laws in approximately 14 states that regulate the offer and sale of franchises by requiring us to make a franchise filing or obtain franchise registration prior to our making any offer or sale of a franchise in those states and to provide a FDD to prospective franchisees in accordance with such laws. We are subject to franchise sales laws in five provinces in Canada that regulate the offer and sale of franchises by requiring us to provide a FDD in a prescribed format to prospective franchisees in accordance with such laws, and

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that regulate certain aspects of the franchise relationship. Failure to comply with such laws may result in a franchisee’s right to rescind its franchise agreement and damages, and may result in investigations or actions from federal or state franchise authorities, civil fines or penalties, and stop orders, among other remedies. We are also subject to franchise relationship laws in over 20 states that regulate many aspects of the franchisor-franchisee relationship, including renewals and terminations of franchise agreements, franchise transfers, the applicable law and venue in which franchise disputes must be resolved, discrimination and franchisees’ right to associate, among others. Our failure to comply with such franchise relationship laws could result in fines, damages, and our inability to enforce franchise agreements where we have violated such laws. Although we believe that our FDDs, franchise sales practices and franchise activities comply with such franchise sales laws and franchise relationship laws, our non-compliance could result in liability to franchisees and regulatory authorities (as described above), inability to enforce our franchise agreements and a reduction in our anticipated royalty revenue, which in turn may materially and adversely affect our business and results of operating.

We and our franchisees are also subject to the Fair Labor Standards Act of 1938, as amended, and various other laws in the United States and Canada governing such matters as minimum-wage requirements, overtime and other working conditions. A significant number of our and our franchisees’ employees are paid at rates related to the U.S. federal minimum wage, and past increases in the U.S. federal minimum wage have increased labor costs, as would future increases. Any increases in labor costs might result in our and our franchisees inadequately staffing stores. Such increases in labor costs and other changes in labor laws could affect store performance and quality of service, decrease royalty revenues and adversely affect our brand.

Our and our franchisees’ operations and properties are subject to extensive U.S. and Canadian federal, state, provincial and local laws and regulations, including those relating to environmental, building and zoning requirements. Our and our franchisees’ development of properties depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. Failure to comply with these legal requirements could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability, which could adversely affect our business.

We and our franchisees are responsible at stores we each operate for compliance with state and provincial laws that regulate the relationship between stores and their members. Many states and provinces have consumer protection regulations that may limit the collection of membership dues or fees prior to opening, require certain disclosures of pricing information, mandate the maximum length of contracts and “cooling off” periods for members (after the purchase of a membership), set escrow and bond requirements for stores, govern member rights in the event of a member relocation or disability, provide for specific member rights when a store closes or relocates, or preclude automatic membership renewals. Our or our franchisees’ failure to comply fully with these rules or requirements may subject us or our franchisees to fines, penalties, damages, and civil liability, or result in membership contracts being void or voidable. In addition, states may update these laws and regulations. Any additional costs which may arise in the future as a result of changes to the legislation and regulations or in their interpretation could individually or in the aggregate cause us to change or limit our business practices, which may make our business model less attractive to our franchisees or our members.

***Regulatory restrictions placed on indoor tanning services and negative opinions about the health effects of indoor tanning services could harm our reputation and our business.***

Although our business model does not place an emphasis on indoor tanning, the vast majority of our corporate-owned and franchise stores offer indoor tanning services. We offer tanning services as one of many amenities available to our PF Black Card members. Many states and provinces where we and our franchisees operate have health and safety regulations that apply to health clubs and other facilities that offer indoor tanning services. In addition to regulations imposed on the indoor tanning industry, medical opinions and opinions of

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commentators in the general public regarding negative health effects of indoor tanning services could adversely impact the value of our PF Black Card memberships and our future revenues and profitability. Although the tanning industry is regulated by U.S. and Canadian federal, state and provincial government agencies, negative publicity regarding the potentially harmful health effects of the tanning services we offer at our stores could lead to additional legislation or further regulation of the industry. The potential increase in cost of complying with these regulations could have a negative impact on our profit margins.

The continuation of our tanning services is dependent upon the public’s sustained belief that the benefits of utilizing tanning services outweigh the risks of exposure to ultraviolet light. Any significant change in public perception of tanning equipment or any investigative or regulatory action by a government agency or other regulatory authority could impact the appeal of indoor tanning services to our PF Black Card members, and could in turn have an adverse effect on our and our franchisees’ reputation, business, results of operations and financial condition as well as our ability to profit from sales of tanning equipment to our franchisees.

In addition, from time to time, government agencies and other regulatory authorities have shown an interest in taking investigative or regulatory action with respect to tanning services. For example, we recently received notice from the Office of the Attorney General of New York (“OAG”) that they are considering filing an action against us with respect to alleged minor violations of tanning regulations at certain franchisee stores in New York. Although we understand that the OAG’s investigation is part of a larger initiative with respect to tanning salons and other providers of tanning services and do not believe that any OAG action would have a direct adverse effect on us, publicity regarding the OAG’s initiative could influence public perception of the tanning services we offer and of the benefits of our PF Black Card membership.

**Risks related to our indebtedness**

***As of March 31, 2015, we had total indebtedness of $506.4 million, including capital leases, and our substantial indebtedness could adversely affect our financial condition and limit our ability to pursue our growth strategy.***

We have a substantial amount of debt, which requires significant interest payments. As of March 31, 2015, we had total indebtedness of

$506.4 million, including capital leases. Subject to the restrictions contained in our senior secured credit facility applicable to our subsidiary Planet Fitness Holdings, LLC, as borrower, and its restricted subsidiaries and its parent Planet Intermediate, LLC, as guarantors, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes.

These restrictions will not prevent us from incurring obligations that do not constitute indebtedness, may be waived by certain votes of debt holders and, if we refinance our existing indebtedness, such refinancing indebtedness may contain fewer restrictions on our activities. To the extent new indebtedness or other financial obligations are added to our and our subsidiaries’ currently anticipated indebtedness levels, the related risks that we and our subsidiaries face could intensify.

Our substantial level of indebtedness could adversely affect our financial condition and increase the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our substantial indebtedness, combined with our other existing and any future financial obligations and contractual commitments, could have important consequences. For example, it could:

* make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations under our senior secured credit facility, including restrictive covenants, could result in an event of default under such facilities;

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* require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions, selling and marketing efforts, research and development and other purposes;
* increase our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage compared to our competitors that have proportionately less indebtedness;
* increase our cost of borrowing and cause us to incur substantial fees from time to time in connection with debt amendments or refinancings;
* increase our exposure to rising interest rates because a portion of our borrowings is at variable interest rates;
* limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; and
* limit our ability to borrow additional funds, or to dispose of assets to raise funds, if needed, for working capital, capital expenditures, acquisitions, selling and marketing efforts, research and development and other corporate purposes.

By the nature of their relationship to our enterprise, debt holders may have different points of view on the use of company resources as compared to our management. The financial and contractual obligations related to our debt also represent a natural constraint on any intended use of company resources.

***Restrictions imposed by our outstanding indebtedness and any future indebtedness may limit our ability to operate our business and to finance our future operations or capital needs or to engage in other business activities.***

The terms of our outstanding indebtedness restrict us from engaging in specified types of transactions. These covenants restrict our ability, among other things, to:

* incur indebtedness or guarantees or engage in sale-leaseback transactions;
* incur liens;
* engage in mergers, acquisitions and asset sales;
* alter the business conducted by Planet Intermediate, LLC, Planet Fitness Holdings, LLC and its restricted subsidiaries;
* make investments and loans;
* declare dividends or other distributions;
* enter into agreements limiting restricted subsidiary distributions; and
* engage in certain transactions with affiliates.

In addition, the credit agreement governing our senior secured credit facility requires us to comply with a financial maintenance covenant, which covenant is solely for the benefit of the revolving credit facility. Our ability to comply with this financial covenant can be affected by events beyond our control, and we may not be able to satisfy it. See “Description of certain indebtedness.”

A breach of any of the restrictive covenants in the credit agreement governing our senior secured credit facility could result in an event of default, which could trigger acceleration of our indebtedness and may result in the acceleration of or default under any other debt we may incur in the future to which a cross-acceleration or

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cross-default provision applies, which could have a material adverse effect on our business, results of operations and financial condition. In the event of any default under our credit facilities, the applicable lenders could elect to terminate borrowing commitments and declare all borrowings and loans outstanding, together with accrued and unpaid interest and any fees and other obligations, to be due and payable. In addition, or in the alternative, the applicable lenders could exercise their rights under the security documents entered into in connection with our credit facilities. We have pledged a significant portion of our assets as collateral under our senior secured credit facility.

If we were unable to repay or otherwise refinance these borrowings and loans when due, the applicable lenders could proceed against the collateral granted to them to secure that indebtedness, which could force us into bankruptcy or liquidation. In the event the applicable lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. Any acceleration of amounts due under the agreements governing our credit facilities or the exercise by the applicable lenders of their rights under the security documents would likely have a material adverse effect on our business. As a result of these restrictions, we may be:

* limited in how we conduct our business;
* unable to raise additional debt or equity financing to operate during general economic or business downturns; or
* unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy.

***We will require a significant amount of cash to service our indebtedness. The ability to generate cash or refinance our indebtedness as it becomes due depends on many factors, some of which are beyond our control.***

We are a holding company, and as such have no independent operations or material assets other than our ownership of equity interests in our subsidiaries, and our subsidiaries’ contractual arrangements with customers, and we will depend on our subsidiaries to distribute funds to us so that we may pay our obligations and expenses. Our ability to make scheduled payments on, or to refinance our respective obligations under, our indebtedness and to fund planned capital expenditures and other corporate expenses will depend on the ability of our subsidiaries to make distributions, dividends or advances to us, which in turn will depend on our subsidiaries’ future operating performance and on economic, financial, competitive, legislative, regulatory and other factors and any legal and regulatory restrictions on the payment of distributions and dividends to which they may be subject. Many of these factors are beyond our control. We can provide no assurance that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized or that future borrowings will be available to us in an amount sufficient to enable us to satisfy our respective obligations under our indebtedness or to fund our other needs. In order for us to satisfy our obligations under our indebtedness and fund planned capital expenditures, we must continue to execute our business strategy. If we are unable to do so, we may need to reduce or delay our planned capital expenditures or refinance all or a portion of our indebtedness on or before maturity. Significant delays in our planned capital expenditures may materially and adversely affect our future revenue prospects. In addition, we can provide no assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

The State of New Hampshire imposes an entity-level business profits tax that we will incur as a result of exchanges by Continuing LLC Owners of their Holdings Units (together with shares of Class B common stock) for shares of our Class A common stock. We will incur this tax, currently equal to 8.5% of the basis step-up resulting from the exchange (but only on the amount apportioned to New Hampshire) at the time of each exchange.

For example, we expect to incur a $ cash obligation in respect of this tax in connection with

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the transactions contemplated by the offering (assuming the midpoint of the price range on the cover of this prospectus). Under the tax receivable agreement with the Continuing LLC Owners, we will receive 15% of the benefit of the tax deductions resulting from the amortization of the stepped up basis over time. While we currently have adequate liquidity to satisfy the obligations resulting from this offering, it is possible that we may not in the future. The amount of this tax incurred on future exchanges will be based on the equity value exchanged and the percentage of income apportioned to New Hampshire, among other factors. As a result, we cannot determine the actual amount of tax that may be due in a particular period and in the aggregate resulting from future exchanges and these amounts could have an adverse impact on our liquidity.

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.***

Borrowings under our senior secured credit facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

Our senior secured credit facility includes a London Inter-Bank Offered Rates (“LIBOR”) floor of 1.00%, which at March 31, 2015 was in excess of LIBOR. If the three-month LIBOR spot rate were to increase or decrease by 0.125% from current rates, interest expense would not change due to application of the 1.00% floor previously mentioned. If the specified LIBOR rate were to increase above 1.00%, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. An increase of 0.125% over the 1.00% floor previously mentioned would result in an approximate increase of $0.6 million in our annual interest expense associated with our senior secured credit facilities.

We have entered into and may continue to enter into interest rate swaps, caps or other derivative financial instruments that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain derivative financial instruments with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

**Risks related to our organizational structure**

***We will be required to pay certain of our existing owners for certain tax benefits we may claim, and we expect that the payments we will be required to make will be substantial.***

Our acquisition of Holdings Units in connection with this offering and future and certain past exchanges of Holdings Units for shares of our Class A common stock (or cash) are expected to produce and have produced favorable tax attributes for us. Upon the completion of this offering, we will be a party to two tax receivable agreements. Under the first of those agreements, we generally will be required to pay to our Continuing LLC Owners 85% of the applicable cash savings, if any, in U.S. federal and state income tax that we are deemed to realize as a result of certain tax attributes of their Holdings Units sold to us (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of our Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest). Under the second tax receivable agreement, we generally will be required to pay to the Direct TSG Investors 85% of the amount of cash savings, if any, that we are deemed to realize as a result of the tax attributes of the Holdings Units that we hold in respect of the Direct TSG Investors’ interest in us, which resulted from the Direct TSG Investors’ purchase of interests in the 2012 Acquisition, and certain other tax benefits. Under both agreements, we generally will retain the benefit of the remaining 15% of the applicable tax savings.

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The payment obligations under the tax receivable agreements are obligations of Planet Fitness, Inc., and we expect that the payments we will be required to make under the tax receivable agreements will be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize all tax benefits that are subject to the tax receivable agreements, we expect that the reduction in tax payments

for us associated with sales of the corresponding Holdings Units as described above would aggregate to approximately $ over years from the date of this offering based on an initial public offering price of $ per share of our Class A common stock, which is the midpoint of the

price range set forth on the front cover of this prospectus, and assuming all future sales would occur one year after this offering. Under such

scenario, we would be required to pay the other parties to the tax receivable agreements 85% of such amount, or $ , over the -year period from the date of this offering. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us, and tax receivable agreement payments by us, will be calculated using the market value of our Class A common stock at the time of the sale and the prevailing tax rates applicable to us over the life of the tax receivable agreements and will be dependent on us generating sufficient future taxable income to realize the benefit. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Tax receivable agreements.” Payments under the tax receivable agreements are not conditioned on the Continuing LLC Owners’ ownership of our shares after this offering.

The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales by the Continuing LLC Owners, the price of our Class A common stock at the time of the sales, whether such sales are taxable, the amount and timing of the taxable income we generate in the future, the tax rate then applicable and the portion of our payments under the tax receivable agreements constituting imputed interest. Payments under the tax receivable agreements are expected to give rise to certain additional tax benefits attributable to either further increases in basis or in the form of deductions for imputed interest (generally calculated using one-year LIBOR), depending on the tax receivable agreements and the circumstances. Any such benefits are covered by the tax receivable agreements and will increase the amounts due thereunder. The tax receivable agreements will provide for interest, at a rate equal to one-year LIBOR, accrued from the due date (without extensions) of the corresponding tax return to the date of payment specified by the tax receivable agreements. In addition, under certain circumstances where we are unable to make timely payments under the tax receivable agreements, the tax receivable agreements will provide for interest to accrue on unpaid payments, at a rate equal to one-year LIBOR plus basis points.

Payments under the tax receivable agreements will be based on the tax reporting positions that we determine. Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase or other tax attributes subject to the tax receivable agreements, we will not be reimbursed for any payments previously made under the tax receivable agreements if such basis increases or other benefits are subsequently disallowed. As a result, in certain circumstances, payments could be made under the tax receivable agreements in excess of the benefits that we are deemed to realize in respect of the attributes to which the tax receivable agreements relate.

***Our ability to pay taxes and expenses, including payments under the tax receivable agreements, may be limited by our structure.***

Upon the consummation of this offering, we will have no material assets other than our ownership of Holdings Units of Pla-Fit Holdings, LLC. As such, we will have no independent means of generating revenue. Pla-Fit Holdings, LLC will be treated as a partnership for U.S. federal income tax purposes and, as such, will not be subject to U.S. federal income tax. Instead, taxable income will be allocated to holders of its Holdings Units, including us. Accordingly, we will incur income taxes on our allocable share of any taxable income of Pla-Fit Holdings, LLC, and will also incur expenses related to our operations. Pursuant to the amended and restated

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limit liability company agreement of Pla-Fit Holdings, LLC (the “New LLC Agreement”), Pla-Fit Holdings, LLC will make cash distributions to the owners of Holdings Units for purposes of funding their tax obligations in respect of the income of Pla-Fit Holdings, LLC that is allocated to them, to the extent other distributions from Pla-Fit Holdings, LLC have been insufficient. In addition to tax expenses, we also will incur expenses related to our operations, including payment obligations under the tax receivable agreements, which we expect will be significant. We intend to cause Pla-Fit Holdings, LLC to make distributions in an amount sufficient to allow us to pay our taxes and operating expenses, including any ordinary course payments due under the tax receivable agreements. However, its ability to make such distributions will be subject to various limitations and restrictions, including contractual restrictions under our senior secured credit facility. If, as a consequence of these various limitations and restrictions, we do not have sufficient funds to pay tax or other liabilities or to fund our operations (including as a result of an acceleration of our obligations under the tax receivable agreements), we may have to borrow funds and thus our liquidity and financial condition could be materially adversely affected. To the extent that we are unable to make payments under the tax receivable agreements for any reason, such payments will be

deferred and will accrue interest at a rate equal to one-year LIBOR plus basis points until paid.

***In certain cases, payments under the tax receivable agreements to our existing owners may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the tax receivable agreements.***

The tax receivable agreements provide that (i) in the event that we materially breach such tax receivable agreements, (ii) if, at any time, we elect an early termination of the tax receivable agreements, or (iii) upon certain mergers, asset sales, other forms of business combinations or other changes of control, our (or our successor’s) obligations under the tax receivable agreements (with respect to all Holdings Units, whether or not they have been sold before or after such transaction) would accelerate and become payable in a lump sum amount equal to the present value of the anticipated future tax benefits calculated based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the tax deductions, tax basis and other tax attributes subject to the tax receivable agreements.

As a result of the foregoing, (i) we could be required to make payments under the tax receivable agreements that are greater than or less than the specified percentage of the actual tax savings we realize in respect of the tax attributes subject to the agreements and (ii) we may be required to make an immediate lump sum payment equal to the present value of the anticipated tax savings, which payment may be made years in advance of the actual realization of such future benefits, if any such benefits are ever realized. In these situations, our obligations under the tax receivable agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to finance our obligations under the tax receivable agreements in a manner that does not adversely affect our working capital and growth requirements. For example, if we were to elect to terminate the tax receivable agreements immediately after this offering, based on the initial public offering price of

$ per share of our Class A common stock and a discount rate equal to %, we estimate that we would be required to pay $ in the aggregate under the tax receivable agreements. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Tax receivable agreements.”

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***In certain circumstances, Pla-Fit Holdings, LLC will be required to make distributions to us and the Continuing LLC Owners, and the distributions that Pla-Fit Holdings, LLC will be required to make may be substantial.***

Funds used by Pla-Fit Holdings, LLC to satisfy its tax distribution obligations will not be available for reinvestment in our business. Moreover, the tax distributions that Pla-Fit Holdings, LLC will be required to make may be substantial, and will likely exceed (as a percentage of Pla-Fit Holdings, LLC’s net income) the overall effective tax rate applicable to a similarly situated corporate taxpayer.

As a result of potential differences in the amount of net taxable income allocable to us and to the Continuing LLC Owners, as well as the use of an assumed tax rate in calculating Pla-Fit Holdings, LLC’s distribution obligations, we may receive distributions significantly in excess of our tax liabilities and obligations to make payments under the tax receivable agreements. To the extent, as currently expected, we do not distribute such cash balances as dividends on our Class A common stock and instead, for example, hold such cash balances or lend them to Pla-Fit Holdings, LLC, the Continuing LLC Owners would benefit from any value attributable to such accumulated cash balances as a result of their ownership of Class A common stock following an exchange of their Holdings Units.

***We will not be reimbursed for any payments made to the Continuing LLC Owners or the Direct TSG Investors under the tax receivable agreements in the event that any tax benefits are disallowed.***

If the IRS or a state or local taxing authority challenges the tax basis adjustments and/or deductions that give rise to payments under the tax receivable agreements and the tax basis adjustments and/or deductions are subsequently disallowed, the recipients of payments under the agreements will not reimburse us for any payments we previously made to them. Any such disallowance would be taken into account in determining future payments under the tax receivable agreements and would, therefore, reduce the amount of any such future payments. Nevertheless, if the claimed tax benefits from the tax basis adjustments and/or deductions are disallowed, our payments under the tax receivable agreements could exceed our actual tax savings, and we may not be able to recoup payments under the tax receivable agreements that were calculated on the assumption that the disallowed tax savings were available.

***Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.***

We will be subject to income taxes in the United States and Canada, and our domestic and foreign tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

* changes in the valuation of our deferred tax assets and liabilities;
* expected timing and amount of the release of any tax valuation allowances;
* tax effects of stock-based compensation;
* costs related to intercompany restructurings;
* changes in tax laws, regulations or interpretations thereof; or
* lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal and state and foreign authorities.

Outcomes from these audits could have an adverse effect on our financial condition and results of operations.

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**Risks related to our Class A common stock and this offering**

***We are eligible to be treated as an emerging growth company, and we cannot be certain that the reduced disclosure requirements applicable to emerging growth companies will not make our ordinary shares less attractive to investors.***

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), (2) reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our Class A common stock held by non-affiliates exceeds $700.0 million as of the end of the second fiscal quarter in any fiscal year before that time or if we have total annual gross revenues of $1.0 billion or more during any fiscal year before that time, in which case we would no longer be an emerging growth company as of the following fiscal year end, or if we issue more than $1.0 billion in non-convertible debt during any three-year period before that time we would cease to be an emerging growth company immediately. We cannot predict if investors will find our shares of Class A common stock less attractive because we may rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our share price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption related to the adoption of new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

***TSG will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.***

We are currently controlled, and after this offering is completed will continue to be controlled, by investment funds affiliated with TSG. Upon completion of this offering, investment funds affiliated with TSG will beneficially own % of our outstanding Class A common stock (or % if the underwriters exercise in full their option to purchase additional shares), including shares of Class A common underlying Holdings Units that are exchangeable for Class A common stock. As long as TSG owns or controls at least a majority of our outstanding voting power, it will have the ability to exercise substantial control over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the election and removal of directors and the size of our board, any amendment of our certificate of incorporation or bylaws, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. Even if its ownership falls below 50%, TSG will continue to be able to strongly influence or effectively control our decisions.

Additionally, TSG’s interests may not align with the interests of our other stockholders. TSG is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. TSG may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

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***Certain of our directors have relationships with TSG, which may cause conflicts of interest with respect to our business.***

Following this offering, four of our seven directors will be affiliated with TSG. Our TSG-affiliated directors have fiduciary duties to us and, in addition, have duties to TSG. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and TSG, whose interests may be adverse to ours in some circumstances.

***Upon the listing of our shares, we will be a “controlled company” under NYSE rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements; you will not have the same protections afforded to stockholders of companies that are subject to such requirements.***

Because TSG will continue to control a majority of the voting power of our outstanding Class A common stock after completion of this offering, we will be a “controlled company” within the meaning of the NYSE corporate governance standards. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of our Class A common stock:

* we have a board that is composed of a majority of “independent directors,” as defined under rules;
* we have a compensation committee that is composed entirely of independent directors; and
* we have a nominating and corporate governance committee that is composed entirely of independent directors.

Following this offering, we intend to utilize all of these exemptions. Accordingly, for so long as we are a “controlled company,” you will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

***Provisions of our corporate governance documents could make an acquisition of our Company more difficult and may prevent attempts by our stockholders to replace or remove our current management, even if beneficial to our stockholders.***

In addition to TSG’s beneficial ownership of a controlling percentage of our common stock, our certificate of incorporation and bylaws and the Delaware General Corporation Law (the “DGCL”) contain provisions that could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. These provisions include:

* the division of our board of directors into three classes and the election of each class for three-year terms;
* advance notice requirements for stockholder proposals and director nominations;
* the ability of the board of directors to fill a vacancy created by the expansion of the board of directors;
* the ability of our board of directors to issue new series of, and designate the terms of, preferred stock, without stockholder approval, which could be used to, among other things, institute a rights plan that would have the effect of significantly diluting the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors;
* limitations on the ability of stockholders to call special meetings and to take action by written consent following the date that the TSG Funds no longer beneficially own a majority of our common stock; and

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* the required approval of holders of at least 75% of the voting power of the outstanding shares of our capital stock to adopt, amend or repeal certain provisions of our certificate of incorporation and bylaws or remove directors for cause, in each case following the date that the TSG Funds no longer beneficially own a majority of our common stock.

In addition, Section 203 of the DGCL may affect the ability of an “interested stockholder” to engage in certain business combinations, for a period of three years following the time that the stockholder becomes an “interested stockholder.” While we have elected in our certificate of incorporation not to be subject to Section 203 of the DGCL, our certificate of incorporation contains provisions that have the same effect as Section 203 of the DGCL, except that they provide that investment funds affiliated with TSG will not be deemed to be an “interested stockholder,” and accordingly will not be subject to such restrictions.

Because our board is responsible for appointing the members of our management team, these provisions could in turn affect any attempt to replace current members of our management team. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change the direction or management of the Company may be unsuccessful. See “Description of capital stock.”

***Our organizational structure, including the tax receivable agreements, confers certain benefits upon the Continuing LLC Owners that will not benefit Class A common stockholders to the same extent as it will benefit the Continuing LLC Owners.***

Our organizational structure, including the tax receivable agreements, confers certain benefits upon the Continuing LLC Owners that will not benefit the holders of our Class A common stock to the same extent as it will benefit the Continuing LLC Owners. The tax receivable agreement with the Direct TSG Investors also confers benefits upon the Direct TSG Investors that are not shared with other holders of Class A common stock. See “—Risks related to our organizational structure.” Although we will retain 15% of the amount of tax benefits conferred under the tax receivable agreements, this and other aspects of our organizational structure may adversely impact the future trading market for the Class A common stock.

***We have identified a material weakness in our internal control over financial reporting. While we have taken steps to remediate this material weakness and no new material weaknesses have been identified to date, we cannot provide assurance that the measures we have taken to date, or any measures we may take in the future, will be sufficient to remediate the material weakness we have identified or that additional material weaknesses or significant deficiencies will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price. In addition, because of our status as an emerging growth company, you will not be able to depend on any attestation from our independent registered public accountants as to our internal control over financial reporting for the foreseeable future.***

We are not currently required to comply with the rules of the Securities and Exchange Commission (“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 control 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 internal control over financial reporting. Although we will be required to disclose significant changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of

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our internal control over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. However, as an emerging growth company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of our second annual report or the first annual report required to be filed with the SEC following the date we are no longer an emerging growth company. At such time, if our independent registered public accounting firm concluded that our internal control over financial reporting was not effective due to the existence of one or more material weaknesses in internal control, it would issue an adverse opinion on the effectiveness of our internal control over financial reporting.

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 internal audit or additional accounting staff. Testing and maintaining internal controls can divert our management’s attention from other matters related to the operation of our business. In addition, when evaluating our internal control 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.

We recently determined that a material weakness in internal control over financial reporting existed relating to our controls over the authorization of IT hardware purchases and processing of related invoices. We have implemented processes and controls designed to remediate this material weakness by revising existing, and implementing new, procedures and systems regarding (i) authorizing purchases, (ii) receiving invoices, (iii) receiving IT hardware products and (iv) processing invoices. However, we cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to remediate the material weakness we have identified or avoid potential future material weaknesses.

If we identify additional material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting in future periods, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could be negatively affected, and we could become subject to investigations by the NYSE, on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

***If you purchase shares of Class A common stock in this offering, you will suffer immediate and substantial dilution of your investment.***

The initial public offering price of our Class A common stock is substantially higher than the net tangible book deficit per share of our common stock. Therefore, if you purchase shares of our Class A common stock in this offering, you will pay a price per share that substantially exceeds our

net tangible book deficit per share after this offering. Based on an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus, you will experience immediate dilution of $ per share, representing the difference between our

pro forma net tangible book deficit per share after giving effect to this offering and the initial public offering price. In addition, purchasers of Class A common stock in this offering will have contributed % of the aggregate price paid by all purchasers of our stock but will own only approximately

% of our Class A common stock outstanding after this offering. See “Dilution” for more detail.

***Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.***

Pursuant to our certificate of incorporation and bylaws, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock,

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including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of Class A common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock.

***An active, liquid trading market for our Class A common stock may not develop, which may limit your ability to sell your shares.***

Prior to this offering, there was no public market for our Class A common stock. Although we intend to list shares of our Class A common stock on the NYSE under the symbol “PLNT,” an active trading market for our Class A shares may never develop or be sustained following this offering. The initial public offering price will be determined by negotiations among us, the selling stockholders and the underwriters and may not be indicative of market prices of our Class A common stock that will prevail in the open market after the offering. A public trading market having the desirable characteristics of depth, liquidity and orderliness depends upon the existence of willing buyers and sellers at any given time, such existence being dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. The failure of an active and liquid trading market to develop and continue would likely have a material adverse effect on the value of our Class A common stock. The market price of our Class A common stock may decline below the initial public offering price, and you may not be able to sell your shares of our Class A common stock at or above the price you paid in this offering, or at all. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

***As a public company, we will become subject to additional laws, regulations and stock exchange listing standards, which will impose additional costs on us and may strain our resources and divert our management’s attention.***

Prior to this offering, we operated on a private basis. After this offering, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of

2010, the listing requirements of and other applicable securities laws and regulations. Compliance with these laws and regulations will increase our legal and financial compliance costs and make some activities more difficult, time-consuming or costly. We also expect that being a public company and being subject to new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. We estimate that we will incur between

* million and $ million annually in expenses related to incremental insurance costs and other expenses associated with being a public company, including listing, printer, audit and XBRL fees and investor relations costs. However, the incremental costs that we incur as a result of becoming a public company could exceed our estimate. These factors may therefore strain our resources, divert management’s attention and affect our ability to attract and retain qualified board members.

***Our operating results and share price may be volatile, and the market price of our Class A common stock after this offering may drop below the price you pay.***

Our quarterly operating results are likely to fluctuate in the future as a publicly traded company. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. We

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and the underwriters will negotiate to determine the initial public offering price. You may not be able to resell your shares at or above the initial public offering price or at all. Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

* market conditions in the broader stock market;
* actual or anticipated fluctuations in our quarterly financial and operating results;
* introduction of new products or services by us or our competitors;
* issuance of new or changed securities analysts’ reports or recommendations;
* results of operations that vary from expectations of securities analysis and investors;
* guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
* strategic actions by us or our competitors;
* announcement by us, our competitors or our vendors of significant contracts or acquisitions;
* sales, or anticipated sales, of large blocks of our stock;
* additions or departures of key personnel;
* regulatory, legal or political developments;
* public response to press releases or other public announcements by us or third parties, including our filings with the SEC;
* litigation and governmental investigations;
* changing economic conditions;
* changes in accounting principles;
* default under agreements governing our indebtedness;
* exchange rate fluctuations; and
* other events or factors, including those from natural disasters, war, actors of terrorism or responses to these events.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. While we believe that operating results for any particular quarter are not necessarily a meaningful indication of future results, fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. 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 brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

***A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our Class A common stock to drop significantly, even if our business is doing well.***

Sales of a substantial number of shares of our Class A common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell

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shares, could reduce the market price of our Class A common stock. After this offering, we will have outstanding shares of Class A common stock based on the number of shares outstanding as of , 2015. This includes shares that we are selling in this offering, as well as the shares that the selling stockholders are selling and the shares held by our existing stockholders, which may be resold in the

public market immediately, and assumes no exercises of outstanding options. Substantially all of the shares that are not being sold in this offering will be subject to a 180-day lock-up period provided under agreements executed in connection with this offering. These shares will, however, be able to be resold after the expiration of the lock-up agreement as described in the “Shares eligible for future sale” section of this prospectus. We also intend to file a Form S-8 under the Securities Act to register all shares of Class A common stock that we may issue under our equity compensation plans. In addition, TSG has certain demand registration rights that could require us in the future to file registration statements in connection with sales of our stock by TSG. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Registration rights agreement.” Such sales by TSG could be significant. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements described in the “Underwriting” section of this prospectus. As restrictions on resale end, the market price of our stock could decline if the holders of currently restricted shares sell them or are perceived by the market as intending to sell them.

***Since we have no current plans to pay regular cash dividends on our Class A common stock following this offering, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.***

Although we have previously declared dividends to our equityholders, we do not anticipate paying any regular cash dividends on our Class A common stock following this offering. Any decision to declare and pay dividends in the future will be made at the discretion of our board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board may deem relevant. In addition, our ability to pay dividends is, and may be, limited by covenants of existing and any future outstanding indebtedness we or our subsidiaries incur. Therefore, any return on investment in our Class A common stock is solely dependent upon the appreciation of the price of our Class A common stock on the open market, which may not occur. See “Dividend policy” for more detail.

***If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our shares or if our results of operations do not meet their expectations, our share price and trading volume could decline.***

The trading market for our shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. Securities and industry analysts do not currently, and may never, publish research on our Company. If no securities or industry analysts commence coverage of our Company, the trading price of our shares would likely be negatively impacted. In the event securities or industry analysts initiated coverage, and one or more of these analysts cease coverage of our Company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our share price could decline.

***A credit ratings downgrade or other negative action by a credit ratings organization could adversely affect the trading price of the shares of our Class A common stock.***

Credit rating agencies continually revise their ratings for companies they follow. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the

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future. In addition, developments in our business and operations could lead to a ratings downgrade for us or our subsidiaries. Any such fluctuation in the rating of us or our subsidiaries may impact our ability to access debt markets in the future or increase our cost of future debt which could have a material adverse effect on our operations and financial condition, which in return may adversely affect the trading price of shares of our Class A common stock.

***Our certificate of incorporation designates courts in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for:

* any derivative action or proceeding brought on our behalf;
* 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;
* any action asserting a claim against us arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws;
* any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws; or
* any other action asserting a claim against us that is governed by the internal affairs doctrine (each, a “Covered Proceeding”).

In addition, our certificate of incorporation provides that if any action the subject matter of which is a Covered Proceeding is filed in a court other than the specified Delaware courts without the approval of our board of directors (each, a “Foreign Action”), the claiming party will be deemed to have consented to (i) the personal jurisdiction of the specified Delaware courts in connection with any action brought in any such courts to enforce the exclusive forum provision described above and (ii) having service of process made upon such claiming party in any such enforcement action by service upon such claiming party’s counsel in the Foreign Action as agent for such claiming party.

Our certificate of incorporation also provides that, except to the extent prohibited by the DGCL, in the event that a claiming party initiates, asserts, joins, offers substantial assistance to or has a direct financial interest in any Foreign Action without the prior approval of our board of directors, each such claiming party shall be obligated jointly and severally to reimburse us and any officer, director or other employee made a party to such proceeding for all fees, costs and expenses of every kind and description (including, but not limited to, all attorneys’ fees and other litigation expenses) that the parties may incur in connection with such Foreign Action. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to these provisions. These provisions may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

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**Cautionary note regarding forward-looking statements**

This prospectus contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies and other future conditions. Forward-looking statements can be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” “contemplate” and other similar expressions, although not all forward-looking statements contain these identifying words.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place significant reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Important factors that could cause actual results and events to differ materially from those indicated in the forward-looking statements include, among others, the following:

* our dependence on the operational and financial results of, and our relationships with, our franchisees and the success of their new and existing stores;
* our ability to protect our brand and reputation;
* our ability to execute our growth strategy, including through development of new stores by new and existing franchisees;
* our ability to manage our growth and associated strain on our resources;
* our ability to successfully identify and secure appropriate franchisees and sites, and timely develop and expand our operations;
* data security and the vulnerability of our information systems;
* our and our franchisees’ ability to attract and retain members;
* the high level of competition in the health and fitness industry;
* our dependence on a small number of equipment suppliers;
* our ability to maintain sufficient levels of cash flow, or access to capital, to meet growth expectations;
* our dependence on key executive management;
* our ability to identify qualified individuals for our workforce;
* our ability to adequately protect our intellectual property;
* risks related to franchisees generally;
* our business model being susceptible to litigation;
* the substantial indebtedness of our subsidiary, Planet Fitness Holdings, LLC;
* TSG’s significant influence over us and our status as a “controlled company” under the rules of the NYSE;
* risks relating to our corporate structure and tax receivable agreements; and
* the other factors identified under the heading “Risk factors” elsewhere in this prospectus.

The forward-looking statements in this prospectus represent our views as of the date of this prospectus. We undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future developments or otherwise.

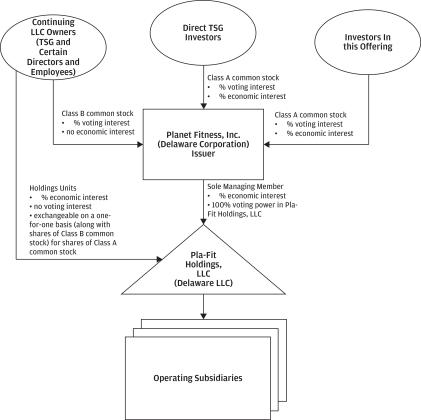
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**The recapitalization transactions**

**Organizational structure following this offering**

The diagram below depicts our organizational structure immediately following this offering, after giving effect to the recapitalization transactions, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



Immediately following this offering, after giving effect to the recapitalization transactions, Planet Fitness, Inc. will be a holding company, and its sole material asset will be an equity interest, indirectly held through its wholly owned subsidiaries, in Pla-Fit Holdings, LLC. As the sole managing member of Pla-Fit Holdings, LLC, Planet Fitness, Inc. will operate and control all of the business and affairs of Pla-Fit Holdings, LLC and, through Pla-Fit Holdings, LLC and its subsidiaries, conduct our business. Accordingly, although we will have a minority economic interest in Pla-Fit Holdings, LLC, we will have the sole voting interest in, and control the management of, Pla-Fit Holdings, LLC. As a result, Planet Fitness, Inc. will consolidate Pla-Fit Holdings, LLC in its consolidated financial statements and will report a noncontrolling interest related to the Holdings Units held by the Continuing LLC Owners in our consolidated financial statements. Planet Fitness, Inc. will have a board of directors and executive officers but no employees. The functions of all our employees are expected to reside at Pla-Fit Holdings, LLC and its subsidiaries.

Our organizational structure will allow the Continuing LLC Owners to retain their equity ownership in Pla-Fit Holdings, LLC, an entity that is classified as a partnership for U.S. federal income tax purposes, in the form of Holdings Units. Investors participating in this offering will, by contrast, hold equity in Planet Fitness, Inc., a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, in the form of shares

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of our Class A common stock, along with the Direct TSG Investors. We believe that the Continuing LLC Owners generally find it advantageous to hold their equity interests in an entity that is not taxable as a corporation for U.S. federal income tax purposes. The Continuing LLC Owners and Planet Fitness, Inc. will incur U.S. federal, state, provincial and local income taxes on their allocable share of any taxable income of Pla-Fit Holdings, LLC (as calculated pursuant to the New LLC Agreement as it will be in effect at the time of this offering). We do not believe that our organizational structure gives rise to any significant benefit or detriment to our business or operations.

**The recapitalization transactions**

We refer to the Conversion, Reclassification and entry into the exchange agreement, each as described below, as the “recapitalization transactions.” The recapitalization transactions will be effected pursuant to a recapitalization agreement by and among Planet Fitness, Inc., Pla-Fit Holdings, LLC, the Continuing LLC Owners and the Direct TSG Investors.

***Conversion***

Prior to this offering, the Direct TSG Investors held interests in Planet Fitness Holdings, L.P., a predecessor entity to Planet Fitness, Inc., which predecessor entity holds indirect interests in Pla-Fit Holdings, LLC. The Direct TSG Investors consist of investment funds affiliated with TSG. In connection with the recapitalization transactions, these interests will be converted into Class A shares of common stock of Planet Fitness, Inc. through the merger of the predecessor entity with Planet Fitness, Inc. We refer to this as the “Conversion.” Shares of Class A common stock will have both voting and economic rights in Planet Fitness, Inc. See “Description of capital stock.”

The Conversion will be effected prior to the time our Class A common stock is registered under the Exchange Act and prior to the completion of this offering.

***Reclassification***

The equity interests of Pla-Fit Holdings, LLC currently consist of three different classes of limited liability company units (Class M, Class T and Class O). Prior to the completion of this offering, the limited liability company agreement of Pla-Fit Holdings, LLC will be amended and restated to, among other things, modify its capital structure to create a single new class of units, the Holdings Units. We refer to this capital structure modification as the “Reclassification.” The Reclassification will be effected prior to the time our Class A common stock is registered under the Exchange Act and prior to the completion of this offering.

Following the Conversion and the Reclassification, Planet Fitness, Inc. will issue to Continuing LLC Owners one share of Class B common stock for each Holdings Unit they hold. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, but entitle the holder to one vote per share on matters presented to stockholders of Planet Fitness, Inc. Holdings Units will be held by the Continuing LLC Owners and by Planet Fitness, Inc., which will hold its interests indirectly through wholly owned subsidiaries. The Continuing LLC Owners consist of investment funds affiliated with TSG and certain employees and directors. All of the shares of Class A common stock that will be outstanding following the Conversion and the Reclassification but prior to completion of this offering will be held by the Direct TSG Investors.

Pursuant to the New LLC Agreement, Planet Fitness, Inc. will be designated as the sole managing member of Pla-Fit Holdings, LLC. Accordingly, Planet Fitness, Inc. will have the right to determine when distributions will be made by Pla-Fit Holdings, LLC to its members and the amount of any such distributions (subject to the

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requirements with respect to the tax distributions described below). If Planet Fitness, Inc. authorizes a distribution by Pla-Fit Holdings, LLC, the distribution will be made to the members of Pla-Fit Holdings, LLC pro rata in accordance with the percentages of their respective Holdings Units.

The holders of Holdings Units will incur U.S. federal, state and local income taxes on their allocable share of any taxable income of Pla-Fit Holdings, LLC (as calculated pursuant to the New LLC Agreement). Net profits and net losses of Pla-Fit Holdings, LLC will generally be allocated to its members pursuant to the New LLC Agreement pro rata in accordance with the percentages of their respective Holdings Units. The New LLC Agreement will provide for cash distributions to the holders of Holdings Units for purposes of funding their tax obligations in respect of the income of Pla-Fit Holdings, LLC that is allocated to them, to the extent other distributions from Pla-Fit Holdings, LLC for the relevant year have been insufficient to cover such liability. Generally, these tax distributions will be computed based on the taxable income of Pla-Fit Holdings, LLC allocable to the holders of Holdings Units multiplied by an assumed, combined tax rate equal to the maximum rate applicable to an individual or corporation resident in San Francisco, California (taking into account the non-deductibility of certain expenses and the character of our income). See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Pla-Fit Holdings, LLC amended and restated limited liability company agreement.”

***Exchange agreement***

Following the Conversion and the Reclassification, we and the Continuing LLC Owners will enter into an exchange agreement at the time of this offering under which Continuing LLC Owners (or certain permitted transferees thereof) will have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, along with a corresponding number of shares of our Class B common stock, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends, reclassifications and similar transactions. As a Continuing LLC Owner exchanges Holdings Units, along with a corresponding number of shares of our Class B common stock, for shares of Class A common stock, the number of Holdings Units held by Planet Fitness, Inc. will be correspondingly increased as it acquires the exchanged Holdings Units and cancels a corresponding number of shares of Class B common stock. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Exchange agreement.”

***Offering transactions***

In connection with the completion of this offering, in order to facilitate the disposition of equity interests in Pla-Fit Holdings, LLC held by Continuing LLC Owners affiliated with TSG, we intend to use the net proceeds we receive to purchase, through wholly owned subsidiaries, issued and outstanding Holdings Units from these Continuing LLC Owners that they will have received in the Reclassification. Assuming that the shares of

Class A common stock to be sold in this offering are sold at $ per share, which is the midpoint of the price range on the front cover of this prospectus, at the time of this offering, we will purchase issued and outstanding Holdings Units from these Continuing LLC Owners for an

aggregate of $ million (or $ million Holdings Units for an aggregate of $ million if the underwriters exercise in full their option to purchase additional shares of Class A common stock). As such, we will acquire a minority equity percentage of the Holdings Units held by the Continuing LLC Owners issued to them in the Reclassification, which is in addition to the Holdings Units that we acquire in the Reclassification on a one-for-one basis in relation to the number of shares of Class A common stock issued to the Direct TSG Investors in the Conversion. Accordingly, following this offering, we will hold a number of Holdings Units that is equal to the number of shares of Class A common stock that it has issued to the Direct TSG Investors and investors in this offering. The Direct TSG Investors, who will not have received

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Holdings Units in the Reclassification but rather will have received shares of Class A common stock in the Conversion, will sell a portion of those shares of Class A common stock in this offering as selling stockholders. Pla-Fit Holdings, LLC will bear or reimburse Planet Fitness, Inc. for all of the expenses of this offering.

As a result of the recapitalization transactions and the offering transactions, upon completion of this offering:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| • the investors in this offering will collectively own | | | shares of our Class A common stock (or | | shares of Class A common stock if the | | |
| underwriters exercise in full their option to purchase additional shares of Class A common stock), representing | | | | | | % of the voting power in | |
| Planet Fitness, Inc. (or | % if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and, through | | | | | | |
| Planet Fitness, Inc., | % of the economic interest in Pla-Fit Holdings, LLC (or | | | % if the underwriters exercise in full their option to purchase | | | |
| additional shares of Class A common stock); | | |  |  |  |  |  |
| • The Direct TSG Investors will collectively own | | | shares of our Class A common stock (or | | shares of Class A common stock if the | | |
| underwriters exercise in full their option to purchase additional shares of Class A common stock), representing | | | | | | % of the voting power in | |
| Planet Fitness, Inc. (or | % if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and, through | | | | | | |
| Planet Fitness, Inc., | % of the economic interest in Pla-Fit Holdings, LLC (or | | | % if the underwriters exercise in full their option to purchase | | | |
| additional shares of Class A common stock); and | | |  |  |  |  |  |
| • the Continuing LLC Owners will collectively hold | | | Holdings Units, representing % of the economic interest in Pla-Fit Holdings, LLC (or | | | | |
| % if the underwriters exercise in full their over-allotment option to purchase additional shares of Class A common stock) and | | | | | | | shares of |
| our Class B common stock (or | | shares of our Class B common stock if the underwriters exercise in full their option to purchase additional | | | | | |
| shares of Class A common stock), representing | | | % of the voting power in Planet Fitness, Inc. (or | | % if the underwriters exercise in full their | | |
| option to purchase additional shares of Class A common stock) . | | | |  |  |  |  |

***Tax receivable agreements***

Our acquisition of Holdings Units in connection with this offering and future and certain past exchanges of Holdings Units for shares of our Class A common stock (or cash) are expected to produce and have produced favorable tax attributes for us. Upon the completion of this offering, we will be a party to two tax receivable agreements. Under the first of those agreements, we generally will be required to pay to our Continuing LLC Owners 85% of the applicable cash savings, if any, in U.S. federal and state income tax that we are deemed to realize as a result of certain tax attributes of their Holdings Units sold to us (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of our Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest). Under the second tax receivable agreement, we generally will be required to pay to the Direct TSG Investors 85% of the amount of cash savings, if any, that we are deemed to realize as a result of the tax attributes of the Holdings Units that we hold in respect of the Direct TSG Investors’ interest in us, which resulted from the Direct TSG Investors’ purchase of interests in the 2012 Acquisition, and certain other tax benefits. Under both agreements, we generally will retain the benefit of the remaining 15% of the applicable tax savings. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Tax receivable agreements.”

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**Use of proceeds**

We estimate that the net proceeds to us from our issuance and sale of shares of Class A common stock in this offering will be approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses (or approximately $

million if the underwriters exercise in full their option to purchase additional shares of Class A common stock). This estimate assumes an initial

public offering price of $ 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 $ , based upon the midpoint of the estimated price range set forth on the cover of this prospectus, would increase (decrease) the net proceeds to us from this offering by $ million (or approximately $ million if

the underwriters exercise in full their option to purchase additional shares of Class A common stock), assuming the number of shares we offer, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses.

We intend to use the net proceeds of this offering to purchase, through wholly owned subsidiaries, issued and outstanding Holdings Units from certain Continuing LLC Owners consisting of investment funds affiliated with TSG that they will have received in the Reclassification (or

Holdings Units if the underwriters exercise in full their option to purchase additional shares of Class A common stock), at a purchase price per unit equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions. As such, we will acquire a minority equity percentage of the Holdings Units held by the Continuing LLC Owners issued to them in the Reclassification, which is in addition to the Holdings Units that we acquire in the Reclassification on a one-for-one basis in relation to the number of shares of Class A common stock issued to the Direct TSG Investors in the Conversion. Pla-Fit Holdings, LLC will not receive any proceeds that we use to purchase Holdings Units from Continuing LLC Owners.

The Direct TSG Investors, who will not have received Holdings Units in the Reclassification but rather will have received shares of Class A common stock in the Conversion, will sell a portion of those shares of Class A common stock in this offering as selling stockholders. We will not receive any proceeds from the sale of shares by the selling stockholders. After deducting underwriting discounts and commissions, the selling

stockholders will receive approximately $ of proceeds from this offering.

Pla-Fit Holdings, LLC will bear or reimburse Planet Fitness, Inc. and the selling stockholders for all of the expenses incurred in connection with this offering.

The board of managers of Pla-Fit Holdings, LLC paid cash distributions of $140.0 million and $173.9 million to holders of Class T Units and Class O Units on March 31, 2015 and March 31, 2014, respectively. Under certain interpretations of the SEC, certain dividends 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. See “Unaudited pro forma net income per share information,” included in our historical consolidated financial statements for the year ended December 31, 2014 and the unaudited condensed consolidated financial statements for the quarter ended March 31, 2015 found elsewhere in this prospectus, for pro forma earnings per share information.

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**Dividend policy**

Our board of directors does not currently intend to pay dividends on our Class A common stock following completion of this offering. However, we expect to re-evaluate our dividend policy on a regular basis following the offering and may, subject to compliance with the covenants contained in our senior secured credit facility and other considerations, determine to pay dividends in the future. Holders of our Class B common stock are not entitled to participate in any dividends declared by our board of directors. The declaration, amount and payment of any future dividends on shares of our Class A common stock will be at the sole discretion of our board of directors, which may take into account general economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, the implications of the payment of dividends by us to our stockholders or by our subsidiaries to us, and any other factors that our board of directors may deem relevant. See “Management’s discussion and analysis of financial condition and results of operations —Liquidity and capital resources” and “Description of indebtedness” included elsewhere in this prospectus regarding restrictions on our ability to pay dividends.

On March 31, 2014, the board of managers of Pla-Fit Holdings, LLC paid a cash distribution of $173.9 million to holders of its Class T Units and Class O Units.

On March 31, 2015, the board of managers of Pla-Fit Holdings, LLC paid a cash distribution of $140.0 million to holders of its Class T Units and Class O Units.

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**Capitalization**

The following table sets forth the cash, cash equivalents and capitalization as of March 31, 2015 of Pla-Fit Holdings, LLC on a historical basis and of Planet Fitness, Inc. on a pro forma basis to reflect:

• The recapitalization transactions;

• the issuance of shares of Class A common stock by us in this offering and the receipt of approximately $ million in net proceeds from the sale of such shares, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of

this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses; and • the application of the estimated net proceeds from the offering as described in “Use of proceeds.”

You should read this information together with our audited and unaudited financial statements and related notes appearing elsewhere in this prospectus and the information set forth under the headings “Unaudited pro forma consolidated financial information,” “Selected consolidated financial and other data” and “Management’s discussion and analysis of financial condition and results of operations.”



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **As of March 31, 2015** | | |
|  |  |  |  | **Historical** | |  | **Pro forma** |  |
|  |  |  |  | **Pla-Fit** | |  | **Planet** | |
| **(dollars in thousands)** |  |  | **Holdings, LLC** | | |  | **Fitness, Inc.(1)** | |
| Cash and cash equivalents |  | $ | | 27,532 |  | $ | |  |
| **Long-term debt, including current portion:** |  |  |  |  |  |  |  |  |
| Senior secured credit facility |  |  |  | 506,100 |  |  |  |  |
| Capital leases |  |  |  | 283 |  |  |  |  |
| **Total debt(2)** |  |  |  | 506,383 |  |  |  |  |
| **Members’/stockholders’ equity:** |  |  |  |  |  |  |  |  |
| Members’ equity |  |  |  | 7,397 |  |  |  |  |
| Class A common stock, par value $0.0001 per share; no shares authorized and no shares issued | | | |  |  |  |  |  |
| and outstanding on a historical basis, | shares authorized and | shares issued and | |  |  |  |  |  |
| outstanding on a pro forma basis |  |  |  | — | |  |  |  |
| Class B common stock, par value $0.0001 per share; no shares authorized and no shares issued | | | |  |  |  |  |  |
| and outstanding on a historical basis, | shares authorized and | shares issued and | |  |  |  |  |  |
| outstanding on a pro forma basis |  |  |  | — | |  |  |  |
| Additional paid-in capital |  |  |  |  |  |  |  |  |
| Accumulated deficit |  |  |  |  |  |  |  |  |
| Accumulated other comprehensive loss |  |  |  | (1,314) | |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Members’/stockholders’ equity attributable to Planet Fitness, Inc. | |  |  | 6,083 |  |  |  |  |
| Noncontrolling interest |  |  |  | 6,342 |  |  |  |  |
| **Total members’/stockholders’ equity** |  |  |  | 12,425 |  |  |  |  |
| **Total capitalization** |  | $ | | 518,808 |  | $ | |  |
|  |  |  |  |  |  |  |  |  |



1. Pro forma reflects the application of the estimated proceeds of the offering as described in “Use of proceeds.”
2. Total debt consists of borrowings under our senior secured credit facility as described in “Description of certain indebtedness” and capital leases.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, would decrease (increase) the pro forma amount of each of cash and cash equivalents, noncontrolling interest and total stockholders’ equity by approximately $ million after deducting underwriting discounts and commissions and estimated offering expenses.

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**Dilution**

The Continuing LLC Owners will continue to own their Holdings Units in Pla-Fit Holdings, LLC immediately after the recapitalization transactions and the offering. Because the Continuing LLC Owners will not own any Class A common stock or have any right to receive distributions from Planet Fitness, Inc., we have presented dilution in pro forma net tangible book value per share after this offering assuming that all of the holders of Holdings Units (other than Planet Fitness, Inc.) had their Holdings Units exchanged for newly issued shares of Class A common stock on a one-for-one basis and the cancellation for no consideration of all of their shares of Class B common stock (which are not entitled to receive distributions or dividends, whether cash or stock from Planet Fitness, Inc.) in order to more meaningfully present the dilutive impact on the investors in this offering. We refer to the assumed exchange of all Holdings Units for shares of Class A common stock as described in the previous sentence as the “Assumed Exchange.”

If you invest in our Class A common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of our Class A common stock in this offering and the pro forma net tangible book value per share of our Class A common stock after this offering. Dilution results from the fact that the initial public offering price per share of Class A common stock is substantially in excess of the net tangible book deficit per share of our Class A common stock attributable to the existing stockholders for our presently outstanding shares of Class A common stock. Our net tangible book deficit per share represents the amount of our total tangible assets (total assets less intangible assets) less total liabilities, divided by the number of shares of Class A common stock issued and outstanding.

As of March 31, 2015, we had a historical net tangible book deficit of $454.3 million, or $ per share of Class A common stock, based on shares of our Class A common stock outstanding as of , 2015. Dilution is calculated by subtracting net tangible book deficit per

share of our Class A common stock from the assumed initial public offering price per share of our Class A common stock.

Investors participating in this offering will incur immediate and substantial dilution. Without taking into account any other changes in such net tangible book deficit after March 31, 2015, after giving effect to the recapitalization transactions, the Assumed Exchange and the sale of shares of

our Class A common stock in this offering assuming an initial public offering price of $ per share (the midpoint of the offering range shown on the cover of this prospectus), less the underwriting discounts and commissions and estimated offering expenses and the application of such

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| proceeds, our pro forma net tangible book deficit as of March 31, 2015, would have been approximately $ | | million, or $ | | per share of | | | |
| Class A common stock. This amount represents an immediate decrease in net tangible book deficit of $ | | per share of our Class A common | | | | | |
| stock to the existing stockholders and immediate dilution in net tangible book deficit of $ | per share of our Class A common stock to investors | | | | | | |
| purchasing shares of our Class A common stock in this offering. The following table illustrates this dilution on a per share basis: | | | |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Assumed initial public offering price per share |  |  |  | $ | | |  |
| Net tangible book deficit per share as of March 31, 2015, before giving effect to this offering(1) | | $ | |  |  |  |  |
| Decrease in net tangible book deficit per share attributable to investors purchasing shares in this offering | |  |  |  |  |  |  |
| Pro forma net tangible book value per share, after giving effect to this offering(1) |  |  |  |  |  |  |  |
| Dilution in net tangible book deficit per share to investors in this offering |  |  |  | $ | | |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

1. Gives pro forma effect to the recapitalization transactions and the Assumed Exchange.

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If the underwriters exercise their option in full to purchase additional shares, the pro forma net tangible book deficit per share of our Class A

common stock after giving effect to this offering, the recapitalization transactions and the Assumed Exchange would be $ per share of our Class A common stock. This represents a decrease in pro forma net tangible book deficit of $ per share of our Class A common stock to existing stockholders and dilution in pro forma net tangible book deficit of $ per share of our Class A common stock to new investors.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would decrease (increase) the pro forma net

tangible book deficit per share of our Class A common stock after giving effect to this offering, the recapitalization transactions and the Assumed

Exchange by $ , or by $ per share of our Class A common stock, assuming no change to the number of shares of our Class A common stock offered by us as set forth on the front cover page of this prospectus and after deducting the estimated underwriting discounts and expenses.

The following table summarizes, as of March 31, 2015, on the pro forma basis described above, the total number of shares of our Class A common stock purchased from us, the total consideration paid to us, and the average price per share of our Class A common stock paid by purchasers of such shares and by new investors purchasing shares of our Class A common stock in this offering.



|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Shares purchased** | | | **Total consideration** | | | **Average price** | |
|  |  |  |  |  |  |  |  |  |  | |
|  |  | **Number** | | **Percent** | | **Amount** | **Percent** | | **per share** | |
| Existing stockholders |  |  |  | % | | $ | % | | $ |  |
| New investors |  |  |  |  |  |  |  |  |  |  |
| **Total** |  |  |  | 100% | | $ | 100% | | $ |  |
|  | | | | |  |  | |  | |  |
| The number of shares of Class A common stock to be outstanding after this offering is based on | | | | | | shares of Class A common stock | | | | |
| outstanding as of | , 2015 and excludes | shares of Class A common stock reserved for future issuance under our equity incentive | | | | | | | | |
| plans as of | , 2015. |  |  |  |  |  |  |  |  |  |
|  |  | 55 | |  |  |  |  |  |  |  |

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**Unaudited pro forma consolidated financial information**

The following unaudited pro forma information reflects the impact of this offering, after giving effect to the recapitalization transactions discussed in the section of this prospectus entitled “The recapitalization transactions.” The unaudited pro forma consolidated statements of operations for the year ended December 31, 2014 and the quarter ended March 31, 2015 give effect to the recapitalization transactions and this offering as if they had occurred on January 1, 2014. The unaudited pro forma consolidated balance sheet as of March 31, 2015 gives effect to the recapitalization transactions and this offering as if they had occurred on March 31, 2015.

As a result of the recapitalization transactions, the operating agreement of Pla-Fit Holdings, LLC will be amended and restated to, among other things, designate Planet Fitness, Inc. as the sole managing member of Pla-Fit Holdings, LLC. As sole managing member, Planet Fitness, Inc. will exclusively operate and control the business and affairs of Pla-Fit Holdings, LLC. This Amended and Restated Limited Liability Company Agreement of Pla-Fit Holdings, LLC is referred to as the New LLC Agreement. As a result of the recapitalization transactions and the New LLC Agreement, we will consolidate Pla-Fit Holdings, LLC, and Pla-Fit Holdings, LLC will be considered our predecessor for accounting purposes. The unaudited pro forma consolidated financial information gives effect to the consolidation of Pla-Fit Holdings, LLC with Planet Fitness, Inc. resulting from the recapitalization transactions and the New LLC Agreement.

We derived the unaudited pro forma consolidated financial information set forth below by applying the pro forma adjustments to the audited and unaudited historical consolidated financial statements of Pla-Fit Holdings, LLC and subsidiaries included elsewhere in this prospectus. The unaudited pro forma consolidated financial information reflects pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions we believe are reasonable but are subject to change.

The recapitalization transactions pro forma adjustments give effect to the following transactions:

* the conversion of interests held by the Direct TSG Investors into shares of Class A common stock of Planet Fitness, Inc.;
* the reclassification of the Class M, Class T and Class O units of Pla-Fit Holdings, LLC into the Holdings Units; and
* the issuance of Class B shares of common stock to the Continuing LLC Owners.

The offering pro forma adjustments give effect to the following effects of this offering:

* the issuance of shares of our Class A common stock to the purchasers in this offering in exchange for net proceeds of approximately $

million, assuming that the shares are offered at $per share (the midpoint of the price range listed on the cover page of this

prospectus), after deducting underwriting discounts and commissions and offering expenses;

* the use of proceeds received in this offering to purchase issued and outstanding Holdings Units from certain Continuing LLC Owners;
* the effects of (1) the tax receivable agreement to be entered into with the Continuing LLC Owners that will provide for the payment by us to the Continuing LLC Owners of 85% of the amount of the cash savings, if any, in U.S. federal and state income tax that we are deemed to realize as a result of certain tax attributes of their Holdings Units sold to us (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of our Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest), and (2) the tax receivable agreement to be entered into with the Direct TSG Investors that will provide for the payment by us to the Direct TSG

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Investors of 85% of the amount of the cash savings, if any, that we are deemed to realize as a result of the tax attributes of the Holdings Units that we hold in respect of the Direct TSG Investors’ interest in us, and certain other tax benefits;

* the recording of cash-based and equity-based compensation expense related to our 2013 Performance Incentive Plan and the Class M units of Pla-Fit Holdings, LLC, respectively, and the termination of the management services agreement with TSG; and

• a provision for income taxes and deferred taxes reflecting Planet Fitness, Inc. as a taxable corporation at an effective rate of ended December 31, 2014 and % for the quarter ended March 31, 2015.

% for the year

The unaudited pro forma consolidated financial information presented assumes no exercise by the underwriters of their option to purchase additional shares of Class A common stock from us.

The unaudited pro forma consolidated financial information is presented for informational purposes only and should not be considered indicative of the actual financial position or results of operations that would have been achieved had the recapitalization transactions and this offering been consummated on the dates indicated, and does not purport to be indicative of the financial condition or results of operations as of any future date or for any future period. You should read our unaudited pro forma consolidated financial information and the accompanying notes in conjunction with the historical consolidated financial statements and related notes included elsewhere in this prospectus and the financial and other information appearing elsewhere in this prospectus, including information contained in the sections entitled “Risk factors,” “Selected consolidated financial and operating data,” “Use of proceeds,” “Capitalization” and “Management’s discussion and analysis of financial condition and results of operations.”

The historical consolidated financial position and results of operations of Planet Fitness, Inc. have not been presented in the accompanying unaudited pro forma consolidated financial information as Planet Fitness, Inc. is a newly incorporated entity as of March 2015, has had no business transactions or activities to date, and had no material assets, liabilities, revenues or expenses during the periods presented in this section. As described above, in connection with the recapitalization transactions and the execution of the New LLC Agreement, Pla-Fit Holdings, LLC will be considered our predecessor for accounting purposes.

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**Planet Fitness, Inc.**

**Unaudited pro forma consolidated balance sheet**

**as of March 31, 2015**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Historical** | | **Recapitalization** | | **As adjusted** | |  |  |  |  |  | **Pro forma** | |  |
|  |  | **Pla-Fit** | **Holdings,** | | **transactions** | | **before** | |  |  | **Offering** | |  | **Planet Fitness,** | |  |
| **(in millions)** | |  | **LLC** | | **adjustments** | | **offering** | |  | **adjustments** | | |  | **Inc.** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents | $ | 27.5 |  | $ |  | $ |  | $ | | (7) | | $ | |  |  |
|  | Accounts receivable, net |  | 9.5 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Due from related parties, current |  | 1.1 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Inventory |  | 2.0 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Restricted assets—NAF |  | 0.4 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Other current assets |  | 7.8 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total current assets |  | 48.3 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Property and equipment, net |  | 51.6 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Intangible assets, net |  | 289.8 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Goodwill |  | 177.0 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Deferred tax assets |  | — | |  |  |  |  |  |  | (1)(4) | |  |  |  |  |
|  | Other assets, net |  | 12.9 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total assets | $ | 579.6 |  | $ |  | $ |  | $ | |  |  | $ | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities and Members’/Stockholders’ Equity** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Current maturities of long-term debt | $ | 5.1 | | $ |  | $ |  | $ | |  |  | $ | |  |  |
|  | Accounts payable |  | 10.5 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Member distribution payable |  | 7.5 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Accrued expenses |  | 7.6 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Current maturities of obligations under capital leases |  | 0.3 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Equipment deposits |  | 6.4 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Restricted liabilities—NAF |  | 0.4 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Deferred revenue, current |  | 13.6 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Other current liabilities |  | 0.2 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total current liabilities |  | 51.6 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Long-term debt, net of current maturities |  | 501.0 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Obligations under capital leases, net of current portion |  | — | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Deferred rent, net of current portion |  | 4.0 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Deferred revenue, net of current portion |  | 9.4 | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Deferred tax liabilities—non current |  | 0.6 | | (1) | |  |  |  |  |  |  |  |  |  |  |
|  | Other liabilities |  | 0.6 | |  |  |  |  |  |  | (1) | |  |  |  |  |
|  | Total noncurrent liabilities |  | 515.6 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Commitments and contingencies |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Members’ equity |  | 7.4 | | (2) | |  |  |  |  |  |  |  |  |  |  |
|  | Class A common stock |  | — | | (2) | |  |  |  |  | (5) | |  |  |  |  |
|  | Class B common stock |  | — | | (3) | |  |  |  |  |  |  |  |  |  |  |
|  | Additional paid-in-capital |  | — | | (2) | |  |  |  |  | (4)(5) | |  |  |  |  |
|  | Accumulated other comprehensive loss |  | (1.3) | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Retained earnings |  | — | |  |  |  |  |  |  | (4)(6)(7) | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Members’/ stockholders’ equity attributable to Planet Fitness, Inc. |  | 6.1 | | (2) | |  |  |  |  |  |  |  |  |  |  |
|  | Noncontrolling interests |  | 6.3 | | (3) | |  |  |  |  | (3)(5) | |  |  |  |  |
|  | Total equity |  | 12.4 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total liabilities and members’/stockholders’ equity | $ | 579.6 |  | $ |  | $ |  | $ | |  |  | $ | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**Notes to unaudited pro forma consolidated balance sheet as of March 31, 2015**

1. Planet Fitness, Inc. is subject to U.S. federal and state income taxes and will file consolidated income tax returns for U.S. federal and certain state jurisdictions. These adjustments reflect the recognition of deferred taxes resulting from our status as a C corporation. Temporary differences in the book basis as compared to the tax basis of our investment in Pla-Fit Holdings, LLC resulted in an unaudited pro forma

deferred tax liability of $ million as of March 31, 2015.

In addition, upon the completion of this offering, we will be a party to two tax receivable agreements. Under the first of those agreements, we generally will be required to pay to our Continuing LLC Owners 85% of the applicable cash savings, if any, in U.S. federal and state income tax that we are deemed to realize in certain circumstances as a result of certain tax attributes of their Holdings Units sold to us (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of our Class A common stock, and (ii) tax benefits attributable to payments made under this tax receivable agreement. Under the second tax receivable agreement, we generally will be required to pay to the Direct TSG Investors 85% of the amount of cash savings, if any, that we are deemed to realize as a result of the tax attributes of the Holdings Units that we hold in respect of the Direct TSG Investors’ interest in us, which resulted from the Direct TSG Investors’ purchase of interests in the 2012 Acquisition, and certain other tax benefits. Under both agreements, we generally will retain the benefit of the remaining 15% of the applicable tax savings. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Tax receivable agreements.”

The deferred tax asset of $ million related to, and the $ million in amounts payable under, the tax receivable agreements are assuming: (1) only exchanges associated with this offering, (2) a share price equal to $ per share (the midpoint of the estimated public

offering price range set forth on the cover page of this prospectus), (3) a constant corporate income tax rate of %, (4) no material changes in tax law, (5) the ability to utilize tax attributes and (6) future tax receivable agreement payments.

We anticipate that we will account for the income tax effects resulting from future taxable exchanges of Holdings Units by Continuing LLC Owners for shares of our Class A common stock or cash by recognizing an increase in our deferred tax assets, based on enacted tax rates at the date of each exchange. Further, we will evaluate the likelihood that we will realize the benefit represented by the deferred tax asset, and, to the extent that we estimate that it is more likely than not that we will not realize the benefit, we will reduce the carrying amount of the deferred tax asset with a valuation allowance.

The amounts to be recorded for both the deferred tax assets and the liability for our obligations under the tax receivable agreements have been estimated. All of the effects of changes in any of our estimates after the date of the purchase will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

(2) As a C corporation, we will no longer record members’ equity in the consolidated balance sheet. To reflect the C corporation structure of our equity, we will separately present the value of our common stock, additional paid-in capital and retained earnings. The portion of the reclassification of members’ equity associated with additional paid-in capital was estimated as the remainder of capital contributions we have

received less the $ attributed to the par value of the common stock and the $ million allocated to the noncontrolling interest.

1. As a result of the recapitalization transactions, the limited liability company agreement of Pla-Fit Holdings, LLC will be amended and restated to, among other things, designate Planet Fitness, Inc. as the sole managing member of Pla-Fit Holdings, LLC. As sole managing member, Planet Fitness, Inc. will exclusively operate and control the business and affairs of Pla-Fit Holdings, LLC. As the Continuing LLC Owners will control both Planet Fitness, Inc. and Pla-Fit Holdings, LLC following the recapitalization transactions we will consolidate Pla-Fit Holdings, LLC and Pla-Fit Holdings, LLC will be considered our predecessor for accounting purposes. The Holdings Units owned by the Continuing LLC Owners will be considered noncontrolling interests in the consolidated financial statements of Planet Fitness, Inc. The amount allocated to noncontrolling interests represents the proportional interest in the pro forma consolidated total equity of Pla-Fit Holdings, LLC owned by those unit holders.

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In addition, Planet Fitness, Inc. will issue to the Continuing LLC Owners one share of Class B common stock for each Holdings Unit they hold. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, but entitle the holder to one vote per share on matters presented to stockholders of Planet Fitness, Inc.

In connection with the recapitalization transactions, the following Class A and Class B shares will be issued:



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Continuing LLC Owners** | | | **Direct TSG Investors** |
|  | Class A shares |  |  |  |  |  |  |
|  | Class B shares |  |  |  |  |  |  |
| In connection with the offering, | | | additional Class A shares will be issued. | |  |  |  |
| Following the recapitalization transactions and the offering, Planet Fitness, Inc. will hold | | | | | Holdings Units, and the Continuing LLC | | |
| Owners will hold | | Holdings Units. | | |  |  |  |

The Continuing LLC Owners, from time to time following the offering, may require us to exchange all or a portion of their Holdings Units for newly issued shares of our Class A common stock on a one-for-one basis or, at our discretion, cash. Shares of our Class B common stock will be cancelled on a one-for-one basis if we, at the election of a Continuing LLC Owner, redeem or exchange Holdings Units of such Continuing LLC Owner pursuant to the terms of the exchange agreement. The decision whether to tender Holdings Units to us will be made solely at the discretion of the Continuing LLC Owners. We will exercise discretion regarding the form of consideration in any such exchange. We expect such decisions will be made on behalf of the Company by the disinterested members of its board of directors.

(4) Represents the cash-based and equity-based compensation expense of $ million and the related deferred tax asset of $ million recognized at the time of this offering related to the 2013 Performance Incentive Plan and the Class M Units that vest in connection with this offering, respectively. There are no additional amounts to be recognized following this offering related to the 2013 Performance Incentive Plan as all related amounts become payable in connection with this offering. As discussed in the notes to the unaudited pro forma statements of operations, additional expense for the Class M Units will be recorded in periods following this offering in accordance with the vesting provisions of those awards.

1. Represents the net proceeds from the sale of shares of our Class A common stock in this offering based on an assumed initial public offering

price of $ per share (the midpoint of the estimated public offering price range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and the related use of the proceeds to purchase Holdings Units from certain Continuing LLC Owners.

1. Represents the expense of $ million recognized at the time of this offering in connection with the termination of our management services agreement with TSG. For the year ended December 31, 2014, Pla-Fit Holdings, LLC recognized expenses totaling $1.2 million related to management fees paid to TSG. In connection with this offering, the management services agreement will be terminated, and we do not plan to execute a new management services agreement. This pro forma adjustment relates solely to the management services agreement termination fee payable to TSG in connection with the offering.

(7) Represents expenses of $ million related to the offering that will be paid by us. Since we will not retain any proceeds from the offering, these amounts are expensed as incurred prior to and at the time of the offering.

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**Planet Fitness, Inc.**

**Unaudited pro forma consolidated statement of operations**

**for the quarter ended March 31, 2015**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Historical** | | |  |  |  |  |  |  |  |  |  |  |
|  |  | **Pla-Fit** | |  | **Recapitalization** | | **As adjusted** | |  |  | **Pro forma** | |  |
|  | **Holdings,** | | |  | **transactions** | | **before** | | **Offering** | | **Planet** | |  |
| **(in millions, except share and per share data)** |  | **LLC** | |  | **adjustments** | | **offering** | | **adjustments** | | **Fitness, Inc.** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchise | $ | 21.8 |  | $ | |  | $ |  | $ |  | $ |  |  |
| Corporate-owned stores |  | 23.5 |  |  |  |  |  |  |  |  |  |  |  |
| Equipment |  | 31.6 |  |  |  |  |  |  |  |  |  |  |  |
| Total revenues |  | 76.9 |  |  |  |  |  |  |  |  |  |  |  |
| Operating costs and expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cost of revenue |  | 26.0 |  |  |  |  |  |  |  |  |  |  |  |
| Store operations |  | 14.3 |  |  |  |  |  |  |  |  |  |  |  |
| Selling, general and administrative |  | 14.1 |  |  |  |  |  |  | (1) | |  |  |  |
| Depreciation and amortization |  | 8.2 | |  |  |  |  |  |  |  |  |  |  |
| Other loss |  | — | |  |  |  |  |  |  |  |  |  |  |
| Total operating costs and expenses |  | 62.6 |  |  |  |  |  |  |  |  |  |  |  |
| Income from operations |  | 14.3 |  |  |  |  |  |  |  |  |  |  |  |
| Other income (expense), net: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest income |  | 0.2 | |  |  |  |  |  |  |  |  |  |  |
| Interest expense |  | (5.0) | |  |  |  |  |  |  |  |  |  |  |
| Other income (expense) |  | (0.7) | |  |  |  |  |  | (5) | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total other expense, net |  | (5.5) | |  |  |  |  |  |  |  |  |  |  |
| Income before taxes |  | 8.8 |  |  |  |  |  |  |  |  |  |  |  |
| Provision for income taxes |  | 0.3 |  |  | (2) | |  |  | (1) | |  |  |  |
| Net income |  | 8.5 |  |  |  |  |  |  |  |  |  |  |  |
| Less net income attributable to noncontrolling interests |  | 0.1 |  |  | (3) | |  |  | (4) | |  |  |  |
| Net income attributable to Planet Fitness, Inc. | $ | 8.4 |  |  | $ |  | $ |  | $ |  | $ |  |  |
| Pro forma net income per share data(6): |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma net income per share: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  |  |  |  |  |  |  |  |  | $ |  |  |
| Diluted |  |  |  |  |  |  |  |  |  |  | $ |  |  |

Pro forma weighted average shares of Class A common stock

outstanding:



Basic

Diluted



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**Notes to unaudited pro forma condensed consolidated statement of operations for the quarter ended March 31, 2015**

1. Planet Fitness, Inc. will record equity-based compensation expense related to the Holdings Units that were issued to replace the Class M Units granted to employees of Pla-Fit Holdings, LLC as such units vest. The Class M Units automatically convert to Holdings Units in accordance with the terms of these awards. Eighty percent of the awards vest over five years of continuous service while the other twenty percent only vest in the event of an initial public offering. All of the Class M Units provide for accelerated vesting if there is a Company Sale (as defined in the existing Pla-Fit Holdings, LLC agreement). The Class M Units receive distributions only upon a liquidity event, as defined in the existing Pla-Fit Holdings, LLC agreement, that exceeds a threshold approximately equivalent to the fair value at the grant date. Compensation expense related to these awards is determined based on the fair value of the award as of the grant date, determined using a Monte Carlo simulation model. Significant assumptions include the business enterprise value, time to a liquidity event, volatility and expected term of the awards. Compensation expense will be recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. In accordance with the terms of the Class M Units, the recognition of expense for these awards results from this offering. The pro forma adjustment represents the expense and corresponding tax benefit during the quarter ended March 31, 2015. This adjustment is necessary to reflect the expense associated with awards that are not vested at the time of the offering. The adjustment relates solely to expense related to the Holdings Units which replace the Class M Units and not to the Holdings Units that replace the Class T and Class O Units, as the Class T and Class O Units are not compensatory.

Additionally, Planet Fitness, Inc. expects to record additional equity-based compensation expense of approximately $ million and a corresponding tax benefit of $ million upon completion of this offering related to Holdings Units granted to employees that were not

eligible to vest until completion of an initial public offering, which were excluded from the unaudited pro forma consolidated statement of operations.

1. Planet Fitness, Inc. will be subject to U.S. federal income taxes, in addition to state and local taxes, with respect to our allocable share of any net taxable income of Pla-Fit Holdings, LLC. As a result, the unaudited pro forma consolidated statement of operations reflects an adjustment

to our provision for income taxes to reflect an effective rate of %, which was calculated using the current U.S. federal income tax rate and the highest statutory rates apportioned to each state and local jurisdiction.

1. The Holdings Units of Pla-Fit Holdings, LLC owned by the Continuing LLC Owners will be considered noncontrolling interests in the consolidated financial statements of Planet Fitness, Inc. The pro forma adjustment reflects the allocation of Pla-Fit Holdings, LLC net income

to the noncontrolling interests. Immediately following the recapitalization transactions and prior to the completion of this offering, the non-controlling interests held by the Continuing LLC Owners will have % economic ownership of Pla-Fit Holdings, LLC, and as such, % of Pla-Fit Holdings, LLC’s net income will be attributable to the non-controlling interests. The remaining economic ownership of Pla-Fit Holdings, LLC will be held by Planet Fitness, Inc. following the recapitalization transactions.

(4) Upon consummation of this offering, the noncontrolling interests’ ownership of Pla-Fit Holdings, LLC will be diluted to %, and, therefore, net income will be attributable to the noncontrolling interests based on their % ownership interest, and to Planet Fitness, Inc., which indirectly owns the remaining % of the Holdings Units of Pla-Fit Holdings, LLC, based on its % interest. The noncontrolling interests in Planet Fitness, Inc. will be diluted in connection with the offering as a result of the Holdings Units acquired from the Continuing LLC Owners with the net proceeds from the offering.

1. For the quarter ended March 31, 2015, Pla-Fit Holdings, LLC recognized expenses totaling $0.2 million related to management fees paid to TSG. In connection with this offering, this management services

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agreement will be terminated, and we do not plan to execute a new management services agreement. This pro forma adjustment removes this expense from the Pla-Fit Holdings, LLC historical financial statements as such amounts will not be incurred following this offering.

1. The pro forma net income per share is calculated using the treasury stock method, using only the shares of Class A common stock, with consideration given to the potential dilutive effect of the Holdings Units as follows. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, and therefore are excluded from this calculation.



|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Quarter ended March 31, 2015** | **Pro forma Planet Fitness, Inc.** | | |  |
| **Basic** | **Diluted** |  |  |

**Numerator:**



Net income attributable to Planet Fitness, Inc.



**Denominator:**



Weighted average shares outstanding—basic



Effect of dilutive securities:

Dilutive effect of exchangeable Holdings Units



Dilutive equity based compensation awards



Equivalent shares



Net income per share attributable to Planet Fitness, Inc.



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**Planet Fitness, Inc.**

**Unaudited pro forma consolidated statement of operations**

**for the year ended December 31, 2014**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Historical** | | |  |  |  |  |  |  |  |  |  |  |
|  |  | **Pla-Fit** | |  | **Recapitalization** | | **As adjusted** | |  |  | **Pro forma** | |  |
|  | **Holdings,** | | |  | **transactions** | | **before** | | **Offering** | | **Planet** | |  |
| **(in millions, except share and per share data)** |  | **LLC** | |  | **adjustments** | | **offering** | | **adjustments** | | **Fitness, Inc.** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchise | $ | 71.9 |  | $ | |  | $ |  | $ |  | $ |  |  |
| Corporate-owned stores |  | 85.0 |  |  |  |  |  |  |  |  |  |  |  |
| Equipment |  | 122.9 |  |  |  |  |  |  |  |  |  |  |  |
| Total revenues |  | 279.8 |  |  |  |  |  |  |  |  |  |  |  |
| Operating costs and expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cost of revenue |  | 100.3 |  |  |  |  |  |  |  |  |  |  |  |
| Store operations |  | 49.5 |  |  |  |  |  |  |  |  |  |  |  |
| Selling, general and administrative |  | 35.1 |  |  |  |  |  |  | (1) | |  |  |  |
| Depreciation and amortization |  | 32.3 |  |  |  |  |  |  |  |  |  |  |  |
| Other loss |  | 1.0 | |  |  |  |  |  |  |  |  |  |  |
| Total operating costs and expenses |  | 218.2 |  |  |  |  |  |  |  |  |  |  |  |
| Income from operations |  | 61.6 |  |  |  |  |  |  |  |  |  |  |  |
| Other income (expense), net: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest income |  | 0.4 | |  |  |  |  |  |  |  |  |  |  |
| Interest expense |  | (22.2) | |  |  |  |  |  |  |  |  |  |  |
| Other income (expense) |  | (1.3) | |  |  |  |  |  | (5) | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total other expense, net |  | (23.1) | |  |  |  |  |  |  |  |  |  |  |
| Income before taxes |  | 38.5 |  |  |  |  |  |  |  |  |  |  |  |
| Provision for income taxes |  | 1.2 | | (2) | | |  |  | (1) | |  |  |  |
| Net income |  | 37.3 |  |  |  |  |  |  |  |  |  |  |  |
| Less net income attributable to noncontrolling interests |  | 0.5 |  |  | (3) | |  |  | (4) | |  |  |  |
| Net income attributable to Planet Fitness, Inc. | $ | 36.8 |  |  | $ |  | $ |  | $ |  | $ |  |  |
| Pro forma net income per share data(6): |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma net income per share: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  |  |  |  |  |  |  |  |  | $ |  |  |
| Diluted |  |  |  |  |  |  |  |  |  |  | $ |  |  |

Pro forma weighted average shares of Class A common stock

outstanding:



Basic

Diluted

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**Notes to unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2014**

1. Planet Fitness, Inc. will record equity-based compensation expense related to the Holdings Units that were issued to replace the Class M Units granted to employees of Pla-Fit Holdings, LLC as such units vest. The Class M Units automatically convert to Holdings Units in accordance with the terms of these awards. Eighty percent of the awards vest over five years of continuous service, while the other twenty percent only vest in the event of an initial public offering. All of the Class M Units provide for accelerated vesting if there is a Company Sale (as defined in the existing Pla-Fit Holdings, LLC agreement). The Class M Units receive distributions only upon a liquidity event, as defined in the existing Pla-Fit Holdings, LLC agreement, that exceeds a threshold approximately equivalent to the fair value at the grant date. Compensation expense related to these awards is determined based on the fair value of the award as of the grant date, determined using a Monte Carlo simulation model. Significant assumptions include the business enterprise value, time to a liquidity event, volatility and expected term of the awards. Compensation expense will be recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. In accordance with the terms of the Class M Units, the recognition of expense for these awards results from this offering. The pro forma adjustment represents the annual expense following this offering and corresponding tax benefit during 2014. This adjustment is necessary to reflect the expense associated with awards that are not vested at the time of the offering. The adjustment relates solely to expense related to the Holdings Units which replace the Class M Units, and not to the Holdings Units that replace the Class T and Class O Units, as the Class T and Class O Units are not compensatory.

Additionally, Planet Fitness, Inc. expects to record additional equity-based compensation expense of approximately $ million and a corresponding tax benefit of $ million upon completion of this offering related to Holdings Units granted to employees that were not

eligible to vest until completion of an initial public offering, which were excluded from the unaudited pro forma consolidated statement of operations.

1. Planet Fitness, Inc. will be subject to U.S. federal income taxes, in addition to state and local taxes, with respect to our allocable share of any net taxable income of Pla-Fit Holdings, LLC. As a result, the unaudited pro forma consolidated statement of operations reflects an adjustment

to our provision for income taxes to reflect an effective rate of %, which was calculated using the current U.S. federal income tax rate and the highest statutory rates apportioned to each state and local jurisdiction.

1. The Holdings Units of Pla-Fit Holdings, LLC owned by the Continuing LLC Owners will be considered noncontrolling interests in the consolidated financial statements of Planet Fitness, Inc. The pro forma adjustment reflects the allocation of Pla-Fit Holdings, LLC net income

to the noncontrolling interests. Immediately following the recapitalization transactions and prior to the completion of this offering, the noncontrolling interests held by the Continuing LLC Owners will have % economic ownership of Pla-Fit Holdings, LLC, and as such, % of Pla-Fit Holdings, LLC’s net income will be attributable to the noncontrolling interests. The remaining economic ownership of Pla-Fit Holdings, LLC will be held by Planet Fitness, Inc. following the recapitalization transactions.

(4) Upon consummation of this offering, the noncontrolling interests’ ownership of Pla-Fit Holdings, LLC will be diluted to %, and, therefore, net income will be attributable to the noncontrolling interests based on their % ownership interest, and to Planet Fitness, Inc., which indirectly owns the remaining % of the Holdings Units of Pla-Fit Holdings, LLC, based on its % interest. The noncontrolling interests in Planet Fitness, Inc. will be diluted in connection with the offering as a result of the Holdings Units acquired from the Continuing LLC Owners with the net proceeds from the offering.

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1. For the year ended December 31, 2014, Pla-Fit Holdings, LLC recognized expenses totaling $1.2 million related to management fees paid to TSG. In connection with this offering, this management services agreement will be terminated and we do not plan to execute a new management services agreement. This pro forma adjustment removes this expense from the Pla-Fit Holdings, LLC historical financial statements as such amounts will not be incurred following this offering.
2. The pro forma net income per share is calculated using the treasury stock method, using only the shares of Class A common stock, with consideration given to the potential dilutive effect of the Holdings Units as follows. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, and therefore are excluded from this calculation.



|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year ended December 31, 2014** | **Pro forma Planet Fitness, Inc.** | | |  |
| **Basic** | **Diluted** |  |  |

**Numerator:**



Net income attributable to Planet Fitness, Inc.



**Denominator:**



Weighted average shares outstanding—basic



Effect of dilutive securities:

Dilutive effect of exchangeable Holdings Units



Dilutive equity based compensation awards



Equivalent shares



Net income per share attributable to Planet Fitness, Inc.



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**Selected consolidated financial and other data**

The following selected consolidated financial and other data of Pla-Fit Holdings, LLC should be read in conjunction with “The recapitalization transactions,” “Use of proceeds,” “Capitalization,” “Management’s discussion and analysis of financial condition and results of operations” and our audited and unaudited consolidated financial statements and the related notes included elsewhere in this prospectus. Following this offering, Pla-Fit Holdings, LLC will be considered our predecessor for accounting purposes, and its consolidated financial statements will be our historical financial statements following this offering. The terms “Predecessor” and “Successor” used below and throughout this prospectus refer to the periods prior and subsequent to the 2012 Acquisition, respectively.

The selected historical consolidated financial data in the following table as of December 31, 2013 and 2014 and for the periods from January 1, 2012 to November 7, 2012 (Predecessor) and November 8, 2012 to December 31, 2012 (Successor) and for the years ended December 31, 2013, and 2014 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data as of March 31, 2015 and for the quarters ended March 31, 2014 and 2015 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. In the opinion of our management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for those periods have been reflected. The selected consolidated financial data set forth below as of December 31, 2010, 2011 and 2012 and for the years ended December 31, 2010 and 2011 are derived from our audited consolidated financial statements not included in this prospectus. The selected consolidated financial data set forth below as of March 31, 2014 is derived from our unaudited balance sheet not included in this prospectus.

The unaudited combined results of operations and cash flows for the year ended December 31, 2012 represents the mathematical addition of our Predecessor’s results of operations from January 1, 2012 to November 7, 2012, and the Successor’s results of operations from November 8, 2012 to December 31, 2012. We have included the unaudited combined financial information in order to facilitate a comparison with our other years.

Selected historical financial and other data for Planet Fitness, Inc. has not been provided, as Planet Fitness, Inc. is a newly incorporated entity and has had no business transactions or other activities to date and no assets or liabilities during the periods presented below.

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Years** | |  |  |  |  |  | **Quarters** | |  |
|  |  |  |  |  |  |  |  |  |  |  | **Period from** | |  |  |  | **Period from** | | |  |  |  |  |  |  |  |  |  | **ended** | |  |  |  |  |  | **ended** | |  |
|  |  |  |  |  |  |  |  |  |  |  | **January 1,** | |  |  |  | **November 8,** | | |  | **Combined** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **Years ended December 31,** | | | | | | **2012 through** | | |  |  | **2012 through** | | | |  | **year ended** | |  |  |  |  | **December 31,** | | | |  |  |  |  |  | **March 31,** | |  |
| **(in millions, except per** | |  |  |  |  |  |  |  |  |  | **November 7,** | |  |  | **December 31,** | | | | **December 31,** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **share data)** | |  |  | **2010** | |  |  | **2011** | |  | **2012** | |  |  |  | **2012** | |  |  | **2012** | |  |  | **2013** | |  |  | **2014** | |  |  | **2014** | |  | **2015** |  |  |
|  | **Consolidated statement of** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **operations** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **(Unaudited)(1)** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **data:** | |  | **(Predecessor)** | | |  | **(Predecessor)** | | | **(Predecessor)** | | |  |  |  | **(Successor)** | | |  | **(Successor)** | | |  | **(Successor)** | | |  | **(Successor)** | | | **(Successor)** | | |  |
|  | Revenue: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Franchise(2) | $ | | 16.1 | | $ | | 21.8 | | $ | 28.4 | |  | $ | | 6.3 | |  | $ | 34.7 | | $ | | 44.1 | | $ | | 71.9 | | $ | | 16.5 | | $ | 21.8 | |  |
|  | Corporate-owned stores |  |  | 31.4 | |  |  | 39.4 | |  | 40.4 | |  |  |  | 8.8 | |  |  | 49.2 | |  |  | 67.4 | |  |  | 85.0 | |  |  | 17.7 | |  | 23.5 | |  |
|  | Equipment(2) |  |  | 44.8 | |  |  | 75.2 | |  | 49.1 | |  |  |  | 26.7 | |  |  | 75.8 | |  |  | 99.5 | |  |  | 122.9 | |  |  | 23.4 | |  | 31.6 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total revenue |  |  | 92.3 | |  |  | 136.4 | |  | 117.9 | |  |  |  | 41.8 | |  |  | 159.7 | |  |  | 211.0 | |  |  | 279.8 | |  |  | 57.6 | |  | 76.9 | |  |
| Operating costs and | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cost of revenue |  |  | 34.0 | |  |  | 58.0 | |  | 41.0 | |  |  |  | 21.5 | |  |  | 62.5 | |  |  | 81.4 | |  |  | 100.3 | |  |  | 19.2 | |  | 26.0 | |  |
|  | Store operations |  |  | 23.1 | |  |  | 27.8 | |  | 28.4 | |  |  |  | 5.9 | |  |  | 34.3 | |  |  | 41.7 | |  |  | 49.5 | |  |  | 10.5 | |  | 14.3 | |  |
|  | Selling, general and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | administrative |  |  | 12.1 | |  |  | 15.0 | |  | 19.5 | |  |  |  | 2.6 | |  |  | 22.1 | |  |  | 23.1 | |  |  | 35.1 | |  |  | 6.6 | |  | 14.1 | |  |
|  | Depreciation and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | amortization |  |  | 3.5 | |  |  | 4.2 | |  | 5.7 | |  |  |  | 7.0 | |  |  | 12.7 | |  |  | 28.8 | |  |  | 32.3 | |  |  | 6.5 | |  | 8.2 | |  |
|  | Impairment of goodwill |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | and intangible assets |  |  | 1.3 | |  |  | — | |  | — | |  |  |  | — | | |  | — | |  |  | — | |  |  | — | |  |  | — | |  | — | |  |
|  | Other (gains) losses |  |  | — | |  |  | (0.2) | |  | (1.9) | |  |  |  | — | | |  | (1.9) | |  |  | — | |  |  | 1.0 | |  |  | 1.3 | |  | — | |  |
|  | Total |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | operating |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | costs |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | expenses |  |  | 74.0 | |  |  | 104.8 | |  | 92.7 | |  |  |  | 37.0 | |  |  | 129.7 | |  |  | 175.0 | |  |  | 218.2 | |  |  | 44.1 | |  | 62.6 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Income from operations |  |  | 18.3 | |  |  | 31.6 | |  | 25.2 | |  |  |  | 4.8 | |  |  | 30.0 | |  |  | 36.0 | |  |  | 61.6 | |  |  | 13.5 | |  | 14.3 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income (expense), |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | net: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Interest income |  |  | 0.4 | |  |  | 0.6 | |  | 0.9 | |  |  |  | 0.1 | |  |  | 1.0 | |  |  | 0.5 | |  |  | 0.4 | |  |  | 0.1 | |  | 0.2 | |  |
|  | Interest expense(3) |  |  | (1.9) | |  |  | (2.5) | |  | (2.3) | |  |  |  | (2.5) | |  |  | (4.8) | |  |  | (9.4) | |  |  | (22.2) | |  |  | (6.6) | |  | (5.0) | |  |
|  | Other income (expense) |  |  | 0.3 | |  |  | 0.3 | |  | — | |  |  |  | (0.1) | |  |  | (0.1) | |  |  | (0.7) | |  |  | (1.3) | |  |  | (0.4) | |  | (0.7) | |  |
|  | Total other expense, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | net |  |  | (1.2) | |  |  | (1.6) | |  | (1.4) | |  |  |  | (2.5) | |  |  | (3.9) | |  |  | (9.6) | |  |  | (23.1) | |  |  | (6.9) | |  | (5.5) | |  |
|  | Income before provision |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | for income taxes |  |  | 17.1 | |  |  | 30.0 | |  | 23.8 | |  |  |  | 2.3 | |  |  | 26.1 | |  |  | 26.4 | |  |  | 38.5 | |  |  | 6.6 | |  | 8.8 | |  |
|  | Provision for income taxes |  |  | 0.6 | |  |  | 0.8 | |  | 0.6 | |  |  |  | 0.1 | |  |  | 0.7 | |  |  | 0.6 | |  |  | 1.2 | |  |  | 0.3 | |  | 0.3 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net income |  |  | 16.5 | |  |  | 29.2 | |  | 23.2 | |  |  |  | 2.2 | |  |  | 25.4 | |  |  | 25.8 | |  |  | 37.3 | |  |  | 6.3 | |  | 8.5 | |  |
|  | Less net (loss) income |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | attributable to |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | noncontrolling interests |  |  | (1.2) | |  |  | 2.3 | |  | 1.0 | |  |  |  | — | | |  | 1.0 | |  |  | 0.4 | |  |  | 0.5 | |  |  | 0.2 | |  | 0.1 | |  |
|  | Net income attributable |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | to members of Pla-Fit |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Holdings, LLC | $ | | 17.7 | | $ | | 26.9 | | $ | 22.2 | |  | $ | | 2.2 | |  | $ | 24.4 | | $ | | 25.4 | | $ | | 36.8 | | $ | | 6.1 | | $ | 8.4 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma net income per |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | share data (unaudited): |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | (4) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma net income per | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | share: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | | — | |  |  |  |  | $ | — | |  |
|  | Diluted |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | | — | |  |  |  |  | $ | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma weighted average |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | shares of Class A |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | common stock |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | outstanding: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Diluted |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Consolidated statement of | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | cash flows data: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash provided by |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | operating activities | $ | | 29.5 | | $ | | 38.0 | | $ | 30.6 | |  | $ | | 12.5 | |  | $ | 43.1 | | $ | | 66.9 | | $ | | 79.4 | | $ | | 8.2 | | $ | 12.0 | |  |
|  | Net cash used in investing |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | activities |  |  | (7.9) | |  |  | (6.7) | |  | (16.7) | |  |  |  | (216.2) | |  |  | (232.9) | |  |  | (7.1) | |  |  | (54.4) | |  |  | (39.5) | |  | (5.3) | |  |
|  | Net cash provided by (used |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | in) financing activities |  |  | (20.2) | |  |  | (34.0) | |  | (5.8) | |  |  |  | 192.4 | |  |  | 186.6 | |  |  | (38.0) | |  |  | (13.0) | |  |  | 15.0 | |  | (22.5) | |  |
| Consolidated balance sheet | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | data: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents | $ | | 15.7 | | $ | | 13.0 | |  | n/a | |  | $ | | 9.5 | |  |  | n/a | | $ | | 31.3 | | $ | | 43.3 | | $ | | 15.0 | | $ | 27.5 | |  |
|  | Property and equipment, net |  |  | 28.0 | |  |  | 28.2 | |  | n/a | |  |  |  | 32.7 | |  |  | n/a | |  |  | 33.8 | |  |  | 49.6 | |  |  | 40.6 | |  | 51.6 | |  |
|  | Total assets |  |  | 61.6 | |  |  | 67.5 | |  | n/a | |  |  |  | 559.7 | |  |  | n/a | |  |  | 562.1 | |  |  | 609.3 | |  |  | 579.4 | |  | 579.6 |  |  |
|  | Total debt and capital lease |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | obligations |  |  | 30.6 | |  |  | 24.3 | |  | n/a | |  |  |  | 201.8 | |  |  | n/a | |  |  | 184.5 | |  |  | 387.5 | |  |  | 391.1 | |  | 506.4 |  |  |
|  | Total equity |  |  | 1.0 | |  |  | 1.8 | |  | n/a | |  |  |  | 316.6 | |  |  | n/a | |  |  | 321.9 | |  |  | 151.7 | |  |  | 144.3 | |  | 12.4 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. The table above sets forth our results of operations for the period from January 1, 2012 to November 7, 2012 (predecessor), and the period November 8, 2012 to December 31, 2012 (successor). The unaudited combined results of operations and cash flows for the year ended December 31, 2012 represents the mathematical addition of our Predecessor’s results of operations from January 1, 2012 to November 7, 2012, and the Successor’s results of operations from November 8, 2012 to December 31, 2012. We have included the unaudited combined financial information in order to facilitate a comparison with our other years. Each of the Predecessor and Successor results for the period from January 1, 2012 to November 7, 2012, and the period from November 8, 2012 to December 31, 2012, respectively, have been audited and are consistent with GAAP. However, the presentation of unaudited combined financial information for the year ended December 31, 2012 is not consistent with GAAP or with the pro forma requirements of Article 11 of Regulation S-X, and may yield results that are not comparable on a period-to-period basis primarily due to (i) the impact of required purchase accounting adjustments and (ii) the new basis of accounting established in connection with the 2012 Acquisition. Such results are not necessarily indicative of what the results for the respective periods would have been had the 2012 Acquisition not occurred. All references to the year ended December 31, 2012 in this prospectus are based on this unaudited combined information.

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1. Effective January 1, 2012, we began to report placement revenue within franchise revenue. Prior to January 1, 2012, this revenue was reported within equipment revenue. Placement revenue includes amounts we charge our franchisees for assembling and placing cardio and strength equipment at franchisee-owned stores. Placement revenue was $4.9 million, $6.3 million and $8.5 million in 2012, 2013 and 2014, respectively. Prior to 2012, we did not separately track these amounts.
2. Interest expense in 2014 includes $4.7 million for the loss on extinguishment of debt.
3. Basic net income per share is computed by dividing the net income available to common stockholders by the weighted-average shares of common stock outstanding during the period. Diluted net income per share is computed by adjusting the net income available to common stockholders and the weighted-average shares of common stock outstanding to give effect to potentially dilutive securities. For more information regarding the pro forma presentation of these measures, see “Unaudited pro forma consolidated financial information.”



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | **Years ended December 31,** | | | | | | |  |  | **Quarters ended March 31,** | | | | | |  |
|  |  |  |  |  | |  |  | |  |  |  | |  |  | |  |  |  |  |  |  |  | |  |  |  |  |  |
|  |  |  |  | **2010** | |  | **2011** | |  |  | **2012** | |  | **2013** | |  |  | **2014** | |  |  | **2014** | |  |  | **2015** |  |  |
|  |  |  | **(Predecessor)** | | | **(Predecessor)** | | |  | **(Combined)** | | | **(Successor)** | | |  | **(Successor)** | | |  | **(Successor)** | | |  | **(Successor)** | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Other Operating Data:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **(Unaudited)(1)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Number of stores at end of | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | period:(2) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Franchisee-owned |  |  | 356 |  |  | 457 |  |  |  | 562 |  |  | 704 |  |  |  | 863 |  |  |  | 732 |  |  |  | 919 |  |  |
| Corporate-owned | |  |  | 33 | |  | 31 |  |  |  | 44 | |  | 45 |  |  |  | 55 | |  |  | 53 | |  |  | 57 |  |  |
|  | System-wide |  |  | 389 |  |  | 488 |  |  |  | 606 |  |  | 749 |  |  |  | 918 |  |  |  | 785 |  |  |  | 976 |  |  |
| Same store sales growth:(3) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Franchisee-owned |  |  | 14.3% |  |  | 3.8% |  |  |  | 8.7% | |  | 9.1% |  |  |  | 11.5% |  |  |  | 13.6% |  |  |  | 11.7% |  |  |
| Corporate-owned | |  |  | 5.7% | |  | 3.3% |  |  |  | 4.8% | |  | 6.1% |  |  |  | 5.4% | |  |  | 6.1% | |  |  | 4.6% |  |  |
|  | System-wide |  |  | 13.6% |  |  | 3.6% |  |  |  | 8.1% | |  | 8.4% |  |  |  | 10.8% |  |  |  | 13.0% |  |  |  | 10.9% |  |  |
| **(In millions)** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | System-wide membership |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | data: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Number of members at end | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | of period(4) |  |  | 2.3 | |  | 2.9 | |  |  | 3.7 | |  | 4.8 | |  |  | 6.1 | |  |  | 5.7 | |  |  | 7.1 |  |  |
|  | System-wide sales(5) | $ | | 415.6 |  | $ | 519.7 |  | $ | | 693.7 |  | $ | 891.0 |  | $ | | 1,189.9 | | $ | | 228.0 |  | $ | | 328.0 |  |  |
| EBITDA(6) | | $ | | 22.1 | | $ | 36.1 |  | $ | | 42.6 | | $ | 64.1 |  | $ | | 92.6 | | $ | | 19.6 | | $ | | 21.8 |  |  |
|  | Adjusted EBITDA(6) | $ | | 22.6 | | $ | 38.1 |  | $ | | 51.3 | | $ | 71.1 |  | $ | | 100.6 |  | $ | | 22.0 | | $ | | 28.5 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. For the other operating data shown in the table above, we have combined the Predecessor and the Successor periods to present 2012 on a combined basis only.
2. We classify a store as open on the date the store receives its occupancy certificate, which is typically the date the store is first available for use by its members.
3. Same store sales refers to year-over-year sales comparisons for the same store sales base. We define the same store sales base to include those stores that have been open and for which membership dues have been billed for longer than 12 months. We measure same store sales based solely on monthly dues billed to members of our corporate-owned stores and franchisee-owned stores.
4. We define members as all active members, which includes both monthly billing members, prepay members and all pre-sale members. Pre-sale members include those that have joined a store prior to the store opening. This data is system-wide, which includes members of corporate-owned and franchisee-owned stores.
5. We define system-wide sales as the monthly dues and annual fees from members of both corporate-owned and franchisee-owned stores.
6. EBITDA is defined as net income before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as net income before interest, taxes, depreciation and amortization, adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include certain purchase accounting adjustments, management fees, certain IT system upgrade costs, acquisition transaction fees, IPO-related costs, pre-opening costs and certain other charges and gains that we do not believe reflect our underlying business performance. EBITDA and Adjusted EBITDA as presented in this prospectus are supplemental measures of our performance that are neither required by, nor presented in accordance with, GAAP. EBITDA and Adjusted EBITDA should not be considered as substitutes for GAAP metrics such as net income or any other performance measures derived in accordance with GAAP. Also, in the future we may incur expenses or charges such as those added back to

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calculate Adjusted EBITDA. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. See “Management’s discussion and analysis of financial condition and results of operations—Non-GAAP financial measures.”

The following table reconciles net income to EBITDA and Adjusted EBITDA for the years ended December 31, 2010, 2011, 2012, 2013 and 2014, respectively, and the quarters ended March 31, 2014 and 2015, respectively.



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | **Years ended December 31,** | | | |  |  | **Quarters ended March 31,** | | | |  |
|  |  |  |  | **2010** |  |  | **2011** | |  | **2012** | |  | **2013** | |  | **2014** | |  | **2014** | |  | **2015** |  |
|  | **(unaudited, in millions)** | | **(Predecessor)** | | | **(Predecessor)** | | | **(Combined)** | | | **(Successor)** | | | **(Successor)** | | | **(Successor)** | | | **(Successor)** | | |
|  | Net income | | $ | 16.5 |  | $ | 29.2 |  | $ | 25.4 |  | $ | 25.8 |  | $ | 37.3 |  | $ | 6.3 | | $ | 8.5 |  |
| Interest expense, | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | net(1) | |  | 1.5 |  |  | 1.9 | |  | 3.8 | |  | 8.9 | |  | 21.8 |  |  | 6.5 | |  | 4.8 |  |
|  | Provision for income | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | taxes | |  | 0.6 |  |  | 0.8 | |  | 0.7 | |  | 0.6 | |  | 1.2 | |  | 0.3 | |  | 0.3 |  |
| Depreciation and | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | amortization | |  | 3.5 |  |  | 4.2 | |  | 12.7 |  |  | 28.8 |  |  | 32.3 |  |  | 6.5 | |  | 8.2 |  |
|  | EBITDA | |  | 22.1 |  |  | 36.1 |  |  | 42.6 |  |  | 64.1 |  |  | 92.6 |  |  | 19.6 |  |  | 21.8 |  |
| Purchase accounting | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | adjustments(2) | |  | — | |  | — | |  | 0.8 | |  | 2.8 | |  | 2.8 | |  | 1.7 | |  | 0.4 |  |
|  | Management fees(3) | |  | — | |  | — | |  | 0.1 | |  | 1.1 | |  | 1.2 | |  | 0.3 | |  | 0.3 |  |
| IT system upgrade | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | costs(4) | |  | — | |  | 0.8 | |  | 0.5 | |  | 2.5 | |  | 1.2 | |  | 0.2 | |  | 3.6 |  |
|  | Transaction fees(5) | |  | — | |  | 0.2 | |  | 2.0 | |  | 0.3 | |  | 0.6 | |  | — | |  | – | |
| IPO-related costs(6) | | |  | — | |  | — | |  | — | |  | — | |  | 0.7 | |  | 0.1 | |  | 1.8 |  |
|  | Legacy bonus(7) | |  | — | |  | — | |  | 4.5 | |  | — | |  | — | |  | — | |  | – | |
| Pre-opening costs(8) | | |  | 0.5 |  |  | 0.6 | |  | 0.1 | |  | 0.3 | |  | 1.7 | |  | 0.1 | |  | 0.6 |  |
|  | Other(9) | |  | — | |  | 0.4 | |  | 0.7 | |  | — | |  | (0.2) | |  | — | |  | – | |
| Adjusted EBITDA | | | $ | 22.6 |  | $ | 38.1 |  | $ | 51.3 |  | $ | 71.1 |  | $ | 100.6 |  | $ | 22.0 |  | $ | 28.5 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Includes $4.7 million of loss on extinguishment of debt in 2014.
2. Represents the impact of certain purchase accounting adjustments associated with the 2012 Acquisition of Pla-Fit Holdings, LLC on November 8, 2012 and our acquisition of eight franchisee-owned stores during 2014. These are primarily related to fair value adjustments to deferred revenue and deferred rent.
3. Represents management fees and expenses paid to a management company affiliated with TSG pursuant to a management services agreement that will terminate in connection with this offering. See “Certain relationships and related party transactions—Related party agreements in effect prior to this offering—Management services agreement.”
4. Represents costs associated with certain IT system upgrades, primarily related to our point-of-sale systems.
5. Represents transaction fees and expenses primarily related to business acquisitions and dispositions.
6. Represents legal, accounting and other costs incurred in preparation for this offering.
7. Relates primarily to bonuses for certain employees at the time of the 2012 Acquisition that were paid by the members of the Predecessor, which according to accounting rules applicable to us must be reported in our GAAP results.
8. Represents costs associated with new corporate-owned stores incurred prior to the store opening, including payroll-related costs, rent and occupancy expenses, marketing and other store operating supply expenses.
9. Represents certain other charges and gains that we do not believe reflect our underlying business performance. These charges consisted primarily of severance in 2011, severance offset by the gain from the sale of two stores to a franchisee in 2012 and the net gain recorded from the receipt of insurance proceeds related to restoration and business interruption costs from the flood that occurred in our Bayshore, New York store in October 2014.

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**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 consolidated results of operations in conjunction with the “Selected consolidated financial and other data” section of this prospectus and our consolidated financial statements and the related notes appearing elsewhere in this prospectus. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth in the “Risk factors” section and elsewhere in this prospectus.*

**Overview**

We are one of the largest and fastest-growing franchisors and operators of fitness centers in the United States by number of members and locations, with a highly recognized national brand. Our mission is to enhance people’s lives by providing a high-quality fitness experience in a welcoming, non-intimidating environment, which we call the Judgement Free Zone, where anyone—and we mean anyone—can feel they belong. Our bright, clean stores are typically 20,000 square feet, with a large selection of high-quality, purple and yellow Planet Fitness-branded cardio, circuit- and weight-training equipment and friendly staff trainers who offer unlimited free fitness instruction to all our members in small groups through our PE@PF program. We offer this differentiated fitness experience at only $10 per month for our standard membership. This exceptional value proposition is designed to appeal to a broad population, including occasional gym users and the approximately 80% of the U.S. and Canadian populations over age 14 who are not gym members, particularly those who find the traditional fitness club setting intimidating and expensive. We and our franchisees fiercely protect Planet Fitness’ community atmosphere—a place where you do not need to be fit before joining and where progress toward achieving your fitness goals (big or small) is supported and applauded by our staff and fellow members.

Our judgement-free approach to fitness and exceptional value proposition have enabled us to grow our revenues to $279.8 million in 2014 and to become an industry leader with $1.2 billion in system-wide sales in 2014, and more than 7.1 million members and 976 stores in 47 states, Puerto Rico and Canada as of March 31, 2015. System-wide sales for 2014 include $1.1 billion attributable to franchisee-owned stores, from which we generate royalty revenue, and $82.0 million attributable to our corporate-owned stores. Of our 976 stores, 919 are franchised and 57 are corporate-owned. Our stores are successful in a wide range of geographies and demographics. According to internal and third-party analysis, we believe we have the opportunity to more than quadruple our store count to over 4,000 stores in the United States alone. Under signed ADAs as of March 31, 2015, our franchisees have committed to open more than 1,000 additional stores.

In 2014, our corporate-owned stores had segment EBITDA margin of 37.3% and had AUVs of approximately $1.6 million with four-wall EBITDA margins of approximately 41%, or approximately 36% after applying the 5% royalty rate under our current franchise agreements. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. For a reconciliation of segment EBITDA margin to four-wall EBITDA margin for corporate-owned stores, see “—Non-GAAP measures.”

We have expanded our store base from 389 stores in 39 states as of December 31, 2010 to 918 stores in 47 states, Canada and Puerto Rico as of December 31, 2014. We opened 171 stores in 2014, including two corporate-owned stores and 169 franchise stores. As of March 31, 2015, we had 187 different franchisee groups that owned 919 stores and had commitments to open more than 1,000 new stores under existing ADAs. We believe we are well positioned for future growth with a developed infrastructure capable of supporting a store

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base that is far greater than our existing footprint. Of the 57 existing corporate-owned stores as of March 31, 2015, eight of these stores were acquired from a franchisee (who is still an existing franchisee with other stores) on March 31, 2014.

***Composition of revenues, expenses and cash flows***

*Revenues*

We generate revenue from three primary sources:

* *Franchise revenue:* Includes royalty revenue, franchise fees, placement revenue and vendor commissions associated with our franchisee-owned stores. This source of revenue comprised 24%, 15%, 21% and 26% of our total revenue for the period from January 1, 2012 to November 7, 2012, the period from November 8, 2012 to December 31, 2012, and the years ended December 31, 2013 and 2014, respectively, and 29% and 28% of our total revenue for the quarters ended March 31, 2014 and 2015, respectively. Royalty revenue, which represents royalties paid by franchisees based on the franchisee-owned stores’ monthly and annual membership billings, is recognized on a monthly basis over the term of the franchise agreement. Franchise fees, which include fees under ADAs, are recognized when we have substantially completed all of our performance obligations, which is generally at or near the store opening date. Placement revenue includes amounts we charge our franchisees for assembling and placing cardio and strength equipment at franchisee-owned stores. Placement revenue is recognized upon completion and acceptance of the services at the franchisee stores. Vendor commissions are amounts we receive primarily related to membership billing transaction processing and commissions generated from activities related to our franchisees, including purchases of merchandise, promotional materials and store fixtures by our franchisees from third-party vendors. These commissions are recognized when amounts have been earned and collectibility from the vendor is reasonably assured.
* *Corporate-owned store revenue*: Includes monthly membership dues, enrollment fees, annual fees and prepaid fees paid by our members aswell as retail sales. This source of revenue comprised 34%, 21%, 32% and 30% of our total revenue for the period from January 1, 2012 to November 7, 2012, the period from November 8, 2012 to December 31, 2012, and the years ended December 31, 2013 and 2014, respectively, and 31% and 31% of our total revenue for the quarters ended March 31, 2014 and 2015, respectively. As of March 31, 2015, 95% of our members paid their monthly dues by EFT, while the remainder prepaid annually in advance. Membership dues and fees are earned and recognized over the membership term. Enrollment fees are recognized ratably over the estimated duration of the membership. Annual fees are recognized ratably over the 12-month membership period. Retail sales are recognized at the point of sale.
* *Equipment revenue*: Includes equipment sales for new franchisee-owned stores as well as replacement equipment for existing franchisee-owned stores. Franchisee-owned stores are required to replace their equipment every four to seven years based on the life of the specific equipment. This source of revenue comprised 42%, 64%, 47% and 44% of our total revenue for the period from January 1, 2012 to November 7, 2012, the period from November 8, 2012 to December 31, 2012, and the years ended December 31, 2013 and 2014, respectively, and 41% and 41% of our total revenue for the quarters ended March 31, 2014 and 2015, respectively. Equipment revenue is recognized when the equipment is delivered, assembled, placed and accepted by the franchisee.

*Expenses*

We primarily incur the following expenses:

* *Cost of revenue*: Primarily includes the direct costs associated with equipment sales to new and existing franchisee-owned stores as well asdirect costs related to our point-of-sale system. Cost of revenue also includes the cost of retail sales at our corporate-owned stores, which is immaterial. Our cost of revenue changes primarily based on equipment sales volume.

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* *Store operations*: Includes the direct costs associated with our corporate-owned stores, primarily rent, utilities, payroll, marketing, maintenanceand supplies. The components of store operations remain relatively stable for each store and change primarily based on the number of corporate-owned stores. Our statements of operations do not include, and we are not responsible for, any costs associated with operating franchisee-owned stores.
* *Selling, general and administrative expenses*: Consists of costs associated with administrative and franchisee support functions related to ourexisting business as well as growth and development activities, including costs to support placement services. These costs primarily consist of payroll, IT-related, marketing, legal and accounting expenses.

*Cash flows*

We generate a significant portion of our cash flows from monthly membership dues, royalties and various fees and commissions related to transactions involving our franchisee-owned stores. We oversee the membership billing process, as well as the collection of our royalties and certain other fees, through our third-party hosted system-wide point-of-sale system. We collect monthly dues from our corporate-owned store members on or around the 17th of each month, while annual fees are collected in February, June or October, depending on when the membership agreement was signed. Through our point-of-sale system, we oversee the processing of membership billings for franchisee-owned stores. Our royalties and certain other fees are deducted on or around the 17th of each month from these membership billings by the processor prior to the net billings being remitted to the franchisees. Our franchisees are responsible for maintaining the membership billing records and collection of member dues for their respective stores through the point-of-sale system. Our royalties are based on monthly and annual membership billings for the franchisee-owned stores without regard to the collections of those billings by our franchisees. The amount and timing of the collection of royalties and membership dues and fees at corporate-owned stores is, therefore, generally fairly predictable.

As new corporate-owned stores open, or existing stores generate positive same store sales, future corporate-owned store revenues are expected to grow. Our corporate-owned stores also generate strong operating margins and cash flow, as a significant portion of our costs are fixed or semi-fixed such as rent and labor.

Equipment sales to new and existing franchisee-owned stores also generate significant cash flows. Franchisees either pay in advance or provide evidence of a committed financing arrangement.

**Recent transactions**

On March 31, 2015, we amended our senior secured credit facility to provide for an increase in term loan borrowings to $506.1 million to permit the issuance of a cash distribution of approximately $140.0 million to holders of Class T Units and Class O Units of Pla-Fit Holdings, LLC. The full incremental borrowings of $120.0 million plus cash on hand were used to fund the distribution.

On March 31, 2014, we acquired the assets related to eight stores in the Hudson Valley area of New York from a franchisee for total consideration of $41.6 million. As a result of this transaction, the stores became corporate-owned stores, and we recorded related property and equipment, intangible assets and goodwill.

On November 8, 2012, Pla-Fit Holdings, LLC was acquired by an investment fund affiliated with TSG for consideration totaling $479.3 million. The 2012 Acquisition was accounted for using the purchase method of accounting, which resulted in a new basis for the assets acquired and liabilities assumed, including intangible assets that are being amortized primarily on a straight-line basis over their estimated useful lives by the Successor as well as goodwill and indefinite-lived intangible assets.

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During 2012, we executed a series of transactions in order to simplify our ownership interests in other entities prior to the 2012 Acquisition. These transactions included both the purchase and sale of certain stores, as well as the contribution of ten stores in New York and New Jersey by the members of the Predecessor.

**Seasonality**

Our results are subject to seasonality fluctuations in that member joins are typically higher in January as compared to other months of the year. In addition, our quarterly results may fluctuate significantly because of several factors, including the timing of store openings, timing of price increases for enrollment fees and monthly membership dues and general economic conditions.

The following table sets forth certain unaudited financial information for each quarter during the years ended December 31, 2013 and 2014, and the first quarter of the year ended December 31, 2015. The unaudited quarterly information includes all adjustments (consisting of normal recurring adjustments) that, in the opinion of management, are necessary for a fair presentation of the information presented. This information should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this prospectus. Operating results for interim periods are not necessarily indicative of the results that may be expected for a full fiscal year.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **For the** | |
|  |  | **For the year ended December 31,** | | | | | | |  | **For the year ended December 31,** | | | | | | | | | | **quarter** | |
| **(unaudited, in millions)** |  |  |  | **2013** | |  |  |  |  |  |  | **2014** | | | |  |  |  |  | **ended** | |
|  |  | **1st** | | **2nd** | | **3rd** | | **4th** |  | **1st** | | **2nd** | |  | **3rd** | |  | **4th** |  | **March 31,** |  |
|  |  | **Quarter** | | **Quarter** | | **Quarter** | | **Quarter** |  | **Quarter** | | **Quarter** | |  | **Quarter** | |  | **Quarter** | | **2015** |  |
| Total revenues | $ 44.9 | |  | $ 42.7 | | $ 45.9 |  | $ 77.5 | $ 57.6 | |  | $ 62.7 | | $ 63.5 | | | $ 96.0 | | | $ 76.9 | |
| Operating income | 7.1 | | | 8.0 | | 8.0 | | 12.9 | 13.5 | |  | 14.7 | | 14.0 | | | 19.4 | | | 14.3 | |
| Net income | 4.5 | | | 5.4 | | 5.6 | | 10.3 | 6.3 | | | 9.0 | | 8.3 | | | 13.7 | | | 8.5 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | 74 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**Our segments**

We operate and manage our business in three business segments: Franchise, Corporate-owned stores and Equipment. Our Franchise segment includes operations related to our franchising business in the United States, Puerto Rico and Canada. Our Corporate-owned stores segment includes operations with respect to all corporate-owned stores throughout the United States and Canada. The Equipment segment includes the sale of equipment to franchisee-owned stores. We evaluate the performance of our segments and allocate resources to them based on revenue and earnings before interest, taxes, depreciation and amortization, referred to as Segment EBITDA. See “—Non-GAAP financial measures.” Revenue and Segment EBITDA for all operating segments include only transactions with unaffiliated customers and do not include intersegment transactions. The tables below summarize the financial information for our segments for the period from January 1, 2012 through November 7, 2012, the period from November 8, 2012 through December 31, 2012, the years ended December 31, 2013 and 2014 and the quarters ended March 31, 2014 and 2015. “Corporate and other,” as it relates to Segment EBITDA, primarily includes corporate overhead costs, such as payroll and related benefit costs and professional services that are not directly attributable to any individual segment.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Period from** | |  |  |  | **Period from** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **January 1, 2012** | | |  |  | **November 8,** | | |  |  | **Years ended** | | | | | |  |  | **Quarters ended** | | | |  |
|  |  |  | **through** | |  |  | **2012 through** | | |  |  | **December 31,** | | | | | |  |  |  |  | **March 31,** | |  |
|  |  |  | **November 7,** | |  |  | **December 31,** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **(in millions)** |  |  | **2012** | |  |  |  | **2012** | |  |  | **2013** | |  |  | **2014** | | **2014** | |  |  | **2015** | |  |
|  |  |  | **(Predecessor)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **(Successor)** | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchise | $ | | 28.4 |  |  | $ | | 6.3 | | $ | | 44.1 | | $ | | 71.9 | | $ 16.5 | | $ | | 21.8 | |  |
| Corporate-owned stores |  |  | 40.4 |  |  |  |  | 8.8 | |  |  | 67.4 | |  |  | 85.0 | | 17.7 | |  |  | 23.5 | |  |
| Equipment |  |  | 49.1 |  |  |  |  | 26.7 |  |  |  | 99.5 |  |  |  | 122.9 |  | 23.4 | |  |  | 31.6 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total revenue |  | $ | 117.9 |  |  |  | $ | 41.8 |  | $ | | 211.0 |  | $ | | 279.8 | | $ 57.6 | | $ | | 76.9 | |  |
| Segment EBITDA: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchise | $ | | 17.8 |  |  | $ | | 4.9 | | $ | | 30.1 | | $ | | 53.1 | | $ 12.8 | | $ | | 13.6 | |  |
| Corporate-owned stores |  |  | 11.6 |  |  |  |  | 2.2 | |  |  | 21.7 | |  |  | 31.7 | | 6.4 | |  |  | 7.8 | |  |
| Equipment |  |  | 6.7 | |  |  |  | 5.3 | |  |  | 19.8 | |  |  | 26.4 | | 5.0 | |  |  | 6.7 | |  |
| Corporate and other |  |  | (5.2) | |  |  |  | (0.8) | |  |  | (7.5) | |  |  | (18.6) | | (4.6) | |  |  | (6.3) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Segment EBITDA |  | $ | 30.9 |  |  |  | $ | 11.6 |  | $ | | 64.1 | | $ | | 92.6 | | $ 19.6 | | $ | | 21.8 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | 75 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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A reconciliation of income from operations to Segment EBITDA is set forth below:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Corporate-owned** | | |  |  |  |  | **Corporate** | | |  |  |  |  |
| **(in millions)** | | **Franchise** | | |  | **stores** | | **Equipment** | | |  | **and other** | | | **Total** | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Period from January 1, 2012 through November** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **7, 2012 (Predecessor)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from operations | | $ | 17.7 |  | $ | 6.0 | | $ | 6.7 | | $ | | (5.2) | | $ | 25.2 | |  |
|  | Depreciation and amortization |  | 0.1 |  |  | 5.6 | |  | — | |  |  | — | |  | 5.7 | |  |
| Other income (expense) | |  | — |  |  | — | |  | — | |  |  | — | |  | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Segment EBITDA | $ | 17.8 |  | $ | 11.6 | | $ | 6.7 | | $ | | (5.2) | | $ | 30.9 | |  |
| **Period from November 8, 2012 through** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **December 31, 2012 (Successor)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Income from operations | $ | 3.7 |  | $ | — | | $ | 1.8 | | $ | | (0.7) | | $ | 4.8 | |  |
| Depreciation and amortization | |  | 1.2 |  |  | 2.2 | |  | 3.5 | |  |  | — | |  | 6.9 | |  |
|  | Other income (expense) |  | — |  |  | — | |  | — | |  |  | (0.1) | |  | (0.1) | |  |
|  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Segment EBITDA | | $ | 4.9 |  | $ | 2.2 | | $ | 5.3 | | $ | | (0.8) | | $ | 11.6 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Year ended December 31, 2013:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from operations | | $ | 22.5 |  | $ | 7.9 | | $ | 12.1 |  | $ | | (6.5) | | $ | 36.0 | |  |
|  | Depreciation and amortization |  | 7.6 |  |  | 13.4 | |  | 7.7 | |  |  | 0.1 | |  | 28.8 | |  |
| Other income (expense) | |  | — |  |  | 0.4 | |  | — | |  |  | (1.1) | |  | (0.7) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Segment EBITDA | $ | 30.1 |  | $ | 21.7 | | $ | 19.8 |  | $ | | (7.5) | | $ | 64.1 | |  |
| **Year ended December 31, 2014:** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Income from operations | $ | 44.5 |  | $ | 14.1 | | $ | 20.2 |  | $ | | (17.2) | | $ | 61.6 | |  |
| Depreciation and amortization | |  | 8.6 |  |  | 17.4 | |  | 6.2 | |  |  | 0.1 | |  | 32.3 | |  |
|  | Other income (expense) |  | — |  |  | 0.2 | |  | — | |  |  | (1.5) | |  | (1.3) | |  |
|  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Segment EBITDA | | $ | 53.1 |  | $ | 31.7 | | $ | 26.4 |  | $ | | (18.6) | | $ | 92.6 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Quarter ended March 31, 2014:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from operations | | $ | 10.7 |  | $ | 3.6 | | $ | 3.5 | | $ | | (4.3) | | $ | 13.5 | |  |
|  | Depreciation and amortization |  | 2.1 |  |  | 2.8 | |  | 1.5 | |  |  | 0.1 | |  | 6.5 | |  |
| Other income (expense) | |  | — |  |  | — | |  | — | |  |  | (0.4) | |  | (0.4) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Segment EBITDA | $ | 12.8 |  | $ | 6.4 | | $ | 5.0 | | $ | | (4.6) | | $ | 19.6 | |  |
| **Quarter ended March 31, 2015:** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Income from operations | $ | 11.3 |  | $ | 3.9 | | $ | 5.2 | | $ | | (6.1) | | $ | 14.3 | |  |
| Depreciation and amortization | |  | 2.3 |  |  | 4.3 | |  | 1.5 | |  |  | 0.1 | |  | 8.2 | |  |
|  | Other income (expense) |  | — |  |  | (0.4) | |  | — | |  |  | (0.3) | |  | (0.7) | |  |
|  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Segment EBITDA | | $ | 13.6 |  | $ | 7.8 | | $ | 6.7 | | $ | | (6.3) | | $ | 21.8 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**How we assess the performance of our business**

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing include total monthly dues and annual fees from members (which we refer to as system-wide sales), number of new store openings, same store sales for both corporate-owned and franchisee-owned stores, net member growth per store, average royalty fee percentages for franchisee-owned stores, monthly PF Black Card membership penetration percentage, EBITDA, Adjusted EBITDA and Segment EBITDA. See “—Non-GAAP financial measures” below for our definition of

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EBITDA and Adjusted EBITDA and why we present EBITDA and Adjusted EBITDA, and for a reconciliation of our EBITDA and Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

***Total monthly dues and annual fees from members (system-wide sales)***

We review the total amount of dues we collect from our members on a monthly basis, which allows us to assess changes in the performance of our corporate-owned stores from period to period, any competitive pressures, local or regional membership traffic patterns and general market conditions that might impact our store performance. We collect monthly dues on or around the 17th of every month. We collect annual fees once per year from each member in February, June or October, depending upon when the member signed his or her membership agreement.

***Number of new store openings***

The number of new store openings reflects stores opened during a particular reporting period for both corporate-owned and franchisee-owned stores. Opening new stores is an important part of our growth strategy, and we expect the majority of our future new stores will be franchisee-owned. Before we obtain the certificate of occupancy or report any revenue for new corporate-owned stores, we incur pre-opening costs, such as rent expense, labor expense and other operating expenses. Some of our stores open with an initial start-up period of higher than normal marketing and operating expenses, particularly as a percentage of monthly revenue. New stores may not be profitable, and their revenue may not follow historical patterns. The following table shows the growth in our corporate-owned and franchisee-owned store base for the period from January 1, 2012 through November 7, 2012, the period from November 8, 2012 through December 31, 2012, the years ended December 31, 2013 and 2014 and the quarters ended March 31, 2014 and 2015:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Period from** | | | **Period from** | |  |  |  |  |  |  |  |  |  |  |
|  |  | **January 1,** | | | **November 8,** | | **Years ended** | | | | **Quarters ended** | | | | |  |
|  |  | **2012 through** | | | **2012 through** | |  |
|  |  | **December 31,** | | |  |  |  | **March 31,** | |  |  |
|  |  | **November 7,** | | | **December 31,** | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **2012** |  |  | **2012** | | **2013** | | **2014** | | **2014** | | **2015** | |  |  |
|  | **Franchisee-owned stores:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stores operated at beginning of period | | 457 |  |  | 526 |  | 562 | | 704 | | 704 |  | 863 | |  |  |
|  | New stores opened | 82 |  |  | 36 |  | 148 | | 169 | | 36 | | 59 | |  |  |
| Stores acquired from corporate | | 3 | |  | — | | — | | — | | — | |  | — | |  |
|  | Stores debranded, sold or consolidated(1) | (16) | |  | — | | (6) | | (10) | | (8) | | (3) | | |  |
|  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stores operated at end of period | | 526 |  |  | 562 |  | 704 |  | 863 | | 732 |  | 919 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Corporate-owned stores:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stores operated at beginning of period | | 31 |  |  | 44 |  | 44 | | 45 | | 45 | | 55 | |  |  |
|  | New stores opened | — | |  | — | | 1 | | 2 | | — | | 2 | |  |  |
| Stores acquired from franchisees | | 16 |  |  | — | | — | | 8 | | 8 | |  | — | |  |
|  | Stores sold | (3) | |  | — | | — | | — | |  |  |  | — | |  |
|  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stores operated at end of period | | 44 |  |  | 44 |  | 45 |  | 55 | | 53 | | 57 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total stores:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stores operated at beginning of period | | 488 |  |  | 570 |  | 606 | | 749 | | 749 |  | 918 | |  |  |
|  | New stores opened | 82 |  |  | 36 |  | 149 | | 171 | | 36 | | 61 | |  |  |
| Stores debranded, sold or consolidated(1) | | — | |  | — | | (6) | | (2) | | — | | (3) | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Stores operated at end of period | 570 |  |  | 606 |  | 749 |  | 918 | | 785 |  | 976 | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 77 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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1. The term “debrand” refers to a franchisee-owned store whose right to use the Planet Fitness brand and marks has been terminated due to non-compliance with brand standards in accordance with the franchise agreement. We retain the right to prevent debranded stores from continuing to operate as fitness centers.

The term “consolidation” refers to the combination of a franchisee’s store with another store located in close proximity owned by the same franchisee, with our prior approval. This often coincides with an enlargement, re-equipment and/or refurbishment of the remaining store.

***Same store sales***

Same store sales refers to year-over-year sales comparisons for the same store sales base of both corporate-owned and franchisee-owned stores. We define the same store sales base to include those stores that have been open and for which monthly membership dues have been billed for longer than 12 months. We measure same store sales based solely upon monthly dues billed to members of our corporate-owned and franchisee-owned stores.

Several factors affect our same store sales in any given period, including the following:

* the number of stores that have been in operation for more than 12 months;
* the percentage mix of PF Black Card and standard memberships in any period;
* growth in total memberships per store;
* consumer recognition of our brand and our ability to respond to changing consumer preferences;
* overall economic trends, particularly those related to consumer spending;
* our and our franchisees’ ability to operate stores effectively and efficiently to meet consumer expectations;
* marketing and promotional efforts;
* local competition;
* trade area dynamics; and
* opening of new stores in the vicinity of existing locations.

Consistent with common industry practice, we present same store sales as compared to the same period in the prior year for all stores that have been open and for which monthly membership dues have been billed for longer than 12 months, beginning with the thirteenth month and thereafter, as applicable. Since opening new stores will be a significant component of our revenue growth, same store sales is only one measure of how we evaluate our performance.

Stores acquired from or sold to franchisees are removed from the franchisee-owned or corporate-owned same store sales base, as applicable, upon the ownership change and for the twelve months following the date of the ownership change. These stores are included in the corporate-owned or franchisee-owned same store sales base, as applicable, following the twelfth month after the acquisition or sale. These stores remain in the system-wide same store sales base in all periods.

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The following table shows our quarterly same store sales since 2012:



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Same store sales** | |  |  |
|  |  | **1st Quarter** | **2nd Quarter** | **3rd Quarter** | **4th Quarter** | **Full Year** | |  |
|  |  |  |  |  |  |  |  |  |
| **Franchisee-owned stores** |  |  |  |  |  |  |  |
| 2012 | | 10.3% | 8.2% | 7.8% | 8.7% | 8.7% | |  |
|  | 2013 | 9.7% | 8.0% | 7.9% | 10.7% | 9.1% | |  |
| 2014 | | 13.6% | 11.4% | 10.4% | 10.8% | 11.5% |  |  |
|  | 2015 | 11.7% | — | — | — | — | |  |
| **Corporate-owned stores** | |  |  |  |  |  |  |  |
|  | 2012 | 8.0% | 4.7% | 4.1% | 2.2% | 4.8% | |  |
| 2013 | | 7.0% | 7.0% | 3.8% | 7.0% | 6.1% | |  |
|  | 2014 | 6.1% | 5.3% | 4.7% | 5.5% | 5.4% | |  |
| 2015 | | 4.6% | — | — | — | — | |  |
|  |  |  |  |  |  |  |  |  |
| **System-wide stores** |  |  |  |  |  |  |  |
| 2012 | | 10.1% | 7.9% | 7.2% | 7.4% | 8.1% | |  |
|  | 2013 | 8.7% | 7.3% | 7.3% | 10.4% | 8.4% | |  |
| 2014 | | 13.0% | 10.7% | 9.7% | 10.2% | 10.8% |  |  |
|  | 2015 | 10.9% | — | — | — | — | |  |
|  |  |  |  |  |  |  |  |  |

The following table shows the number of stores in our same store sales base at the end of each period presented:



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Same store sales** | |  |  |
|  |  | **1st Quarter** | **2nd Quarter** | **3rd Quarter** | **4th Quarter** | **Full Year** | |  |
|  |  |  |  |  |  |  |  |  |
| **Franchisee-owned stores** |  |  |  |  |  |  |  |
| 2012 | | 378 | 395 | 400 | 433 | 433 |  |  |
|  | 2013 | 471 | 493 | 510 | 545 | 545 |  |  |
| 2014 | | 585 | 602 | 624 | 663 | 663 |  |  |
|  | 2015 | 722 | — | — | — | — | |  |
| **Corporate-owned stores** | |  |  |  |  |  |  |  |
|  | 2012 | 29 | 27 | 27 | 26 | 26 | |  |
| 2013 | | 30 | 30 | 44 | 44 | 44 | |  |
|  | 2014 | 45 | 45 | 45 | 45 | 45 | |  |
| 2015 | | 45 | — | — | — | — | |  |
|  |  |  |  |  |  |  |  |  |
| **System-wide stores** |  |  |  |  |  |  |  |
| 2012 | | 408 | 425 | 443 | 476 | 476 |  |  |
|  | 2013 | 518 | 538 | 555 | 589 | 589 |  |  |
| 2014 | | 630 | 655 | 677 | 716 | 716 |  |  |
|  | 2015 | 775 | — | — | — | — | |  |
|  |  |  |  |  |  |  |  |  |

***Net member growth per store***

Net member growth per store refers to the change in total members in relation to total stores over time. We capture all membership changes daily through our point-of-sale system. We monitor a combination of membership growth, average members per store, average monthly EFT, transfers from or to an individual store location and daily cash collected for enrollment fees related to new members. We seek to make it simple for

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members to join, whether online or in-store, and, while some memberships require a cancellation fee, we offer, and require our franchisees to offer, a non-committal membership option. This approach to memberships is part of our commitment to appeal to new and occasional gym users. As a result, we do not measure membership attrition as an operating metric in assessing our performance. We primarily attribute our membership growth to the growth of our franchisee-owned store base.

***Average royalty fee percentages for the franchisee-owned stores***

The average royalty fee percentage represents royalties collected by us from our franchisees as a percentage of the monthly membership dues and annual fees that are billed by the franchisees to their member base. We have varying royalty fee structures with our franchisee base, ranging from a fixed monthly fee of $500 to a royalty of 5% of total monthly EFT and annual membership fees across our franchisee base. Our royalty fee has increased over time to a current rate of 5.0% for new franchisees.

***PF Black Card penetration percentage***

Our PF Black Card penetration percentage represents the number of our members that have opted to enroll in our PF Black Card membership program as a percentage of our total active membership base. PF Black Card members pay higher monthly membership dues than our standard membership and receive additional benefits for these additional fees. These benefits include access to all of our stores system-wide and access to exclusive areas in our stores that provide amenities such as water massage beds, massage chairs, tanning equipment and more. We view PF Black Card penetration percentage as a critical metric in assessing the performance and growth of our business.

**Non-GAAP financial measures**

We refer to EBITDA, Adjusted EBITDA and four-wall EBITDA throughout this prospectus, as we use these measures to evaluate our operating performance and we believe these measures are useful to investors in evaluating our operating performance. EBITDA is defined as net income before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as net income before interest, taxes, depreciation and amortization, adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include certain purchase accounting adjustments, management fees, certain IT system upgrade costs, acquisition transaction fees, IPO-related costs, pre-opening costs and certain other charges and gains that we do not believe reflect our underlying business performance. We believe that Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that we do not believe reflect our underlying business performance. Four-wall EBITDA is an assessment of store-level profitability for stores included in the same-store-sales base, which adjusts for certain administrative and other items that we do not consider in our evaluation of store-level performance.

EBITDA, Adjusted EBITDA and four-wall EBITDA as presented in this prospectus are supplemental measures of our performance that are neither required by, nor presented in accordance with, GAAP. EBITDA, Adjusted EBITDA and four-wall EBITDA should not be considered as substitutes for GAAP metrics such as net income or any other performance measures derived in accordance with GAAP. Also, in the future we may incur expenses or charges such as those added back to calculate Adjusted EBITDA. Our presentation of EBITDA, Adjusted EBITDA and four-wall EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| A reconciliation of net income to EBITDA and Adjusted EBITDA is set forth below for the periods specified: | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Period from** | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **January 1,** | | |  |  |  |  | **Period from** | | | **Years ended** | | | | |  |  |  | **Quarters ended** | | | |  |
|  |  |  | **2012** |  |  |  |  |  | **November 8,** | | | |  |  |  |  |
|  |  |  | **through** | | |  |  |  | **2012 through** | | | | **December 31,** | | | | |  |  |  | **March 31,** | | | |  |
|  |  | **November 7,** | | | |  |  |  | **December 31,** | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **(in millions)** | |  | **2012** |  |  |  |  |  |  | **2012** | |  | **2013** | |  | **2014** | | **2014** | | |  |  | **2015** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |
|  |  |  | **(Predecessor)** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **(Successor)** | | |  |
| Net income | | $ | 23.2 |  |  |  | | $ | | 2.2 | |  | $ 25.8 | | $ | 37.3 | | $ | 6.3 | | $ | | 8.5 | |  |
| Interest expense, net(1) | |  | 1.4 |  |  |  |  |  |  | 2.4 | |  | 8.9 | |  | 21.8 | |  | 6.5 | |  |  | 4.8 | |  |
| Provision for income taxes | |  | 0.6 |  |  |  |  |  |  | 0.1 | |  | 0.6 | |  | 1.2 | |  | 0.3 | |  |  | 0.3 | |  |
| Depreciation and amortization | |  | 5.7 |  |  |  |  |  |  | 7.0 | |  | 28.8 | |  | 32.3 | |  | 6.5 | |  |  | 8.2 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| EBITDA | |  | 30.9 |  |  |  |  |  |  | 11.7 | |  | 64.1 | |  | 92.6 | |  | 19.6 | |  |  | 21.8 | |  |
| Purchase accounting adjustments(2) | |  | 0.8 |  |  |  |  |  |  | — | | | 2.8 | |  | 2.8 | |  | 1.7 | |  |  | 0.4 | |  |
| Management fees(3) | |  | — | | |  |  |  |  | 0.1 | |  | 1.1 | |  | 1.2 | |  | 0.3 | |  |  | 0.3 | |  |
| IT system upgrade costs(4) | |  | 0.4 |  |  |  |  |  |  | 0.1 | |  | 2.5 | |  | 1.2 | |  | 0.2 | |  |  | 3.6 | |  |
| Transaction fees(5) | |  | 2.0 |  |  |  |  |  |  | — | | | 0.3 | |  | 0.6 | |  | — | |  |  | — | |  |
| IPO-related costs(6) | |  | — | | |  |  |  |  | — | | | — | |  | 0.7 | |  | 0.1 | |  |  | 1.8 | |  |
| Legacy bonus(7) | |  | 4.5 |  |  |  |  |  |  | — | | | — | |  | — | |  | — | |  |  | — | |  |
| Pre-opening costs(8) | |  | 0.1 |  |  |  |  |  |  | — | | | 0.3 | |  | 1.7 | |  | 0.1 | |  |  | 0.6 | |  |
| Other(9) | |  | 0.7 |  |  |  |  |  |  | — | | | — | |  | (0.2) | |  | — | |  |  | — | |  |
|  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Adjusted EBITDA | | $ | 39.4 |  |  |  |  | $ | | 11.9 | |  | $ 71.1 | | $ | 100.6 |  | $ | 22.0 | | $ | | 28.5 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



1. Includes $4.7 million of loss on extinguishment of debt in 2014.
2. Represents the impact of certain purchase accounting adjustments associated with the 2012 Acquisition of Pla-Fit Holdings, LLC on November 8, 2012 and our acquisition of eight franchisee-owned stores during 2014. These are primarily related to fair value adjustments to deferred revenue and deferred rent.
3. Represents management fees and expenses paid to a management company affiliated with TSG pursuant to a management services agreement that will terminate in connection with this offering. See “Certain relationships and related party transactions—Related party agreements in effect prior to this offering—Management services agreement.”
4. Represents costs associated with certain IT system upgrades, primarily related to our point-of-sale systems.
5. Represents transaction fees and expenses primarily related to business acquisitions and dispositions.
6. Represents legal, accounting and other costs incurred in preparation for this offering.
7. Relates primarily to bonuses for certain employees at the time of the 2012 Acquisition that were paid by the members of the Predecessor, which according to accounting rules applicable to us must be reported in our results.
8. Represents costs associated with new corporate-owned stores incurred prior to the store opening, including payroll-related costs, rent and occupancy expenses, marketing and other store operating supply expenses.
9. Represents certain other charges and gains that we do not believe reflect our underlying business performance. These charges consisted primarily of severance in 2011, severance offset by the gain from the sale of two stores to a franchisee in 2012 and the net gain recorded from the receipt of insurance proceeds related to restoration and business interruption costs from the flood that occurred in our Bayshore, New York store in October 2014.

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The following table reconciles corporate-owned segment EBITDA to four-wall EBITDA for the year ended December 31, 2014:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Year ended December 31,** | | | | | |
|  |  |  |  |  |  |  |  | **2014** |  |
|  |  |  |  |  |  |  |  | **EBITDA** |  |
|  |  | **Revenue** | | | **EBITDA** | | | **Margin** | |
| Corporate-owned stores segment | $ | | 85.0 |  | $ | 31.7 | | 37.3% |  |
| New stores(1) |  |  | (0.4) | |  | 1.5 | |  |  |
| Selling, general and administrative(2) |  |  | — | |  | 2.3 | |  |  |
| Impact of eliminations(3) |  |  | — | |  | (1.6) | |  |  |
| Purchase accounting adjustments(4) |  |  | (0.5) | |  | 0.6 | |  |  |
| Four-wall EBITDA for corporate-owned stores |  | $ | 84.1 |  |  | 34.5 |  | 41.0% |  |
| Royalty adjustment(5) |  |  |  |  |  | (3.8) | |  |  |
| Four-wall EBITDA less royalty adjustment |  |  |  |  | $ | 30.7 |  | 36.5% |  |

1. Includes the impact of stores open less than 13 months and those which have not yet opened.
2. Reflects administrative costs attributable to the corporate-owned stores segment but not directly related to store operations.
3. Reflects intercompany charges for royalties and other fees which eliminate in consolidation.
4. Represents the impact of certain purchase accounting adjustments associated with the 2012 Acquisition of Pla-Fit Holdings, LLC on November 8, 2012 and our acquisition of eight franchisee-owned stores during 2014. These are primarily related to fair value adjustments to deferred revenue and deferred rent.
5. Includes the effect of royalties paid by the franchisee at a rate of 5% per our current franchisee agreement.

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**Results of operations**

The following table sets forth our consolidated statements of operations as a percentage of revenue for the period from January 1, 2012 through November 7, 2012, the period from November 8, 2012 through December 31, 2012, the years ended December 31, 2013 and 2014 and the quarters ended March 31, 2014 and 2015:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Period from** | |  |  |  | **Period from** | |  |  |  |  |  |  |  |  |  |  |
|  | **January 1,** | |  |  |  | **November 8,** | | **Years ended** | | | | **Quarters ended** | | | | |  |
|  | **2012 through** | |  |  |  | **2012 through** | | **December 31,** | | | |  |  | **March 31,** | | |  |
|  | **November 7,** | |  |  |  | **December 31,** | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2012** | |  | | **2012** | | | **2013** | | **2014** | | **2014** | | **2015** | | |  |
|  | **(Predecessor)** | |  |  |  |  |  |  |  |  |  |  |  |  | **(Successor)** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchise | 24.1% |  |  | | 15.1% | |  | 20.9% |  | 25.7% |  | 28.6% |  | 28.3% | |  |  |
| Corporate-owned stores | 34.3% |  |  | | 21.1% | |  | 31.9% |  | 30.4% |  | 30.7% |  | 30.6% | |  |  |
| Equipment | 41.6% |  |  |  |  | 63.8% |  | 47.2% |  | 43.9% |  | 40.7% |  | 41.1% | |  |  |
| Total revenue | 100.0% | |  | | 100.0% | | | 100.0% | | 100.0% | | 100.0% | | 100.0% | | |  |
| Operating costs and expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cost of revenue | 34.8% |  |  | | 51.5% | |  | 38.6% |  | 35.9% |  | 33.3% |  | 33.8% | |  |  |
| Store operations | 24.1% |  |  | | 14.1% | |  | 19.8% |  | 17.7% |  | 18.2% |  | 18.6% | |  |  |
| Selling, general and administrative | 16.5% |  |  | | 6.2% | |  | 10.9% |  | 12.5% |  | 11.5% |  | 18.3% | |  |  |
| Depreciation and amortization | 4.8% |  |  | | 16.7% | |  | 13.6% |  | 11.5% |  | 11.3% |  | 10.7% | |  |  |
| Other (gains) losses | (1.6%) | |  | | 0.0% | |  | 0.0% | | 0.4% | | 2.3% | | 0.0% | | |  |
| Total operating costs and expenses | 78.6% |  |  |  |  | 88.5% |  | 82.9% |  | 78.0% |  | 76.6% |  | 81.4% | |  |  |
| Income from operations | 21.4% |  |  | | 11.5% | |  | 17.1% |  | 22.0% |  | 23.4% |  | 18.6% | |  |  |
| Other income (expense), net: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest income | 0.8% |  |  | | 0.2% | |  | 0.2% | | 0.2% | | 0.2% | | 0.3% | | |  |
| Interest expense | (2.0%) | |  | | (6.0%) | | | (4.5%) | | (7.9%) | | (11.5%) | | (6.6%) | | |  |
| Other expense | 0.0% |  |  |  |  | (0.2%) | | (0.3%) | | (0.5%) | | (0.7%) | | (0.9%) | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total other expense, net | (1.2%) | |  | | (6.0%) | | | (4.6%) | | (8.2%) | | (12.0%) | | (7.2%) | | |  |
| Income before provision for income taxes | 20.2% |  |  |  |  | 5.5% |  | 12.5% |  | 13.8% |  | 11.5% |  | 11.4% | |  |  |
| Provision for income taxes | 0.5% |  |  |  |  | 0.2% |  | 0.3% | | 0.4% | | 0.6% | | 0.4% | | |  |
| Net income | 19.7% |  |  |  |  | 5.3% |  | 12.2% |  | 13.4% |  | 10.9% |  | 11.0% | |  |  |
| Less net income attributable to noncontrolling interests | 0.9% |  |  | | 0.0% | |  | 0.2% | | 0.2% | | 0.3% | | 0.1% | | |  |
| Net income attributable to members of Pla-Fit Holdings, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| LLC | 18.8% |  |  | | 5.3% | |  | 12.0% |  | 13.2% |  | 10.6% |  | 10.9% | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 83 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



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The following table sets forth a comparison of our consolidated statements of operations for the period from January 1, 2012 through November 7, 2012, the period from November 8, 2012 through December 31, 2012, the years ended December 31, 2013 and 2014, and the quarters ended March 31, 2014 and 2015:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Period from** | |  |  | **Period from** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **January 1,** | |  | **November 8,** | | | |  |  |  | **Years ended** | | | |  |  | **Quarter ended** | | | | |  |
|  |  | **2012 through** | | |  | **2012 through** | | | |  |  |  | **December 31,** | | | |  |  |  | **March 31,** | | | |  |
|  |  | **November 7,** | | |  | **December 31,** | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **(in millions)** | |  | **2012** | |  |  | **2012** | |  |  | **2013** | |  |  | **2014** | |  | **2014** | |  |  | **2015** | |  |
|  |  |  | **(Predecessor)** |  |  |  | **(Successor)** |  |  | **(Successor)** | | |  | **(Successor)** | | | **(Successor)** | | |  | **(Successor)** | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **(unaudited)** | | |  | **(unaudited)** | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchise | | $ | 28.4 | |  | $ | 6.3 | |  | $ | 44.1 |  | $ | | 71.9 |  | $ | 16.5 |  | $ | | 21.8 | |  |
| Corporate-owned stores | |  | 40.4 | |  |  | 8.8 | |  |  | 67.4 |  |  |  | 85.0 |  |  | 17.7 |  |  |  | 23.5 | |  |
| Equipment | |  | 49.1 | |  |  | 26.7 | |  |  | 99.5 |  |  |  | 122.9 |  |  | 23.4 |  |  |  | 31.6 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total revenue | |  | 117.9 |  |  |  | 41.8 | |  |  | 211.0 |  |  |  | 279.8 |  |  | 57.6 |  |  |  | 76.9 | |  |
| Operating costs and expenses: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cost of revenue | |  | 41.0 | |  |  | 21.5 | |  |  | 81.4 |  |  |  | 100.3 |  |  | 19.2 |  |  |  | 26.0 | |  |
| Store operations | |  | 28.4 | |  |  | 5.9 | |  |  | 41.7 |  |  |  | 49.5 |  |  | 10.5 |  |  |  | 14.3 | |  |
| Selling, general and administrative | |  | 19.5 | |  |  | 2.6 | |  |  | 23.1 |  |  |  | 35.1 |  |  | 6.6 | |  |  | 14.1 | |  |
| Depreciation and amortization | |  | 5.7 | |  |  | 7.0 | |  |  | 28.8 |  |  |  | 32.3 |  |  | 6.5 | |  |  | 8.2 | |  |
| Other (gains) losses | |  | (1.9) | |  |  | — | | |  | — | |  |  | 1.0 | |  | 1.3 | |  |  | — | |  |
| Total operating costs and | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| expenses | |  | 92.7 | |  |  | 37.0 | |  |  | 175.0 |  |  |  | 218.2 |  |  | 44.1 |  |  |  | 62.6 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from operations | |  | 25.2 | |  |  | 4.8 | |  |  | 36.0 |  |  |  | 61.6 |  |  | 13.5 |  |  |  | 14.3 | |  |
| Other income (expense), net: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest income | |  | 0.9 | |  |  | 0.1 | |  |  | 0.5 | |  |  | 0.4 | |  | 0.1 | |  |  | 0.2 | |  |
| Interest expense | |  | (2.3) | |  |  | (2.5) | |  |  | (9.4) | |  |  | (22.2) | |  | (6.6) | |  |  | (5.0) | |  |
| Other expense | |  | — | |  |  | (0.1) | |  |  | (0.7) | |  |  | (1.3) | |  | (0.4) | |  |  | (0.7) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total other expense, net | |  | (1.4) | |  |  | (2.5) | |  |  | (9.6) | |  |  | (23.1) | |  | (6.9) | |  |  | (5.5) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income before provision for income taxes | |  | 23.8 | |  |  | 2.3 | |  |  | 26.4 |  |  |  | 38.5 |  |  | 6.6 | |  |  | 8.8 | |  |
| Provision for income taxes | |  | 0.6 | |  |  | 0.1 | |  |  | 0.6 | |  |  | 1.2 | |  | 0.3 | |  |  | 0.3 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income | |  | 23.2 | |  |  | 2.2 | |  |  | 25.8 |  |  |  | 37.3 |  |  | 6.3 | |  |  | 8.5 | |  |
| Less net income attributable to | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| noncontrolling interests | |  | 1.0 | |  |  | — | | |  | 0.4 | |  |  | 0.5 | |  | 0.2 | |  |  | 0.1 | |  |
| Net income attributable to members | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| of Pla-Fit Holdings, LLC | | $ | 22.2 | |  | $ | 2.2 | |  | $ | 25.4 |  | $ | | 36.8 |  | $ | 6.1 | | $ | | 8.4 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

***Comparison of the three months ended March 31, 2015 and March 31, 2014*** *Revenue*

Total revenues were $76.9 million in the quarter ended March 31, 2015, compared to $57.6 million in the quarter ended March 31, 2014, an increase of $19.3 million, or 33.5%.

Franchise segment revenue was $21.8 million in the quarter ended March 31, 2015, compared to $16.5 million in the quarter ended March 31, 2014, an increase of $5.3 million, or 32.1%. Of the $5.3 million increase, $3.6 million was due to increased royalty revenues. This increase was primarily driven by $1.8 million attributable to royalties from an additional 56 stores in the quarter ended March 31, 2015 that have opened since the quarter ended March 31, 2014, and $1.3 million attributable to a same store sales increase of 11.7% in franchisee-owned stores.

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In addition to royalty revenue increases, commissions and fees included in franchise segment revenue also increased by $1.1 million in the quarter ended March 31, 2015 as compared to the quarter ended March 31, 2014. This increase was primarily associated with a higher volume of membership billing transactions for which a commission was earned as well as more franchisee-owned stores in 2015 as compared to 2014.

Revenue from our corporate-owned stores segment was $23.5 million in the quarter ended March 31, 2015, compared to $17.7 million in the quarter ended March 31, 2014, an increase of $5.8 million, or 32.8%. The acquisition of eight franchisee-owned stores on March 31, 2014 and not included in the prior year quarter results led to an increase in revenue of $4.2 million. Additionally, same store sales from corporate-owned stores increased 4.6% in the quarter ended March 31, 2015, which contributed incremental revenues of $0.7 million. Revenue for stores opened since March 31, 2014 and not included in the same store sales base led to an increase in revenue of $0.7 million in the quarter ended March 31, 2015.

Equipment segment revenue was $31.6 million in the quarter ended March 31, 2015, compared to $23.4 million in the quarter ended March 31, 2014, an increase of $8.2 million, or 35.0%. This increase was driven by equipment sales to 12 more franchisee-owned stores in the quarter ended March 31, 2015, as compared to the quarter ended March 31, 2014.

*Cost of revenue*

Cost of revenue was $26.0 million in the quarter ended March 31, 2015 compared to $19.2 million in the quarter ended March 31, 2014, an increase of $6.8 million, or 35.4%. Cost of revenue primarily relates to our equipment segment and increased primarily due to equipment sales to 12 more new franchisee-owned stores in the quarter ended March 31, 2015, as compared to the quarter ended March 31, 2014. The increase in costs is consistent with the increase in equipment revenue.

*Store operations*

Store operation expenses, which relates to our corporate-owned stores segment, were $14.3 million in the quarter ended March 31, 2015 compared to $10.5 million in the quarter ended March 31, 2014, an increase of $3.8 million, or 36.2%. Approximately $2.1 million of this increase was a result of the acquisition of eight stores from a franchisee in March 2014 and not included in the prior year quarter. In addition, we incurred costs and expenses attributable to four new corporate-owned stores opened since March 31, 2014 and included in the current year quarter. We also incurred pre-opening costs of $0.6 million related to one new store that opened during the quarter and one new store that opened shortly after the quarter ended March 31, 2015.

*Selling, general and administrative expenses*

Selling, general and administrative expenses were $14.1 million in the quarter ended March 31, 2015 compared to $6.6 million in the quarter ended March 31, 2014, an increase of $7.5 million, or 113.6%. Of the $7.5 million increase, $3.7 million was related to increased information technology spend which was primarily attributable to the rollout of a new point-of-sale system. The point-of-sale system rollout began in late 2014 and was substantially completed by March 31, 2015. In addition, we incurred additional expenses to support our growing franchisee operations, including additional headcount and infrastructure to provide training, development, pre-opening support and store operational excellence functions. We anticipate that our selling, general and administrative expenses will continue to increase as our franchisee-owned store count grows. We also incurred increased costs associated with preparing to be a publicly traded company, including $1.4 million which we were not able to capitalize because we did not expect to receive proceeds in this offering, which will continue to increase. We anticipate that we will incur additional expenses in the future due to equity-based and other compensation costs that will be recognized in connection with and subsequent to this offering.

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*Depreciation and amortization*

Depreciation and amortization expense consists of the depreciation of property and equipment, including leasehold and building improvements and equipment. Amortization expense consists of amortization related to our intangible assets, including customer relationships and non-compete agreements with former members of the Predecessor.

Depreciation and amortization expense was $8.2 million in the quarter ended March 31, 2015 compared to $6.5 million in the quarter ended March 31, 2014, an increase of $1.7 million, or 26.2%, primarily due to the increased amortization of intangible assets related to the acquisition of eight stores from a franchisee in March 2014.

*Other loss*

Other loss decreased by $1.3 million in the quarter ended March 31, 2015 compared to the quarter ended March 31, 2014. The other loss in 2014 was primarily the result of the effective settlement of reacquired franchise rights related to the acquisition of eight stores from a franchisee in March 2014.

*Interest income*

Interest income primarily consists of interest earned on notes receivable and is immaterial in both quarters.

*Interest expense*

Interest expense primarily consists of interest on long-term debt as well as the amortization of deferred financing costs.

Interest expense was $5.0 million in the quarter ended March 31, 2015 compared to $6.6 million in the quarter ended March 31, 2014, a decrease of $1.6 million, or 24.2%. This $1.6 million decrease was primarily attributable to the $4.7 million write-off of debt issuance costs in March 2014 in connection with the March 2014 refinancing. This was offset by the increase in interest expense associated with the March 2014 refinancing. We expect interest expense to increase compared to the quarter ended March 31, 2015 as a result of the additional $120.0 million in borrowings as of March 31, 2015.

*Other income (expense)*

Other income (expense) primarily consists of management fees we paid to our Sponsor, realized gains (losses) on derivative activities, as well as the effects of foreign currency gains and losses.

*Provision for income taxes*

Pla-Fit Holdings, LLC is currently treated as a pass-through entity for U.S. federal income tax purposes as well as in most states. As a result, entity level taxes are not significant. Provision for income taxes consists of tax expense primarily related to the state of New Hampshire and Canada as well as certain other local taxes. We are also subject to tax withholding in Puerto Rico. See “—Critical accounting policies and estimates—Income taxes.”

***Segment results***

*Franchise*

Segment EBITDA for the franchise segment was $13.6 million in the quarter ended March 31, 2015 compared to $12.8 million in the quarter ended March 31, 2014, an increase of $0.8 million, or 6.2%. This increase was primarily the result of growth in our franchise segment revenue of $5.3 million due to higher royalties received from additional franchisee-owned stores opened in 2014, continued growth in royalties from stores opened in 2013 and higher vendor commissions, offset by higher operating expenses. Depreciation and amortization was $2.3 million in the quarter ended March 31, 2015, compared to $2.1 million for the quarter ended March 31, 2014.

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*Corporate-owned stores*

Segment EBITDA for the corporate-owned stores segment was $7.8 million in the quarter ended March 31, 2015 compared to $6.4 million in the quarter ended March 31, 2014, an increase of $1.4 million, or 21.9%, primarily from the acquisition of eight franchisee-owned stores on March 31, 2014 and the increase in same store sales. Depreciation and amortization was $4.3 million for the quarter ended March 31, 2015, compared to $2.8 million for the quarter ended March 31, 2014. The increase relates to the eight franchisee-owned stores acquired on March 31, 2014.

*Equipment*

Segment EBITDA for the equipment segment was $6.7 million in the quarter ended March 31, 2015 compared to $5.0 million in the quarter ended March 31, 2014, an increase of $1.7 million, or 34.0%, primarily as a result of equipment sales to 12 more new franchisee-owned stores in the quarter ended March 31, 2015 compared to the quarter ended March 31, 2014. Depreciation and amortization was consistent at $1.5 million for both periods.

***Comparison of the years ended December 31, 2014 and December 31, 2013***

*Revenue*

Total revenue was $279.8 million in 2014 compared to $211.0 million for 2013, an increase of $68.8 million, or 32.6%.

Franchise segment revenue was $71.9 million in 2014 compared to $44.1 million in 2013, an increase of $27.8 million, or 63.0%. Royalty revenue from new stores opened in 2014 as well as stores that opened in 2013 and were therefore not included in the same store sales base led to $6.8 million in incremental revenue in 2014, which collectively resulted in a higher average royalty rate. Additionally, franchisee-owned same store sales was 11.5% in 2014, resulting in an increase in royalty revenue of $3.9 million. These two drivers are expected to continue to increase our average royalty rate over time.

Commissions and fees included in franchise segment revenue were $30.6 million in 2014 compared to $16.8 million in 2013, an increase of $13.8 million, or 82.0%. This increase was primarily associated with a higher volume of membership billing transactions for which a commission was earned as well as more franchisee-owned stores in 2014 as compared to 2013.

Revenue from our corporate-owned stores segment was $85.0 million in 2014 compared to $67.4 million in 2013, an increase of $17.6 million, or 26.1%. The acquisition of eight franchisee-owned stores on March 31, 2014 led to an increase in revenue of $12.2 million. Additionally, same store sales from corporate-owned stores increased 5.4% in 2014, which contributed incremental revenues of $3.1 million in 2014. Revenue for stores not included in the same store sales base led to an increase in revenue of $0.5 million in 2014.

Equipment segment revenue was $122.9 million in 2014 compared to $99.5 million in 2013, an increase of $23.4 million, or 23.5%, as a result of equipment sales to 34 more new stores in 2014 as compared to 2013 and an increase in replacement equipment revenue of $1.8 million from sales to existing franchisee-owned stores in 2014.

*Cost of revenue*

Cost of revenue was $100.3 million in 2014 compared to $81.4 million in 2013, an increase of $18.9 million, or 23.2%. Cost of revenue primarily relates to our equipment segment. The increase was primarily the impact of 34 more new franchisee-owned stores purchasing equipment in 2014 as compared to 2013 as well as the result of an increase in replacement equipment sales to existing franchisee-owned stores. The increase in costs is

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consistent with the increase in equipment revenue. Direct costs related to our proprietary point-of-sale system were $3.4 million in 2014 and $1.1 million in 2013. We expect these costs to be immaterial in future periods as we migrated to a new system in 2015.

*Store operations*

Store operations, which relates to our corporate-owned stores segment, were $49.5 million in 2014 compared to $41.7 million in 2013, an increase of $7.8 million, or 18.7%. Approximately $6.2 million of this increase was a result of the acquisition of eight stores from a franchisee in March 2014. In addition, we incurred costs and expenses attributable to new corporate-owned stores opened in 2014 and pre-opening costs related to one store that opened shortly after year-end. The increase in store operations costs is consistent with the increase in related corporate-owned store revenue.

*Selling, general and administrative expenses*

Selling, general and administrative expenses were $35.1 million in 2014 compared to $23.1 million in 2013, an increase of $12.0 million, or 51.9%. This increase is primarily attributable to increases in payroll of $5.3 million and other related infrastructure changes of $6.8 million in 2014 to support our growing franchisee operations, including additional headcount needed to provide training, development, pre-opening support and store operational compliance functions. We anticipate that our selling, general and administrative expenses will increase as our franchisee-owned store count grows and due to the increased costs associated with being a publicly traded company, as well as due to equity-based compensation costs recognized in connection with and subsequent to this offering.

*Depreciation and amortization*

Depreciation and amortization expense consists of the depreciation of property and equipment, including leasehold and building improvements and equipment. Amortization expense consists of amortization related to our intangible assets, including customer relationships and non-compete agreements with former members of the Predecessor.

Depreciation and amortization expense was $32.3 million in 2014 compared to $28.8 million in 2013, an increase of $3.5 million, or 12.2%, primarily due to the increased amortization of intangible assets related to the acquisition of eight stores from a franchisee in March 2014.

*Other loss*

Other loss increased by $1.0 million in 2014 compared to 2013. The increase in other loss was primarily the result of the effective settlement of reacquired franchise rights related to the acquisition of eight stores from a franchisee in March 2014.

*Interest income*

Interest income primarily consists of interest earned on notes receivable and is immaterial in both years.

*Interest expense*

Interest expense primarily consists of interest on long-term debt as well as the amortization of deferred financing costs.

Interest expense was $22.2 million in 2014 compared to $9.4 million in 2013, an increase of $12.8 million, or 136.2%. The increase was primarily attributable to the increase in our indebtedness as a result of the

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refinancing in March 2014. Additionally, the increase includes $4.7 million related to the write-off of debt issuance costs as a result of this refinancing, which was accounted for as an extinguishment.

*Other income (expense)*

Other income (expense) primarily consists of management fees we paid to our Sponsor, realized gains (losses) on derivative activities, as well as the effects of foreign currency gains and losses.

*Provision for income taxes*

Pla-Fit Holdings, LLC is currently treated as a pass-through entity for U.S. federal income tax purposes as well as in most states. As a result, entity level taxes are not significant. Provision for income taxes consists of tax expense primarily related to the state of New Hampshire and Canada as well as certain other local taxes. We are also subject to tax withholding in Puerto Rico. See “—Critical accounting policies and estimates—Income taxes.”

***Segment results***

*Franchise*

Segment EBITDA for the franchise segment was $53.1 million in 2014 compared to $30.1 million in 2013, an increase of $23.0 million, or 76.4%. This increase was primarily the result of growth in franchise revenue of $27.8 million due to higher royalties received from additional franchisee-owned stores opened in 2014, continued growth in royalties from stores opened in 2013 and higher vendor commissions. Depreciation and amortization was $8.6 million in 2014 compared to $7.6 million in 2013, an increase of $1.0 million, or 13.2%.

*Corporate-owned stores*

Segment EBITDA for the corporate-owned stores segment was $31.7 million in 2014 compared to $21.7 million in 2013, an increase of $10.0 million, or 46.1%, primarily due to the acquisition of eight franchisee-owned stores on March 31, 2014 and the increase in same store sales. Depreciation and amortization was $17.4 million in 2014 compared to $13.4 million in 2013, an increase of $4.0 million, or 29.9%. The increase is attributable to depreciation and amortization expense from the acquisition of eight franchisee-owned stores on March 31, 2014.

*Equipment*

Segment EBITDA for the equipment segment was $26.4 million in 2014 compared to $19.8 million in 2013, an increase of $6.6 million, or 33.3%, primarily as a result of equipment sales to 34 new franchisee-owned stores in 2014 as compared to 2013. Depreciation and amortization was $6.2 million in 2014 compared to $7.7 million in 2013, a decrease of $1.5 million, or 19.5%.

***Comparison of the year ended December 31, 2013, the period from November 8, 2012 through December 31, 2012 (2012 Successor Period), and the period from January 1, 2012 through November 7, 2012 (2012 Predecessor Period)***

*Revenue*

Total revenue was $211.0 million in 2013 compared to $41.8 million for the 2012 Successor Period and $117.9 million for the 2012 Predecessor Period.

Franchise segment revenue was $44.1 million in 2013 compared to $6.3 million for the 2012 Successor Period and $28.4 million for the 2012 Predecessor Period. Royalties from new stores opened in 2013 as well as stores that opened in 2012 not included in same store sales led to $4.7 million in incremental revenue in 2013.

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Additionally, franchisee-owned same store sales increased 9.1% in 2013, resulting in an increase in royalty revenue of $2.9 million.

Commissions and fees included in franchise segment revenue were $16.8 million in 2013 compared to $2.6 million in the 2012 Successor Period and $11.6 million in the 2012 Predecessor Period.

Revenue from our corporate-owned stores segment was $67.4 million in 2013 compared to $8.8 million in the 2012 Successor Period and $40.4 million in the 2012 Predecessor Period. The increase is primarily attributable to stores acquired from franchisees in 2012, resulting in $14.9 million in incremental revenue in 2013. Same store sales from corporate-owned stores increased 6.1% in 2013, which contributed incremental revenue of $2.5 million. Revenue for stores not included in the same store sales base led to an increase of $0.8 million in 2013.

Equipment segment revenue was $99.5 million in 2013 compared to $26.7 million in the 2012 Successor Period and $49.1 million in the 2012 Predecessor Period. The increase is a result of equipment sales to 29 more new stores in 2013 and an increase in replacement equipment revenue of $7.3 million to existing franchisee-owned stores.

*Cost of revenue*

Cost of revenue, which primarily relates to our equipment segment, was $81.4 million in 2013 compared to $21.5 million in the 2012 Successor Period and $41.0 million in the 2012 Predecessor Period. The increase was primarily a result of 29 more new stores purchasing equipment in 2013 and an increase in replacement equipment sales to existing franchisee-owned stores. The increase in costs is consistent with the increase in equipment revenue. Direct costs related to our proprietary point-of-sale systems were $1.1 million in 2013 and none in either period in 2012.

*Store operations*

Store operations, which relates to our corporate-owned stores segment, were $41.7 million in 2013 compared to $5.9 million in the 2012 Successor Period and $28.4 million in the 2012 Predecessor Period. This increase was primarily due to increased costs of $9.0 million attributable to stores acquired in the 2012 Predecessor Period from franchisees. Additionally, we incurred $1.4 million of costs and expenses attributable to one new store that opened in 2013. The increase in costs is consistent with the increase in related corporate-owned store revenue.

*Selling, general and administrative expenses*

Selling, general and administrative expenses were $23.1 million in 2013 compared to $2.6 million in the 2012 Successor Period and $19.5 million for the 2012 Predecessor Period. This increase is primarily attributable to increases in costs related to expanding infrastructure to support our growth in 2013, including payroll of $3.6 million, IT system upgrade costs of $1.9 million and other costs to support our growing franchisee operations. These increases were partially offset by a decrease in payroll, legal and consulting costs of $6.6 million related to the 2012 Acquisition in the 2012 Successor Period.

*Depreciation and amortization*

Depreciation and amortization expense was $28.8 million in 2013 compared to $7.0 million in the 2012 Successor Period and $5.7 million in the 2012 Predecessor Period. The increase is primarily due to the increased amortization of intangible assets recorded in connection with the 2012 Acquisition.

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*Other loss (gain)*

Other loss (gain) was $0 in 2013 and the 2012 Successor Period and a gain of $1.9 million for the 2012 Predecessor Period. The gain in the 2012 Predecessor Period was primarily a result of the sale of three stores to a franchisee.

*Interest income*

Interest income was $0.5 million in 2013 compared to $0.1 million in the 2012 Successor Period and $0.9 million in the 2012 Predecessor Period.

The decrease is a result of certain notes receivable being paid in full during the 2012 Predecessor Period.

*Interest expense*

Interest expense was $9.4 million in 2013 compared to $2.5 million in the 2012 Successor Period and $2.3 million in the 2012 Predecessor Period.

The increase reflects a full year of interest on the long-term debt issued in December 2012.

*Other income (expense)*

Other income (expense) was not material in these periods.

*Provision for income taxes*

Provision for income taxes was not material in these periods.

***Segment results***

*Franchise*

Segment EBITDA for the franchise segment was $30.1 million in 2013 compared to $4.9 million in the 2012 Successor Period and $17.8 million in the 2012 Predecessor Period. The increase is a result of an increase in royalties received from new franchisee-owned stores opened in 2013 as well as continued growth in royalties from franchisee-owned stores opened in 2012. Depreciation and amortization was $7.6 million in 2013 compared to $1.2 million in the 2012 Successor Period and $0.1 million in the 2012 Predecessor period. The increase is primarily related to the amortization of intangible assets recorded in connection with the 2012 Acquisition.

*Corporate-owned stores*

Segment EBITDA for the corporate-owned stores segment was $21.7 million in 2013 compared to $2.2 million in the 2012 Successor Period and $11.6 million in the 2012 Predecessor Period, primarily due to an increase in corporate-owned same store sales and one new corporate-owned store that opened in 2013. Depreciation and amortization was $13.4 million in 2013 compared to $2.2 million in the 2012 Successor Period and $5.6 million in the 2012 Predecessor Period. The increase in 2013 is primarily attributable to depreciation expense from stores acquired from franchisees in 2012.

*Equipment*

Segment EBITDA for the equipment segment was $19.8 million in 2013 compared to $5.3 million in the 2012 Successor Period and $6.7 million in the 2012 Predecessor Period, primarily as a result of equipment sales to 29 more new franchisee-owned stores in 2013 as compared to 2012. Depreciation and amortization was $7.7

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million in 2013 compared to $3.5 million in the 2012 Successor Period and $0 in the 2012 Predecessor Period. The increase is primarily related to the amortization of intangible assets recorded in connection with the 2012 Acquisition.

**Liquidity and capital resources**

As of March 31, 2015, we held $27.5 million of cash and cash equivalents. In addition, as of March 31, 2015, we had borrowing capacity of $40.0 million under our revolving credit facility.

We require cash principally to fund day-to-day operations, to finance capital investments, to service our outstanding debt and to address our working capital needs. Based on our current level of operations and anticipated growth, we believe that the cash generated from our operations and amounts available under our revolving credit facility will be adequate to meet our anticipated debt service requirements, capital expenditures and working capital needs for at least the next twelve months. We believe that we will be able to meet these obligations even if we experience no growth in sales or profits. Our ability to continue to fund these items and continue to reduce debt could be adversely affected by the occurrence of any of the events described under “Risk factors.” There can be no assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available under our revolving credit facility or otherwise to enable us to service our indebtedness, including our senior secured credit facility, or to make anticipated capital expenditures. Our future operating performance and our ability to service, extend or refinance the senior secured credit facility will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

The following table presents summary cash flow information for the period from January 1, 2012 through November 7, 2012, the period from

November 8, 2012 through December 31, 2012, the years ended December 31, 2013 and 2014 and the quarters ended March 31, 2014 and 2015:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Period from** | |  |  | **Period from** | |  | **Years ended** | | | |  | **Quarters ended** | | | | |  |
|  |  |  | **January 1, 2012** | |  |  | **November 8, 2012** | |  |  |  |
|  |  |  |  |  |  | **December 31,** | | | |  |  |  | **March 31,** | | |  |
|  |  |  | **through** | |  |  | **through** | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **(In millions)** |  | **November 7, 2012** | | |  | **December 31, 2012** | | | **2013** | |  | **2014** | |  | **2014** | | **2015** | | |  |
| Net cash provided by (used in): |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating activities | $ | | 30.5 | | $ | | 12.5 |  | $ 66.9 | |  | $ 79.4 | | $ | 8.2 | | $ 12.0 | | |  |
| Investing activities |  |  | (16.7) | |  |  | (216.1) | | (7.1) | | | (54.4) | |  | (39.5) | | (5.3) | | |  |
| Financing activities |  |  | (5.8) | |  |  | 192.4 |  | (38.0) | | | (13.0) | |  | 15.0 | | (22.5) | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net (decrease) increase in cash | $ | | 8.0 | | $ | | (11.2) | | $ 21.8 | |  | $ 12.0 | | $ | (16.3) | | $(15.8) | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



***Operating activities***

For the quarter ended March 31, 2015, net cash provided by operating activities was $12.0 million compared to $8.2 million in the quarter ended March 31, 2014, an increase of $3.8 million, and was primarily due to higher net income and a decrease in accounts receivable in the quarter ended March 31, 2015, partially offset by the loss on extinguishment of debt in the quarter ended March 31, 2014.

For 2014, net cash provided by operating activities was $79.4 million compared to $66.9 million in 2013, an increase of $12.5 million, and was primarily due to higher net income in 2014 and, to a lesser degree, higher accounts payable, other accrued expenses and equipment deposits offset by higher accounts receivable. For 2013, net cash provided by operating activities was $66.9 million compared to $12.5 million in the 2012 Successor Period and $30.5 million in the 2012 Predecessor Period. The higher 2013 net cash provided by operating activities was primarily due to higher net income and an increase in accounts payable and accrued expenses in 2013.

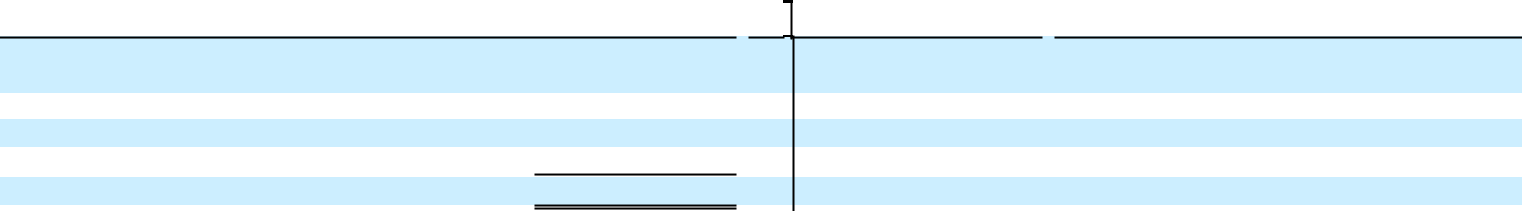
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***Investing activities***

Cash flow used in investing activities related to the following capital expenditures for the period from January 1, 2012 through November 7, 2012, the period from November 8, 2012 through December 31, 2012, the years ended December 31, 2013 and 2014 and the quarters ended March 31, 2014 and 2015:

|  |  |
| --- | --- |
|  | **Period from** |
|  | **January 1, 2012** |
|  | **through** |
| **(In millions)** | **November 7, 2012** |



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Period from** | **Years ended** | | | **Quarters ended** | | |  |
| **November 8, 2012** |  |
| **December 31,** | | |  | **March 31,** | |  |
| **through** |  |  |
|  |  |  |  |  |  |  |
| **December 31, 2012** | **2013** | **2014** | | **2014** | **2015** | |  |

New and relocated corporate-owned stores and corporate-owned stores not yet opened

Existing corporate-owned stores

Information systems

Corporate and all other

Total capital expenditures

* 0.7

3.0

0.4

0.2

* 4.3



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| $ | 0.7 |  | $ 2.0 | | $ | 7.1 | | $ | | — | | $ | | 4.1 |
|  | 0.1 |  | 4.7 | |  | 6.8 | |  |  | 0.6 | |  |  | 1.0 |
|  | 0.1 |  | 0.4 | |  | 1.5 | |  |  | — | |  |  | 0.1 |
|  | — |  | 0.2 |  |  | 1.3 | |  |  | 0.2 | |  |  | 0.1 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 0.9 |  | $ 7.3 |  | $ | 16.7 |  |  | $ | 0.8 | | $ | | 5.3 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

For the quarter ended March 31, 2015, net cash used in investing activities was $5.3 million compared to $39.5 million in the quarter ended March 31, 2014, a decrease of $34.2 million, and was primarily due to the acquisition of eight franchisee-owned stores on March 31, 2014 for $38.6 million. This decrease was partially offset by higher capital expenditures related to new corporate-owned stores in the quarter ended March 31, 2015.

For 2014, net cash used in investing activities was $54.4 million compared to $7.1 million in 2013, an increase of $47.3 million, and was primarily due to the acquisition of eight franchisee-owned stores on March 31, 2014 for $38.6 million. Additionally, capital expenditures increased due to our three new corporate-owned stores and higher replacement equipment for corporate-owned stores during 2014 compared to 2013. For 2013, net cash used in investing activities was $7.1 million compared to $216.1 million in the 2012 Successor Period and $16.7 million in the 2012 Predecessor Period. Cash used in investing activities in the 2012 Successor Period was primarily due to cash used in the 2012 Acquisition of $215.3 million.

We currently estimate that our capital expenditures will be between $15.0 million and $20.0 million in 2015. For the remainder of 2015, we plan to open one additional corporate-owned store and continue to invest in the infrastructure required to support our long-term goals.

*Financing activities*

For the quarter ended March 31, 2015, net cash used in financing activities was $22.5 million compared to net cash provided by financing activities of $15.0 million in the quarter ended March 31, 2014, a difference of $37.5 million. Proceeds from the issuance of debt was $120.0 million in the quarter ended March 31, 2015 compared to proceeds of $390.0 million in the quarter ended March 31, 2014, partially offset by the repayment of existing outstanding debt of $182.9 million in the quarter ended March 31, 2014. Additionally, member distributions were $139.7 million in the quarter ended March 31, 2015 compared to $183.8 million in the quarter ended March 31, 2014.

For 2014, net cash used in financing activities was $13.0 million compared to $38.0 million in 2013, a decrease of $25.0 million, and was primarily due to the refinancing of debt with proceeds from the issuance of new long-term debt of $390.0 million, partially offset by the repayment of the existing debt outstanding of $185.8 million. Additionally, we made distributions to our members in 2014 in the amount of $205.4 million, an increase of

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$182.3 million. For 2013, net cash used in financing activities was $38.0 million compared to net cash provided by financing activities in the 2012 Successor Period of $192.4 million and net cash used in financing activities in the 2012 Predecessor Period of $5.8 million. In the 2012 Successor Period, we received proceeds from a new credit facility of $190.0 million, partially offset by the repayment of $165.0 million of interim financing payable from TSG to the members of our Predecessor, in connection with the 2012 Acquisition. Additionally, successor capital contributions, net of cash acquired of $215.3 million increased cash provided by financing activities in the 2012 Successor Period.

On March 31, 2014, we consummated a refinancing transaction whereby we borrowed $390.0 million in term loans and obtained a new $40.0 million revolving credit facility from a consortium of banks. The proceeds were primarily used to repay $180.9 million in outstanding debt, issue a $173.9 million dividend to members and acquire eight stores from a franchisee.

On March 31, 2015, we amended our credit agreement governing our senior secured credit facility primarily to provide for an increase of $120.0 million in term loan borrowings for a total of $506.1 million. The full incremental borrowing of $120.0 million plus $20.0 million from cash on hand was used to fund a $140.0 million dividend to Class T and Class O Unit holders. The incremental term loan borrowings bear a variable rate of interest of the greater of LIBOR or 1.00% plus the applicable margin of 3.75%. All other terms and conditions remain unchanged under the senior secured credit facility.

**Credit facility**

Our senior secured credit facility consists of term loans and a revolving credit facility. Borrowings under the term loans bear interest, payable at least semi-annually. The term loans require principal payments equal to approximately $5.1 million per calendar year, payable in quarterly installments with the final scheduled principal payment on the outstanding term loan borrowings due on March 31, 2021.

The senior secured credit facility also provides for borrowings of up to $40.0 million under the revolving credit facility, of which up to $5.0 million is available for letter of credit advances. Borrowings under the revolving credit facility (excluding letters of credit) bear interest, payable at least semi-annually. We also pay a 0.45% commitment fee per annum on the unused portion of the revolver. The revolving credit facility expires on March 31, 2019.

The credit agreement governing our senior secured credit facility requires us to comply on a quarterly basis with one financial covenant which is a maximum ratio of debt to Credit Facility Adjusted EBITDA (the “leverage ratio”) that becomes more restrictive over time. This covenant is only for the benefit of the revolving credit facility. At March 31, 2015, the terms of the senior secured credit facility require that we maintain a leverage ratio of no more than 6.25 to 1.0. The leverage ratio financial covenant will become more restrictive over time and will require us to maintain a leverage ratio of no more than 4.0 to 1.0 by June 30, 2018.

Failure to comply with this covenant would result in an event of default under our senior secured credit facility unless waived by our senior secured credit facility lenders. An event of default under our senior secured credit facility can result in the acceleration of our indebtedness under the facility, which in turn can result in an event of default and possible acceleration of our other indebtedness, if any.

As of March 31, 2015, we were in compliance with our senior secured credit facility financial covenant with a leverage ratio of 4.3 to 1.0 which was calculated for the twelve months ended March 31, 2015 based upon certain adjustments to EBITDA, as provided for under the terms of our senior secured credit facility.

On March 31, 2015, we amended our credit agreement governing our senior secured credit facility primarily to provide for an increase of $120.0 million in term loan borrowings for a total of $506.1 million. The full

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incremental borrowing of $120.0 million plus $20.0 million from cash on hand was used to fund a $140.0 million dividend to Class T and Class O Unit holders. The incremental term loan borrowings bear a variable rate of interest of the greater of LIBOR or 1.00% plus the applicable margin of 3.75%. All other terms and conditions remain unchanged under the senior secured credit facility.

For more information on our senior secured credit facility, see “Description of certain indebtedness.”

**Contractual obligations and commitments**

The following table presents contractual obligations and commercial commitments as of March 31, 2015.



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **(In millions)** |  |  | **Payments due during the twelve months ending March 31,** | | | | | | | | | | | | | |  |
|  | **Total** | **2016** | | | | **2017-2018** | | | **2019-2020** | | |  | **Thereafter** | |  |  |
| Long-term debt(1) | $506.1 | | $ | | 5.1 | | $ | 10.2 | | $ | | 10.2 | | $ | 480.6 |  |  |
| Interest on long-term debt(2) | 140.6 | |  |  | 24.0 |  |  | 47.4 | |  |  | 46.4 | |  | 22.8 | |  |
| Operating leases | 115.2 | |  |  | 13.1 |  |  | 25.9 | |  |  | 22.2 | |  | 54.0 | |  |
| Capital leases | 0.3 | |  |  | 0.3 | |  | — | |  |  | — | |  | — | |  |
| Advertising commitments(3) | 9.9 | |  |  | 9.9 | |  | — | |  |  | — | |  | — | |  |
| Purchase obligations(4) |  | 15.3 |  |  | 15.3 |  |  | — | |  |  | — | |  | — |  |  |
| Total Contractual Obligations | $787.4 | | $ | | 67.7 |  | $ | 83.5 | | $ | | 78.8 | | $ | 557.4 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Long-term debt payments include scheduled principal payments only.
2. Assumes an annual interest rate of 4.75% for the term of the loan.
3. As of March 31, 2015, we had advertising purchase commitments of approximately $9.9 million, including commitments for the NAF.
4. Purchase obligations consists of $15.3 million for open purchase orders primarily related to equipment to be sold to franchisees. For the majority of our equipment purchase obligations, our policy is to require the franchisee to provide us with either a deposit or proof of a committed financing arrangement.

**Off-balance sheet arrangements**

As of March 31, 2015, our off-balance sheet arrangements consisted of operating leases and certain guarantees. In a limited number of cases, we have guaranteed certain leases and debt agreements of entities related through common ownership. These guarantees relate to leases for operating space, equipment and other operating costs of franchises operated by the related entities. Our maximum total commitment under these agreements is approximately $2.8 million and would only require payment upon default by the primary obligor. The estimated fair value of these guarantees at March 31, 2015 was not material, and no accrual has been recorded for our potential obligation under these arrangements. See Note 17 to our audited consolidated financial statements included elsewhere in this prospectus for more information regarding these operating leases and guarantees.

**Critical accounting policies and use of estimates**

Our discussion and analysis of operating results and financial condition are based upon our consolidated financial statements included elsewhere in this prospectus. The preparation of our financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures of contingent assets and liabilities. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. Actual results may differ from those estimates.

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Our critical accounting policies are those that materially affect our consolidated financial statements including those that involve difficult, subjective or complex judgments by management. A thorough understanding of these critical accounting policies is essential when reviewing our consolidated financial statements. We believe that the critical accounting policies listed below are those that are most important to the portrayal of our results of operations or involve the most difficult management decisions related to the use of significant estimates and assumptions as described above.

***Revenue recognition***

*Franchise*

Franchisees enter into ADAs with us to secure the exclusive right to open stores within a defined geographical area. ADAs establish the timing and number of stores to be developed within the defined geographical area. Pursuant to an ADA, a franchisee is generally required to pay an initial nonrefundable development fee for a minimum number of stores to be developed, as outlined in the respective ADA. ADA fees collected in advance are deferred until we deliver substantially all required obligations pursuant to the ADA. As the efforts and total cost relating to initial services are affected significantly by the number of stores opened in an area, the respective ADA is treated as a divisible contract. As each new site is developed under an ADA, a franchisee signs a franchise agreement for the respective franchise location. Each franchisee-owned store opened under an ADA typically has performance obligations associated with it, and we therefore recognize ADA revenue as each individual franchisee-owned store is developed in proportion to the total number of stores to be developed under the ADA. These obligations are typically completed once the store is opened or the franchisee executes the individual property lease. ADAs generally have an initial term equal to the number of years over which the franchisee is required to open franchise stores, which is typically five to ten years. There is no right of refund for an executed ADA. Upon default, as defined in the agreement, we may reacquire the rights pursuant to an ADA, and all remaining deferred revenue for the ADA is recognized at that time.

For stores opened without an ADA, we generally charge an initial upfront nonrefundable franchise fee. Nonrefundable franchise fees are typically deferred until the franchisee executes a lease and receives initial training for the location, which is the point at which we have determined that we have provided all of our material obligations required to recognize revenue. The individual franchise agreements typically have a 10-year initial term but provide the franchisee with an opportunity to enter into successive renewals subject to certain conditions.

Franchise agreements entered into prior to 2010 may include performance fees, which are fees earned by us upon each franchise store reaching a predetermined amount of total monthly membership billings. Performance fees are recognized when the related performance thresholds have been met.

Royalties, which represent recurring fees paid by franchisees based on the franchisee-owned stores’ monthly membership dues and annual fees, are recognized on a monthly basis over the term of the franchise agreement. As specified under certain franchise agreements, we recognize additional royalty fees as the franchisee-owned stores attain contractual monthly membership billing threshold amounts. Beginning in 2010, for all new franchise agreements entered into, we began charging a fixed royalty percentage based upon gross membership billings.

We recognize commission revenue from our franchisees’ use of preferred vendor arrangements. Commissions are recognized when amounts have been earned and collectability from the vendor is reasonably assured. Rebates from equipment vendors where we have recognized the related equipment revenue and costs are recorded as a reduction to the cost of revenue.

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We are generally responsible for the assembly and placement of equipment purchased from us for franchisee-owned stores. Placement revenue is recognized upon completion and acceptance of the placement services at the franchise location.

*Corporate-owned stores*

Customers are offered multiple membership choices varying in length and, in most cases, can be canceled without penalty. Monthly membership dues are earned and recognized over the membership term. Enrollment fees are charged to new members at the commencement of their membership. We recognize enrollment fees ratably over the estimated duration of the membership, which is generally two years*.* Annual membership fees are annual fees charged to members in addition to and in order to maintain low monthly membership dues. We recognize annual membership fees ratably over the 12-month membership period. We sell Planet Fitness-branded apparel, beverages and other accessories, which we define as retail sales. The revenue for these items is recognized at the point of sale.

*Equipment*

We sell equipment purchased from third-party equipment manufacturers to franchisee-owned stores. Equipment revenue is recognized when the equipment is delivered, assembled, placed and accepted by the franchisee at each store. We recognize revenue on a gross basis in these transactions as we have determined that we are the principal in the transaction. We charge our franchisees for all freight costs incurred for the delivery of equipment and record these amounts within equipment revenue.

***Leases***

We currently lease all of our corporate-owned stores and our corporate headquarters. At the inception of each lease, we determine its appropriate classification as an operating or capital lease. The majority of our leases are operating leases. For operating leases that include rent escalations, we record the base rent expense on a straight-line basis over the term of the lease and the difference between the base cash rentals paid and the straight-line rent expense is recorded as deferred rent.

We expend cash for leasehold improvements and to build out and equip our leased premises. We may also expend cash for structural additions that we make to leased premises. Generally, a portion of the leasehold improvements and building costs are reimbursed to us by our landlords as construction contributions pursuant to agreed-upon terms in our leases. If obtained, landlord construction contributions usually take the form of up-front cash, full or partial credits against our future minimum or percentage rents otherwise payable by us, or a combination thereof. When contractually due to us, we classify tenant improvement allowances within property and equipment and deferred rent on the consolidated balance sheets and depreciate the tenant improvement allowance on a straight-line basis over the lease term.

***Business combinations***

We account for business combinations, including the 2012 Acquisition, using the purchase method of accounting which results in the assets acquired and liabilities assumed being recorded at fair value.

The valuation methodologies used are based on the nature of the asset or liability. The significant assets and liabilities measured at fair value include property and equipment, intangible assets, deferred revenue and favorable and unfavorable leases. For the 2012 Acquisition, intangible assets consisted of trade and brand names, member relationships, franchisee relationships related to both our franchise and equipment segments,

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non-compete agreements, order backlog and favorable and unfavorable leases. For other acquisitions, which consist of acquisitions of stores from franchisees, intangible assets generally consist of member relationships, re-acquired franchise rights, and favorable and unfavorable leases.

The fair value of trade and brand names is estimated using the relief from royalty method, an income approach to valuation, which includes projecting future system-wide sales and other estimates. Membership relationships and franchisee relationships are valued based on an estimate of future revenues and costs related to the respective contracts over the remaining expected lives. Our valuation includes assumptions related to the projected attrition and renewal rates on those existing franchise and membership arrangements being valued. Re—acquired franchise rights are valued using an excess earnings approach. The valuation of re-acquired franchise rights is determined using an estimation of future royalty income and related expenses associated with existing franchise contracts at the acquisition date. For re-acquired franchise rights with terms that are either favorable or unfavorable (from our perspective) to the terms included in our current franchise agreements, a gain or charge is recorded at the time of the acquisition to the extent of the favorability or un-favorability, respectively. Favorable and unfavorable operating leases are recorded based on differences between contractual rents under the respective lease agreements and prevailing market rents at the lease acquisition date. Deferred revenue is valued based on our estimated costs to fulfill the obligations assumed, plus a normal profit margin. No deferred revenue amounts are recognized for enrollment fees in our business combinations as there is no remaining obligation.

We consider our trade and brand name intangible assets to have an indefinite useful life, and, therefore, these assets are not amortized but rather are tested for impairment annually as discussed below. Amortization of re-acquired franchise rights and franchisee relationships is recorded over the respective franchise terms using the straight-line method which we believe approximates the period during which we expect to receive the related benefits. Member relationships are amortized on an accelerated basis based on expected attrition. Favorable and unfavorable operating leases are amortized into rental expense over the lease term of the respective leases using the straight-line method.

***Impairment of long-lived assets, including goodwill and intangible assets***

We assess potential impairments to our long-lived assets, which include property and equipment and amortizable intangible assets, whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset is measured by a comparison of the carrying amount of an asset group to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset. Store-level assets are grouped by store and assessed on a store by store basis for the purpose of the impairment assessment. There were no impairment charges recorded during 2012, 2013 or 2014.

Goodwill and indefinite lived intangibles (our trade and brand name intangible assets) have been assigned to our reporting units for purposes of impairment testing. Our reporting units are Franchise, Corporate-owned stores and Equipment, which are the same as our reportable segments.

The goodwill impairment test consists of a comparison of each reporting unit’s fair value to its carrying value. The fair value of a reporting unit is an estimate of the amount for which the unit as a whole could be sold in a current transaction between willing parties. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value. Fair value of a reporting unit is estimated based on a combination of comparative market multiples and discounted cash flow valuation approaches. We are also permitted to make a qualitative assessment of whether it is more likely than not that the fair value of a

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reporting unit is less than its carrying value prior to applying the quantitative assessment. If based on our qualitative assessment it is not more likely than not that the carrying value of the reporting unit is less than its fair value, then a quantitative assessment is not required. The qualitative assessment was utilized to assess goodwill for impairment for all of our reporting units in 2014.

We evaluate the remaining useful lives of our trade and brand name intangible assets to determine whether current events and circumstances continue to support an indefinite useful life. In addition, all of our indefinite lived intangible assets are tested for impairment annually. The trade and brand name intangible asset impairment test consists of a comparison of the fair value of each trade name with its carrying value, with any excess of carrying value over fair value being recognized as an impairment loss. We are also permitted to make a qualitative assessment of whether it is more likely than not an indefinite lived intangible asset’s fair value is less than its carrying value prior to applying the quantitative assessment. If based on our qualitative assessment it is not more likely than not that the carrying value of the asset is less than its fair value, then a quantitative assessment is not required. The qualitative assessment was utilized to assess all of our indefinite lived intangible assets for impairment in 2014.

Currently, we have selected the last day of our year as the date on which to perform our annual impairment tests for goodwill and indefinite lived intangible assets. We also test for impairment whenever events or circumstances indicate that the fair value of such indefinite lived intangibles has been impaired. No impairment of goodwill or indefinite lived intangible assets was recorded during 2012, 2013 or 2014.

***Equity-based compensation***

Certain of our employees have received grants of Class M Units in Pla-Fit Holdings, LLC. These awards are accounted for in accordance with guidance prescribed for accounting for share based compensation. Based on this guidance and the terms of the awards, the awards are equity classified.

With the exception of 10.737 units related to one grant that was modified in March of 2015 to accelerate vesting in connection with the resignation of a former director, eighty percent of the awards granted vest over five years of continuous service while the other twenty percent only vest in the event of an initial public offering. All of the Class M Units provide for accelerated vesting if there is a Company Sale (as defined in the existing Pla-Fit Holdings LLC agreement). The Class M Units receive distributions only upon a liquidity event, as defined, that exceeds a threshold approximately equivalent to our fair value at the grant date. Compensation expense related to these awards is determined based on the fair value of the award as of the grant date, determined using a Monte Carlo simulation model. Significant assumptions include the business enterprise value, time to a liquidity event, volatility and expected term of the awards. Compensation expense will be recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. Due to the fact that distributions are contingent on a liquidity event, no expense has been recognized with respect to these awards during any of the periods presented.

In connection with the recapitalization transactions described herein, all of the Class M Units will be converted into Holdings Units. These converted units will still be subject to their existing vesting requirements. The potential compensation expense to be recorded for the awards upon

consummation of this offering is approximately $ million. We will recognize non-cash equity-based compensation expense with respect to these awards in the period in which the offering is consummated and in the subsequent periods based on the vesting provisions within the awards.

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***Income taxes***

Pla-Fit Holdings, LLC and its subsidiaries were formed as limited liability companies (LLCs) and have elected to be treated as pass through entities for both federal and state purposes except for those states which do not allow for such an election, such as New Hampshire. For federal and certain state income tax purposes, the members include the net income or loss from the pass through entities in their individual income tax returns. Beginning in 2014, we, through two wholly-owned Canadian subsidiaries, are also subject to taxation in Canada.

Deferred income taxes are recognized for the expected future tax consequences attributable to temporary differences between the carrying amount of the existing tax assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied in the years in which temporary differences are expected to be recovered or settled. The principal items giving rise to temporary differences are the use of accelerated depreciation and certain basis differences resulting from acquisitions including the 2012 Acquisition. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

We recognize the effects of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Pla-Fit Holdings, LLC is liable for certain state and local taxes and is subject to tax withholding in foreign jurisdictions. After the consummation of this offering, pursuant to the New LLC Agreement, Pla-Fit Holdings, LLC will generally make pro rata tax distributions to the holders of Holdings Units in an amount sufficient to fund all or part of their tax obligations with respect to the taxable income of Pla-Fit Holdings, LLC that is allocated to them. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Pla-Fit Holdings, LLC amended and restated limited liability company agreement.”

After consummation of this offering, we will become subject to U.S. federal, state and local income taxes with respect to our allocable share of any taxable income of Pla-Fit Holdings, LLC and will be taxed at the prevailing corporate tax rates. In addition to tax expenses, we will also be responsible to fund payments under the tax receivable agreements, which will be significant. We anticipate that we will account for the income tax effects and corresponding tax receivable agreements effect resulting from future taxable exchanges of units by unit holders of Pla-Fit Holdings, LLC for shares of our Class A common stock by recognizing an increase in our deferred tax assets, based on enacted tax rates at the date of the exchange. Further, we will evaluate the likelihood that we will realize the benefit represented by the deferred tax asset and, to the extent that we estimate that it is more likely than not that we will not realize the benefit, we will reduce the carrying amount of the deferred tax asset with a valuation allowance. The amounts to be recorded for both the deferred tax assets and the liability for our obligations under the tax receivable agreements will be estimated at the time the agreements are executed as a reduction to shareholders equity, and the effects of changes in any of our estimates after this date will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income. We intend to cause Pla-Fit Holdings, LLC to make distributions in an amount sufficient to allow us to pay our tax obligations, including distributions to fund any ordinary course payments due under the tax receivable agreements. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Pla-Fit Holdings, LLC amended and restated limited liability company agreement.”

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**JOBS Act**

Under the JOBS Act, emerging growth companies that become public can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards following the completion of this offering and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

**Quantitative and qualitative disclosures about market risk**

***Interest rate risk***

We are exposed to market risk from changes in interest rates on our senior secured credit facility, which bears interest at variable rates and has a U.S. dollar LIBOR floor of 1.0%. As of March 31, 2015, we had outstanding borrowings of $506.1 million. An increase in the effective interest rate applied to these borrowings of 100 basis points would result in a $5.1 million increase in pre-tax interest expense on an annualized basis.

We manage our interest rate risk through normal operating and financing activities and, when determined appropriate, through the use of derivative financial instruments. To mitigate exposure to fluctuations in interest rates, we entered into a series of interest rate caps as discussed in Note 11 to our audited consolidated financial statements elsewhere in this prospectus.

***Foreign exchange risk***

We are exposed to fluctuations in exchange rates between the U.S. and Canadian dollar, which is the functional currency of our Canadian entity. Our sales, costs and expenses of our Canadian subsidiary, when translated into U.S. dollars, can fluctuate due to exchange rate movement. As of March 31, 2015, a 10% increase or decrease in the exchange rate of the U.S. and Canadian dollar would increase or decrease net income by a negligible amount.

***Inflation risk***

Although we do not believe that inflation has had a material effect on our income from continuing operations, we have a substantial number of hourly employees in our corporate-owned stores that are paid wage rates at or based on the applicable federal or state minimum wage. Any increases in these minimum wages will subsequently increase our labor costs. We may or may not be able to offset cost increases in the future.

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**Letter from Chief Executive Officer Chris Rondeau**

Dear Prospective Shareholders,

As we embark on this exciting journey together, I wanted to reflect on what brought us to this point. When I was in college in 1993, brothers Michael and Marc Grondahl hired me to work the front desk of their small town gym in Dover, New Hampshire. In the early days, it was your typical gym that catered to fitness fanatics and had tons of heavy free weights, group fitness classes, a juice bar and daycare facility—a place where the fit got fitter. We quickly recognized that there was a greater opportunity to serve a much larger segment of the population, and we simply asked ourselves, “Why does 80% of the population not belong to a gym?” The answer—first-time and occasional gym users were intimidated by an environment dominated by fitness regulars. They didn’t like the “look-at-me” attitudes and behaviors and wanted a place where they could go at their own pace without being judged or intimidated. They didn’t like feeling as if they needed to be in shape before even joining a gym. We also realized that the amenities we had in the early days weren’t important to most people.

So, throughout the ‘90s, we completely changed our environment, both in attitude and format. I became Chief Operating Officer and co-owner in 2003 alongside Michael and Marc. Over the years, we refined the non-intimidating, low-cost / high-value business model you see today. Planet Fitness became the “Judgement Free Zone”—a welcoming and friendly community and place where millions of people could feel comfortable regardless of fitness level. We also reallocated floor space to more high-quality cardio and circuit-training equipment and limited free weights. Because we made room for more cardio equipment, we didn’t have to put time limits on machines, and our members didn’t have to wait to work out. Removing the heavy free weights also helped us get rid of intimidating “Lunk” behaviors, such as dropping weights and grunting. We even installed “Lunk” alarms in our stores that staff could ring as a light-hearted way to reinforce that we weren’t going to tolerate intimidating behavior. We also slashed our standard membership dues to $10 per month so that everyone and anyone could join without having to sacrifice the quality of the facilities or experience.

The response to our new fitness model was incredible. We saw dramatic increases in memberships and were attracting members at all fitness levels and ages. We also significantly increased our female membership due to our non-intimidating environment. The creation of this new highly successful model was also financially attractive and highly scalable, and perfect for a franchise system. Potential franchisees loved that our new streamlined store model was easy to run, needed minimal staffing, involved limited cash transactions and required little inventory management. All that our franchisees and their employees need to focus on is keeping their stores meticulously clean and making those that walk through our doors feel welcomed and comfortable.

We have proudly grown to 976 stores (as of March 31, 2015) while maintaining the same sense of community among our franchisees, their employees and our corporate team as we did over a decade ago, instilling a teamwork mentality that we call “One Team, One Planet.” I am thankful every day that I helped build a company that creates health for our members and wealth for our franchisees. Not many CEOs can make that statement. I start each day by going to www.PlanetofTriumphs.com, a website that allows our members, unsolicited, to share their personal experiences and triumphs, big and small. Each story reminds me of the role Planet Fitness plays in helping millions of people lead healthier and happier lives, which in turn inspires me to continue to work to help many millions more.

Thank you for taking the time to learn about us. We hope you choose to join the Planet Fitness team!

One Team, One Planet,



Chris Rondeau

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**Business**

**Our Company**

***Fitness for everyone***

We are one of the largest and fastest-growing franchisors and operators of fitness centers in the United States by number of members and locations, with a highly recognized national brand. Our mission is to enhance people’s lives by providing a high-quality fitness experience in a welcoming, non-intimidating environment, which we call the Judgement Free Zone, where anyone—and we mean anyone—can feel they belong. Our bright, clean stores are typically 20,000 square feet, with a large selection of high-quality, purple and yellow Planet Fitness-branded cardio, circuit- and weight-training equipment and friendly staff trainers who offer unlimited free fitness instruction to all our members in small groups through our PE@PF program. We offer this differentiated fitness experience at only $10 per month for our standard membership. This exceptional value proposition is designed to appeal to a broad population, including occasional gym users and the approximately 80% of the U.S. and Canadian populations over age 14 who are not gym members, particularly those who find the traditional fitness club setting intimidating and expensive. We and our franchisees fiercely protect Planet Fitness’ community atmosphere—a place where you do not need to be fit before joining and where progress toward achieving your fitness goals (big or small) is supported and applauded by our staff and fellow members.

Our judgement-free approach to fitness and exceptional value proposition have enabled us to grow our revenues to $279.8 million in 2014 and to become an industry leader with $1.2 billion in system-wide sales in 2014, and more than 7.1 million members and 976 stores in 47 states, Puerto Rico and Canada as of March 31, 2015. System-wide sales for 2014 include $1.1 billion attributable to franchisee-owned stores, from which we generate royalty revenue, and $82.0 million attributable to our corporate-owned stores. Of our 976 stores, 919 are franchised and 57 are corporate-owned. Our stores are successful in a wide range of geographies and demographics. According to internal and third-party analysis, we believe we have the opportunity to more than quadruple our store count to over 4,000 stores in the United States alone. Under signed ADAs as of March 31, 2015, our franchisees have committed to open more than 1,000 additional stores.

In 2014, our corporate-owned stores had segment EBITDA margin of 37.3% and had AUVs of approximately $1.6 million with four-wall EBITDA margins of approximately 41%, or approximately 36% after applying the 5% royalty rate under our current franchise agreements. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. Our strong member value proposition has also driven growth throughout a variety of economic cycles and conditions. For a reconciliation of segment EBITDA margin to four-wall EBITDA margin for corporate-owned stores, see “Management’s discussion and analysis of financial condition and results of operations—Non-GAAP measures.”

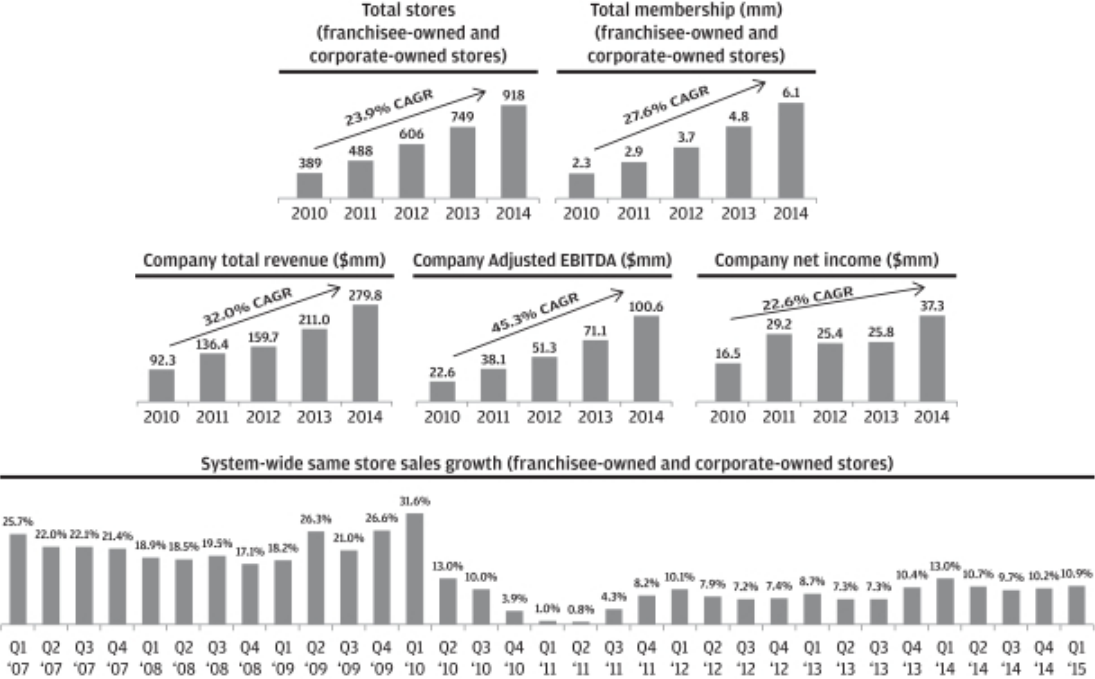
Our significant growth is reflected in:

* 918 stores as of December 31, 2014, compared to 389 as of December 31, 2010, reflecting a CAGR of 23.9%;
* 6.1 million members as of December 31, 2014, compared to 2.3 million as of December 31, 2010, reflecting a CAGR of 27.6%;
* 2014 system-wide sales of $1.2 billion, reflecting a CAGR of 30.1%, or increase of $774.3 million, since 2010;
* 2014 total revenue of $279.8 million, reflecting a CAGR of 32.0%, or increase of $187.5 million, since 2010, of which 3.6% is attributable to revenues from corporate-owned stores acquired from or sold to franchisees since 2010;
* 33 consecutive quarters of system-wide same store sales growth;
* 2014 Adjusted EBITDA of $100.6 million, reflecting a CAGR of 45.3%, or increase of $78.0 million, since 2010; and

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* 2014 net income of $37.3 million, reflecting a CAGR of 22.6%, or increase of $20.8 million, since 2010. Our historical results benefit from insignificant income taxes due to our status as a pass-through entity for U.S. federal income tax purposes, and we anticipate future results will not be consistent as our income will be subject to U.S. federal and state taxes.



For a discussion of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see “Selected consolidated financial and other data.” For a discussion of same store sales, see “Management’s discussion and analysis of financial condition and results of operations—How we assess the performance of our business.”

***We’re not a gym. We’re Planet Fitness.***

We believe our approach to fitness is revolutionizing the industry by bringing fitness to a large, previously underserved segment of the population.

Our differentiated member experience is driven by three key elements:

* ***Judgement Free Zone***: We believe every member should feel accepted and respected when they walk into a Planet Fitness. Our storesprovide a Judgement Free Zone where members of all fitness levels can enjoy a welcoming, non-intimidating environment. Our “come as you are” approach has fostered a strong sense of community among our members, allowing them not only to feel comfortable as they work toward their fitness goals but also to encourage others to do the same. The removal of heavy free weights reinforces our Judgement Free Zone by discouraging what we call “Lunkhead” behavior, such as dropping weights and grunting, that can be intimidating to new and occasional gym users. In addition, to help maintain our judgement-free environment, each store has a purple and yellow branded “Lunk” alarm on the wall that staff occasionally rings as a light-hearted reminder of our policies.

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* ***Distinct store experience***: Our bright, clean, large-format stores offer our members a selection of high-quality, purple and yellow PlanetFitness-branded cardio, circuit- and weight-training equipment that is commonly used by first-time and occasional gym users. Because our stores are typically 20,000 square feet and we do not offer non-essential amenities such as group exercise classes, pools, day care centers and juice bars, we have more space for the equipment our members do use, and we have not needed to impose time limits on our cardio machines.
* ***Exceptional value for members***: Both our standard and PF Black Card memberships are priced significantly below the industry average of$46 per month and still provide our members with a high-quality fitness experience. For only $10 per month, our standard membership includes unlimited access to one Planet Fitness location and unlimited free fitness instruction to all members in small groups through our PE@PF program. For $19.99 per month, our PF Black Card members have access to all of our stores system-wide and can bring a guest on each visit, which provides an additional opportunity to attract new members. Our PF Black Card members also have access to exclusive areas in our stores that provide amenities such as water massage beds, massage chairs, tanning equipment and more.

Our differentiated approach to fitness has allowed us to create an attractive franchise model that is both profitable and scalable. We recognize that our success depends on a shared passion with our franchisees for providing a distinctive store experience based on a judgement-free environment and an exceptional value for our members. We enhance the attractiveness of our streamlined, easy-to-operate franchise model by providing franchisees with extensive operational support relating to site selection and development, marketing and training. We also take a highly collaborative, teamwork approach to our relationship with franchisees, as captured by our motto “One Team, One Planet.” The strength of our brand and the attractiveness of our franchise model are evidenced by the fact that 87% of our new stores in 2014 were opened by our existing franchisee base and 22 new franchisee groups opened their first store in 2014.

**Our competitive strengths**

We attribute our success to the following strengths:

* ***Market leader with differentiated member experience, nationally recognized brand and scale advantage.*** We believe we are the largestoperator of fitness centers in the United States by number of members, with more than 7.1 million members as of March 31, 2015. Our franchisee-owned and corporate-owned stores generated $1.2 billion in system-wide sales during 2014. Through our differentiated member experience, nationally recognized brand and scale advantage, we will continue to deliver a compelling value proposition to our members and our franchisees and, we believe, grow our store and total membership base.
  + *Differentiated member experience.* We seek to provide our members with a high-quality fitness experience in a non-intimidating,judgement-free environment at an exceptional value. We have a dedicated Brand Excellence team that seeks to ensure that all our franchise stores uphold our brand standards and deliver a consistent Planet Fitness member experience in every store.
  + *Nationally recognized brand.* We have developed a highly relatable and recognized brand that emphasizes our focus on providing ourmembers with a judgement-free environment. We do so through fun and memorable marketing campaigns and in-store signage that often poke fun at “Lunk” behavior. As a result, we have among the highest aided and unaided brand awareness scores in the U.S. fitness industry, according to a third-party consumer study that we commissioned in the fall of 2014. Our brand strength also helps our franchisees attract members, with new stores in 2014 signing up an average of approximately 1,300 members before opening their doors.
  + *Scale advantage.* Our scale provides several competitive advantages, including enhanced purchasing power with our fitness equipmentand other suppliers, and the ability to attract high-quality franchisee

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partners. In addition, our large national advertising fund funded by franchisees and us, together with our requirement that franchisees generally spend 5 to 7% of their monthly membership dues on local advertising, have enabled us and our franchisees to spend over an estimated $150 million since 2011 on marketing to drive consumer brand awareness.

* ***Exceptional value proposition that appeals to a broad member demographic*.**We offer a high-quality and consistent fitness experiencethroughout our entire store base at low monthly membership dues. Combined with our non-intimidating and welcoming environment, we are able to attract a broad member demographic based on age, household income, gender and ethnicity. Our member base is over 50% female and our members come from both high- and low-income households. Our broad appeal and ability to attract occasional and first-time gym users enable us to continue to target a large segment of the population in a variety of markets and geographies across the United States and Canada.
* ***Strong store-level economics*.**Our store model is designed to generate attractive four-wall EBITDA margins, strong free cash flow and highreturns on invested capital for both our corporate-owned and franchise stores. Average four-wall EBITDA margins for our corporate-owned stores have increased significantly since 2010, driven by higher average members per store as well as a higher percentage of PF Black Card members, which leverage our relatively fixed costs. In 2014, our corporate-owned stores had segment EBITDA margin of 37.3% and had AUVs of approximately $1.6 million with four-wall EBITDA margins of approximately 41%, or approximately 36% after applying the 5% royalty rate under our current franchise agreement. Based on a survey of franchisees, we believe that our franchise stores achieve four-wall EBITDA margins in line with these corporate-owned store EBITDA margins. We believe that our strong store-level economics are important to our ability to attract and retain successful franchisees and grow our store base.
* ***Highly attractive franchise system built for growth***. Our easy-to-operate model, strong store-level economics and brand strength haveenabled us to attract a team of professional, successful franchisees from a variety of industries. We believe that our franchise model enables us to scale more rapidly than a company-owned model. Our streamlined model features relatively fixed labor costs, minimal inventory, automatic billing and limited cash transactions. Our franchisees enjoy recurring monthly member dues, regardless of member use, weather or other factors. Based on survey data and management estimates, we believe our franchisees can earn, in their second year of operations, on average, a cash-on-cash return on initial investment greater than 25% after royalties and advertising, which is in line with our corporate-owned stores. The attractiveness of our franchise model is further evidenced by the fact that our franchisees re-invest their capital with us, with 87% of our new stores in 2014 opened by our existing franchisee base. We have received numerous accolades, including #4 among Franchise Times’ “Smartest Growing Brands” for 2015 and #3 among Forbes Magazine’s “America’s Best Franchises” in 2014 (in which we also received an “A” rating for franchisee support). We view our franchisees as strategic partners in expanding the Planet Fitness store base and brand.
* ***Predictable and recurring revenue streams with high cash flow conversion.*** Our business model provides us with predictable andrecurring revenue streams. In 2014, approximately 80% of our franchise revenues and over 90% of our corporate-owned store revenues consisted of recurring revenue streams, which include royalties, vendor commissions, monthly dues and annual fees. In addition, our franchisees are obligated to purchase fitness equipment from us for their new stores and to replace this equipment every four to seven years. As a result, these “equip” and “re-equip” requirements create a predictable and growing revenue stream as our franchisees open new stores under their ADAs. By re-investing in stores, we and our franchisees maintain and enhance our member experience. Our predictable and recurring revenue streams, combined with our attractive margins and minimal capital requirements, result in high cash flow conversion and increased capacity to invest in future growth initiatives.

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* ***Proven, experienced management team driving a strong culture*.**Our strategic vision and unique culture have been developed andfostered by our senior management team under the stewardship of Chief Executive Officer Chris Rondeau. Mr. Rondeau has been with Planet Fitness for over 20 years and helped develop the Planet Fitness business model and brand elements that give us our distinct personality and spirited culture. Dorvin Lively, our Chief Financial Officer, brings valuable expertise from his 30 years of corporate finance experience with companies such as RadioShack and Ace Hardware, and from the initial public offering of Maidenform. We have assembled a management team that shares our passion for “fitness for everyone” and has extensive experience across a broad range of disciplines, including retail, franchising, finance, consumer marketing, brand development and information technology. We believe our senior management team is a key driver of our success and has positioned us well to execute our long-term growth strategy.

**Our growth strategies**

We believe there are significant opportunities to grow our brand awareness, increase our revenues and profitability and deliver shareholder value by executing on the following strategies:

* ***Continue to grow our store base across a broad range of markets.*** We have more than tripled our store count over the last five years,expanding from 302 stores as of December 31, 2009 to 918 stores as of December 31, 2014. As of March 31, 2015, our franchisees have signed ADAs to open more than 1,000 additional stores over the next seven years, including approximately 500 over the next three years. Because our stores are successful across a wide range of geographies and demographics with varying population densities, we believe that our high level of brand awareness and low per capita penetration outside of our original Northeast market create a significant opportunity to open new Planet Fitness stores across the United States and Canada. Based on our internal and third-party analysis, we believe we have the potential to more than quadruple our store base to over 4,000 stores in the United States alone.
* ***Drive revenue growth and system-wide same store sales***. Because we provide a high-quality, affordable, non-intimidating fitnessexperience that is designed for first-time and occasional gym users, we have achieved positive system-wide same store sales growth in each of the past 33 quarters. We expect to continue to grow system-wide same store sales primarily by:
  + *Attracting new members to existing Planet Fitness stores.* As the U.S. and Canadian populations continue to focus on health andwellness, we believe we are well-positioned to capture a disproportionate share of the population given our appeal to first-time and occasional gym users. In addition, because our stores offer a large, focused selection of equipment geared toward first-time and occasional gym users, we are able to service higher member volumes without sacrificing the member experience. We also have continued to evolve our offerings to appeal to our target member base, such as the introduction of 12-minute abdominal circuits and 30-minute express workout areas.
  + *Increasing mix of PF Black Card memberships by enhancing value and member experience*. We expect to drive sales by converting ourexisting members with standard membership dues at $10 per month to our premium PF Black Card membership with dues at $19.99 per month as well as attracting new members to join at the PF Black Card level. We encourage this upgrade by continuing to enhance the value of our PF Black Card benefits through additional in-store amenities and affinity partnerships with national retail brands for discounts and promotions. Since 2010, our PF Black Card members as a percentage of total membership has increased from 38% in 2010 to 55% in 2014, and our average monthly dues per member have increased from $14.22 to $15.45 over the same period.

We may also explore other future revenue opportunities, such as optimizing member pricing and fees, offering new merchandise and services inside and outside our stores, and securing affinity and other corporate partnerships.

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* ***Increase brand awareness to drive growth.*** We plan to continue to increase our strong national brand awareness by leveraging significantmarketing expenditures by our franchisees and us, which we believe will result in increasing membership in new and existing stores and continue to attract high-quality franchisee partners. Under our current franchise agreement, franchisees are required to contribute 2% of their monthly membership dues to our NAF, from which we spent over $21 million in 2014 alone to support our national marketing campaigns, our social media platforms and the development of local advertising materials. Under our current franchise agreement, franchisees are also required to spend 7% of their monthly membership dues on local advertising. We expect both our NAF and local advertising spending to grow as our membership grows.
* ***Continue to expand royalties from increases in average royalty rate and new franchisees.*** While our current franchise agreementstipulates monthly royalty rates of 5% of monthly dues and annual membership fees, only 30% of our stores are paying royalties at the current franchise agreement rate, primarily due to lower rates in historical agreements. As new franchisees enter our system and, generally, as current franchisees open new stores or renew their existing franchise agreements at the current royalty rate, our average system-wide royalty rate will increase. In 2014, our average monthly royalty rate was 2.95% compared to 1.39% in 2010. In addition to rising average royalty rates, total royalty revenue will continue to grow as we expand our franchise store base and increase franchise same store sales.
* ***Grow sales from fitness equipment and related services.*** Our franchisees are contractually obligated to purchase fitness equipment fromus and, due to our scale and negotiating power, we believe we offer competitive pricing for high-quality, purple and yellow Planet Fitness-branded fitness equipment. We expect our equipment sales to grow as our franchisees open new stores. Additionally, franchisees are required to replace their existing equipment with new equipment every four to seven years. As the number of franchise stores continues to increase and existing franchise stores continue to mature, we anticipate incremental growth in revenue related to the sale of equipment. In addition, we believe that regularly refreshing equipment helps our franchise stores maintain a consistent, high-quality fitness experience and drives new member growth.

**Our industry**

Due to our unique positioning to a broader demographic, we believe Planet Fitness has an addressable market that is significantly larger than the traditional health club industry. We view our addressable market as approximately 255 million people, representing the U.S. population over 14 years of age. We compete broadly for consumer discretionary spending related to leisure, sports, entertainment and other non-fitness activities in addition to the traditional health club market. As the economy continues to recover and per capita disposable income increases, we believe consumers will continue to increase spending on health and fitness related expenditures.

According to the International Health, Racquet & Sportsclub Association (“IHRSA”), the United States health club industry generated approximately $24.2 billion in 2014. The industry is highly fragmented, with 34,460 clubs across the United States serving approximately 54 million members, according to IHRSA. In 2014, the U.S. health club industry grew by 6.4% in number of units and 2.3% in number of members compared to Planet Fitness, which grew by 22.6% and 26.1%, respectively. Over the next five years, industry sources project that U.S. health club industry revenues will grow at an annualized rate of approximately 3%, primarily attributed to an increase in discretionary spending coupled with continued consumer awareness and public initiatives on the health benefits of exercise. We believe we are well-positioned to capitalize on these trends, and our impressive growth reinforces our distinct approach to fitness and broad demographic appeal.

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**Our brand philosophy**

We are a brand built on passion and the belief that first-time gym users and casual fitness members can achieve their personal wellness goals in a non-intimidating, judgement-free environment. We have become a nationally recognized consumer brand that stands for the environment, value and quality we provide our members.

*The Judgement Free Zone*. Planet Fitness is the home of the Judgement Free Zone. It is a place where people of all fitness levels can feelcomfortable working out at their own pace, feel supported in their efforts and not feel intimidated by pushy salespeople or other members who may ruin their fitness experience.

*All This for Only That*. Planet Fitness monthly membership dues range from only $10 to $19.99. We pride ourselves on providing a high-qualityexperience at an exceptional value, not an “economy” fitness experience.

*No Gymtimidation.* Gymtimidation is any behavior that makes others feel intimidated or uncomfortable in our stores. Our policy is simple: PlanetFitness is an environment where members can relax, go at their own pace and be themselves without ever having to worry about being judged. Behaviors such as grunting, dropping weights or judging others simply are not tolerated.

*No Lunks*. Lunks are people who Gymtimidate. To help maintain our judgement-free environment, each store has a purple and yellow branded“Lunk” alarm on the wall that our staff occasionally rings as a light-hearted, gentle reminder of our policies.

*You Belong*. We do a lot of little things to make members feel like part of our community—like saying hello and goodbye to everyone who entersour stores, providing Tootsie Rolls at the front desk so that our staff has another opportunity to engage with members, and other membership appreciation gestures such as monthly Pizza Mondays and Bagel Tuesdays at no cost to our members.

*Planet of Triumphs*. All of our members are working toward their goals—from a single push-up to making it to Planet Fitness twice in a week tolosing hundreds of pounds. No matter what size the goal, we believe that all of these accomplishments deserve to be celebrated. Planet of Triumphs (www.PlanetofTriumphs.com) is an elevating, inspiring, 100% Judgement Free social community of real members where all stories are welcome. Our members seem to agree and in its first three months, this community grew to over 13,000 active members, with more than 29,000 posts and over 5.5 million page views. Planet of Triumphs provides an online platform for members to recognize their triumphs (big and small), share their stories and encourage others, while spotlighting our unique brand belief that everyone belongs.

**Membership**

We make it simple for members to join, whether online or in-store—no pushy sales tactics, no pressure and no complicated rate structures. Our corporate store staff is not paid commissions based on membership sales but rather have the opportunity to earn a monthly bonus based primarily on store cleanliness, and we urge our franchisees to follow our lead. Our regional managers review our corporate stores multiple times per month for quality control, including generally one visit per month during which they evaluate store cleanliness based upon internally established criteria from which the monthly bonus is derived. Our members generally pay the following amounts:

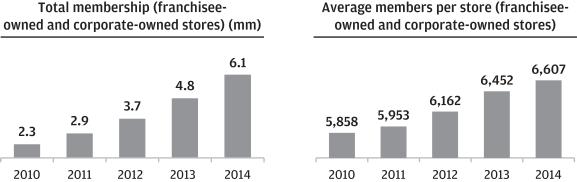
* monthly membership dues of only $10 for our standard membership or, for PF Black Card members, $19.99;
* annual fees of approximately $10 to $39; and
* enrollment fees of approximately $0 to $49.

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Belonging to a Planet Fitness store has perks whether members select the standard membership or the premium PF Black Card membership. Every member gets to take part in Pizza Mondays and Bagel Tuesdays and gets free, unlimited fitness instruction, plus a T-shirt or other Planet Fitness item. Our PF Black Card members also have the right to reciprocal use of all Planet Fitness stores, can bring a friend with them each time they work out, and have access to massage beds and chairs and tanning, among other benefits. PF Black Card benefits extend beyond our store as well, with exclusive specials and discount offers from third-party retail partners like Reebok and Regis Corporation hair salons. While some of our memberships require a cancellation fee, we offer, and require our franchisees to offer, a non-committal membership option.

As reflected below, our total membership has grown from approximately 2.3 million members to 6.1 million from December 31, 2010 to December 31, 2014, reflecting a 27.6% CAGR, and our average members per store has grown from 5,858 to 6,607 over the same period.



As of March 31, 2015, we had more than 7.1 million members. We utilize EFT as our primary method of collecting monthly dues and annual membership fees. Over 75% of membership fee payments to our corporate-owned and franchise stores are collected via ACH direct debit. We believe there are certain advantages to receiving a higher concentration of ACH payments, as compared to credit cards payments, including less frequent expiration of billing information and reduced exposure to subjective chargeback or dispute claims and fees. Due to our scale and negotiating power, we believe that our third party payment processors offer a competitive bundle of transaction pricing and support services to our franchisees while facilitating revenue collection by us.

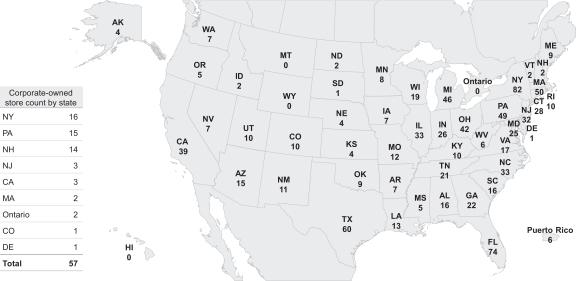
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**Our stores**

We had 976 stores system-wide as of March 31, 2015, of which 919 were franchised and 57 were corporate-owned, located in 47 states, Puerto Rico and Canada. The map below shows our franchisee-owned stores by location, and the accompanying table shows our corporate-owned stores by location.

**Franchisee-owned store count by state**



Under signed ADAs, as of March 31, 2015 franchisees have committed to open more than 1,000 additional stores in the United States. We are also beginning to explore international opportunities. We have opened two corporate-owned locations in Canada as of March 31, 2015 and have signed ADAs to develop numerous additional franchise stores in Canada.

***Our format***

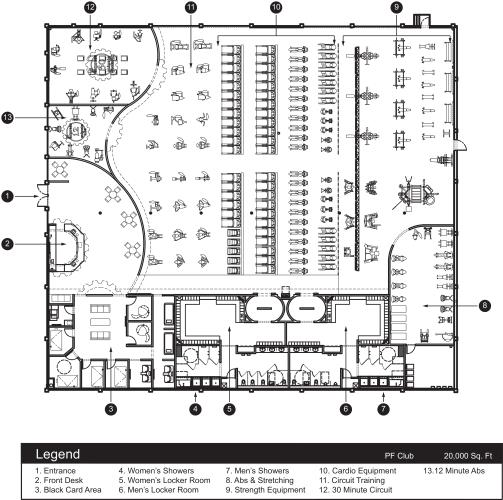
Many traditional gyms include expensive add-ons such as pools, group exercise rooms, daycare facilities and juice bars that require additional maintenance expense and staffing. We have removed these unnecessary and expense-adding facilities and services and replaced them with additional cardio and strength equipment, which we believe allows us to serve more members without imposing time limits on equipment use. We believe our streamlined offerings appeal to the core needs of most gym users, especially first-time or occasional gym users.

Our stores are designed and outfitted to match our brand philosophy, with bright, bold purple and yellow color schemes and purple and yellow Planet Fitness-branded equipment and amenities. Our typical store is 20,000 square feet in single or multi-level retail space. Our stores generally include at least 75 to 100 pieces of co-branded cardio equipment, free weights, strength machines, a 30-minute circuit workout area and a 12-minute abdominal workout area, a small retail area and a drink cooler. For our PF Black Card members, our stores also feature a PF Black Card spa area with total body enhancement machines, massage beds or chairs and tanning.

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The following is an example of the layout of our stores:



***Store model***

Our store model is designed to generate attractive four-wall EBITDA margins, strong free cash flow and high returns on invested capital for both our corporate-owned and franchise stores. Based on survey data from franchisees relating to over 200 stores for 2013 and management estimates, we believe that our franchise stores achieve store-level profitability in line with our corporate-owned store base. The stores included in this survey represent those stores that voluntarily disclosed such information in response to our request, and we believe this information reflects a representative sample of franchisees based on the franchisee groups and geographic areas represented by these stores. Our average four-wall EBITDA margins for our corporate-owned stores have increased significantly since 2010, driven by higher average members per store as well as a higher percentage of PF Black Card members, which leverages our fixed costs. In 2014, our corporate-owned stores had segment EBITDA margin of 37.3% and had AUVs of approximately $1.6 million with four-wall EBITDA margins of approximately 41%, or approximately 36% after applying the 5% royalty rate under our current franchise agreement. Based on survey data and management analysis, franchisees have historically earned, and we believe can continue to earn, in their second year of operations, on average, a cash-on-cash return on unlevered (i.e., not debt-financed) initial investment greater than 25% after royalties and advertising, which is in line with our corporate-owned stores. A franchisee’s initial investment includes fitness equipment purchased

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from us as well as costs for non-fitness equipment and leasehold improvements. The attractiveness of our franchise model is further evidenced by the fact that 87% of our new stores in 2014 were opened by our existing franchisee base. We believe that our strong store-level economics are important to our ability to attract and retain successful franchisees and grow our store base.

Throughout our 23-year history, we and our franchisees have never closed a store that was in compliance with our brand requirements due primarily to financial underperformance, although we have closed a test location and debranded stores for non-compliance with our brand standards and franchise stores have sold to other brands, consolidated or relocated stores with our permission.

***Fitness equipment***

We provide our members with high-quality, Planet Fitness-branded fitness equipment from leading suppliers. In order to maintain a consistent experience across our store base, we stipulate specific pieces and quantities of cardio and strength-training equipment and provide general guidelines for layout and placement. Due to our scale, we are able to negotiate competitive pricing and secure extended warranties from our suppliers. As a result, we believe we offer equipment at more attractive pricing than franchisees could otherwise secure on their own.

***Leases***

We lease all of our corporate-owned stores and our corporate headquarters. Our store leases typically have initial terms of 10 years with two five-year renewal options, exercisable in our discretion. Our corporate headquarters are located at 26 Fox Run Road, Newington, New Hampshire and serve as our base of operations for substantially all of our executive management and employees who provide our primary corporate support functions, including finance, legal, marketing, technology, real estate, development and human resources.

Franchisees own or directly lease from a third-party each Planet Fitness franchise location. We do not own or enter into leases for Planet Fitness franchise stores and generally do not guarantee franchisees’ lease agreements, although we have done so in a few isolated instances.

**Franchising**

***Franchising strategy***

We rely heavily on our franchising strategy to develop new Planet Fitness stores, leveraging the ownership of entrepreneurs with specific local market expertise and requiring a relatively minimal capital commitment by us. As of March 31, 2015, there were 919 franchised Planet Fitness stores operated by 187 franchisee groups. The majority of our existing franchise operators are multi-unit operators. As of March 31, 2015, 88% of all franchise stores were owned and operated by a franchisee group that owns at least three stores. However, while our largest franchisee owns 47 stores, only 9% of our franchisee groups own more than ten stores. When considering a potential franchisee, we generally evaluate the potential franchisee’s prior experience in franchising or other multi-unit businesses, history in managing profit and loss operations, financial history and available capital and financing. We generally do not permit franchisees to borrow more than 80% of the initial investment for their Planet Fitness business.

***Area development agreements***

An ADA specifies the number of Planet Fitness stores to be developed by the franchisee in a designated geographic area, and requires the franchisee to meet certain scheduled deadlines for the development and opening of each

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Planet Fitness store authorized by the ADA. If the franchisee meets those obligations, we agree not to, during the term of the ADA, operate or franchise new Planet Fitness stores in the designated geographic area. The franchisee must sign a separate franchise agreement with us for each Planet Fitness store developed under an ADA, and that franchise agreement governs the franchisee’s right to own and operate the Planet Fitness store.

***Franchise agreements***

For each franchised Planet Fitness store, we enter into a franchise agreement covering standard terms and conditions. Planet Fitness franchisees are not granted an exclusive area or territory under the franchise agreement. The franchise agreement requires that the franchisee operate the Planet Fitness store at a specific location and in compliance with our standard methods of operation, including providing the services, using the vendors, and selling the merchandise that we require. The typical franchise agreement has a 10-year term. Additionally, franchisees must purchase equipment from us and replace the fitness equipment in their stores every four to seven years and periodically refurbish and remodel their stores.

We currently require each franchisee to designate a responsible owner or an approved operator for each Planet Fitness store that will have primary management authority for that store. We require these franchisees to complete our initial and ongoing training programs, including minimum periods of classroom and on-the-job training.

***Site selection and approval***

Our stores are generally located in free-standing retail buildings or neighborhood shopping centers, and we consider locations in both high- and low-density markets. We seek out locations with (i) high visibility and accessibility, (ii) favorable traffic counts and patterns, (iii) availability of signage, (iv) ample parking or access to public transportation and (v) our targeted demographics. Our site analytics tools provide us with extensive demographic data and analysis that we use to review new and existing sites and markets for our corporate-owned stores and franchisees. We assess population density and drive time, current tenant mix, layout, potential competition and cannibalization of existing Planet Fitness stores and comparative data based upon existing stores—all the way down to optimal ceiling heights and HVAC requirements. Our real estate team meets regularly to review sites for future development and follows a detailed approval process to ensure each site aligns with our strategic growth objectives and critical success factors.

We help franchisees select sites and develop facilities in these stores that conform to the physical specifications for a Planet Fitness store. Each franchisee is responsible for selecting a site, but must obtain site approval from us. We primarily learn of new sites in two ways. First, we have a formal site-approval submission process for landlords and franchisees. Each site submitted to us is reviewed by a subcommittee of our real estate team for brand qualifications. Second, we proactively review real estate portfolios for appropriate sites that we may consider for corporate-owned stores or franchisee development, depending upon location. In 2014, we identified and evaluated a total of more than 1,200 sites on this basis.

We are also involved in real estate organizations such as the International Council of Shopping Centers (ICSC), a trade organization for the international shopping center industry. Our membership in ICSC allows us to gather data, meet prospective landlords and further enhance our reputation as a desired tenant for shopping centers in the United States and Canada.

***Design and construction***

Once we have approved a franchisee’s site selection, we assist in the design and layout of the store and track the franchisee’s progress from lease signing to grand opening. Franchisees work directly with our franchise

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support team to track key milestones, coordinate with vendors and make equipment purchases. Certain Planet Fitness brand elements are required to be incorporated into every new store, and we strive for a consistent appearance across all of our stores, emphasizing clean, attractive facilities, including full-size locker rooms, and modern equipment. Franchisees must abide by our standards related to fixtures, finishes and design elements, including distinctive touches such as our “Lunk” alarm. We believe these elements are critical to ensure brand consistency and member experience system-wide.

In 2014, based on a sample of U.S. franchisee data, we believe construction of franchise stores averaged approximately 12 weeks. In addition, based upon this sample of 36 stores across a wide range of U.S. geographies, we estimate that franchisees’ unlevered (i.e., not debt-financed) investment in 2014 to open new stores was approximately $1.9 million. This amount includes fitness equipment purchased from us as well as costs for non-fitness equipment and leasehold improvements from data we received from two general contractors that oversaw the construction of these 36 new stores. Additionally, this amount includes an estimate of other costs that are typically paid by the franchisee and not managed by the general contractor. These amounts can vary significantly depending on a number of factors, including landlord allowances for tenant improvements and construction costs from different geographies.

***Franchisee support***

We live and breathe the motto *One Team, One Planet* in our daily interactions with franchisees. Our franchise model is streamlined and easy-to-operate, with efficient staffing and minimal inventory, and is supported by an active, engaged franchise operations system. We provide our franchisees with operational support, marketing materials and training resources. Our strong and long-lasting partnership with our franchisees is reflected in the fact that 87% of our new stores in 2014 were opened by our existing franchisee base.

*Training*. In the past year, we developed Planet Fitness University, a comprehensive training resource to help franchisees operate successfulstores. Courses are delivered online, and content focuses on customer service, operational policies, brand standards, cleanliness, crisis management and vendor product information. We are continually adding and improving the content available on Planet Fitness University as a no-cost service to help enhance training programs for franchisees. Additional training opportunities offered to our franchisees include new owner orientation, operations training and workshops held at Planet Fitness headquarters and in stores across the country as well as through webinars.

*Operational support and communication*. We believe spending quality time with our franchisees in person is an important opportunity to furtherstrengthen our relationships and share best practices. We have dedicated operations and marketing teams providing ongoing support to franchisees. We are hands on—we often attend franchisees’ presales and grand openings, and we host franchisee meetings each year, known as “PF Huddles.” We also communicate regularly with our entire franchisee base to keep them informed, and we host an Annual Franchise Conference every year that is geared towards franchisees and their operations teams.

We regularly communicate with the franchisee advisory groups described below and send a weekly email communication to all franchisees with timely “news you can use” information related to operations, marketing, financing and equipment. Every month, a franchisee newsletter is sent to all franchisees, which includes a personal letter from our Chief Executive Officer, important updates on the business and benchmarking reports.

*Franchisee relations*. Because our ability to execute our strategy is dependent upon the strength of our relationships with our franchisees, wemaintain an ongoing dialogue and strong relationship with two franchise advisory groups, the Franchise Advisory Council (“FAC”) and the Planet Fitness Independent Franchise Association (“PFIFA”). The FAC includes seven franchisees elected by the franchisee base and seven committees consisting of approximately 36 franchisees. The FAC and its committees provide feedback and input on major brand initiatives,

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new product and service introductions, marketing programs and advertising campaigns. FAC leaders have regular dialogue with our executive team and work closely with us to advise on major initiatives impacting the brand. Our strong culture of working together is the driving force behind all we do, and we refer to our franchisees as “raving FANchisees.” In 2014, in cooperation with us, the franchisees also organized PFIFA. PFIFA assists the franchisees and us in working together to develop brand ideas, streamline legal agreements and provide advice on related topics to franchisees on issues such as succession and estate planning.

***Compliance with brand standards—Brand Excellence***

We have a dedicated Brand Excellence team focused on ensuring that our franchise stores adhere to brand standards and providing ongoing assistance, training and monitoring to those franchisees that have difficulty meeting those standards. We generally perform a detailed Brand Excellence review on each franchise store within 30 to 60 days of opening and each franchise store is generally reviewed at least once per year thereafter. In 2014, our Brand Excellence team performed approximately 922 franchise store reviews covering all franchise ownership groups.

We review stores based on a wide range of criteria ranging from cleanliness to compliance with signage and layout requirements and operational standards. We record the results of each review in a third-party Planet Fitness-branded software system, which automatically sends a Brand Excellence report to the appropriate franchisee. Results are also available to the franchisee through the Brand Excellence software system, which provides access to regional and national benchmarking data, allowing franchisees to compare overall results among their peers as well as results based upon each criterion. Stores that do not receive a passing score are automatically flagged for follow-up by our team and will generally be reevaluated within 30 to 60 days to ensure all identified issues have been addressed. Our Brand Excellence system also enables franchisees to perform, track and benchmark self-assessments and online member surveys through the Brand Excellence software system.

We also use mystery shoppers to perform anonymous Brand Excellence reviews of franchise stores. We generally select franchise stores for review randomly but also target underperforming stores and stores that have not performed well in Brand Excellence reviews.

**Marketing**

***Marketing strategy***

Our marketing strategy is anchored by our key brand differentiators—the Judgement Free Zone, our exceptional value and our high-quality experience. We are nationally known for our memorable and creative advertising, which not only drives membership sales, but also showcases our brand philosophy, humor and innovation in the industry. We see Planet Fitness as a community gathering place, and the heart of our marketing strategy is to create a welcoming community for our members.

***Marketing spending***

*National advertising*. We support our franchisees both at a national and local level. We manage the U.S. NAF and Canadian advertising fund forfranchisees and corporate-owned stores, with the goals of generating national awareness through national advertising and media partnerships, developing and maintaining creative assets to support local sale periods throughout the year, and building and supporting the Planet Fitness community via social media. Our current franchise agreement requires franchisees to contribute 2% of their monthly EFT to the NAF. Since the NAF was founded in September 2011, it has enabled us to spend

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approximately $49.5 million to increase national brand awareness, including $21.1 million in 2014. We believe this is a powerful marketing tool as it allows us to increase brand awareness in new and existing markets.

*Local marketing*. Our current franchise agreement requires franchisees to spend 7% of their monthly EFT on local marketing to supportpromotional sale periods throughout the year. We also strongly encourage franchisees to form regional marketing cooperatives to maximize the impact of their marketing spending. Our corporate-owned stores contribute to, and participate in, regional marketing cooperatives with franchisees where practical. All franchise stores are supported by our dedicated franchisee marketing team, which provides guidance, tracking, measurement and advice on best practices. Franchisees spend their marketing dollars in a variety of ways to promote business at their stores on a local level. These methods typically include media vehicles that we do not use nationally, including direct mail, outdoor (including billboards) and radio advertisements and local partnerships and sponsorships.

***Social media***

We have an engaged social media community, which we believe further raises brand awareness and creates community among our members. We maintain a corporate Facebook page and are active on Twitter and Instagram and seek to engage frequently and personally with our members online. In addition to our national corporate Facebook page, each store has a local Facebook page where it can directly engage with its members.

***Media partnerships***

Given our scale and marketing resources through our national advertising fund, we have aligned ourselves with high-profile media partners who have helped to extend the reach of our brand. Through a four-year partnership with “The Biggest Loser,” a national television show running on NBC where competitors strive to lose weight and learn to live a healthier lifestyle, we showcased the power of our Judgement Free Zone in enabling everyday people (including those who may have never considered joining a gym before) to achieve healthier lifestyles. The partnership included Planet Fitness-branded fitness equipment and logos on air, in-store integrations with trainers and contestants, digital advertising on NBC, local appearances of contestants and other promotions. We also partnered with “Dick Clark’s New Year’s Rockin’ Eve with Ryan Seacrest” to ring in the New Year in 2015. Through on-air verbal mentions, a celebrity integration with host Jenny McCarthy and brand visuals in Times Square, we encouraged everyone to have a “Judgement Free” New Year with us.

***Charitable partnerships***

We believe strongly in giving back to the communities we serve. Over the past five years, Planet Fitness and our franchisees have supported the Breast Cancer Research Foundation at a national level and donated approximately $2.0 million to this cause, as well as other organizations, including the Make-A-Wish Foundation. Our franchisees also donate to and support a variety of local organizations, including youth sports groups and various non-profits.

**Competition**

In a broad sense, because many of our members are first-time or occasional gym-goers, we believe we compete with both fitness and non-fitness consumer discretionary spending alternatives for members’ and prospective members’ time and discretionary resources.

To a great extent, we also compete with other industry participants, including:

• other fitness centers;

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* recreational facilities established by non-profit organizations such as YMCAs and by businesses for their employees;
* private studios and other boutique fitness offerings;
* racquet, tennis and other athletic clubs;
* amenity and condominium/apartment clubs; country clubs;
* online personal training and fitness coaching;
* the home-use fitness equipment industry;
* local tanning salons; and
* businesses offering similar services.

The health club industry is highly competitive and fragmented, and the number, size and strength of competitors vary by region. Some of our competitors have national name recognition or an established presence in local markets, and some are established in markets in which we have existing stores or intend to locate new stores. These risks are more significant in Canada, where we have a limited number of stores and limited brand recognition.

We compete primarily based upon the membership value proposition we are able to offer due to our significant economies of scale, high-quality fitness experience, judgement-free atmosphere and superior customer service, all at an exceptional value, which we believe differentiates us from our competitors.

Our competition continues to increase as we continue to expand into new markets and add stores in existing markets. See also “Risk Factors— Risks related to our business and industry—The high level of competition in the health and fitness industry could materially and adversely affect our business.”

**Suppliers**

Franchisees are required to purchase fitness equipment from us and are required to purchase various other items from vendors that we approve. We sell equipment purchased from third-party equipment manufacturers to franchise stores. We also have two suppliers of tanning beds, one supplier of massage beds and chairs, and various suppliers of non-fitness equipment and miscellaneous items such as towels and t-shirts. These vendors arrange for delivery of products and services directly to franchise stores. From time to time, we re-evaluate our supply relationships to ensure we obtain competitive pricing and high-quality equipment and other items.

**Employees**

As of March 31, 2015, we employed 688 employees at our corporate-owned stores and 154 employees at our corporate headquarters located at 26 Fox Run Road, Newington, New Hampshire. None of our employees is represented by labor unions, and we believe we have an excellent relationship with our employees.

Planet Fitness franchises are independently owned and operated businesses. As such, employees of our franchisees are not employees of the Company.

**Information technology and systems**

All stores use a computerized, third-party hosted store management system to process new in-store memberships, bill members, update member information, check-in members, process point of sale transactions

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as well as track and analyze sales, membership statistics, cross-store utilization, member tenure, amenity usage, billing performance and demographic profiles by member. Our websites are hosted by third parties, and we also rely on third-party vendors for related functions such as our system for processing new online memberships, updating member information and making online payments. We believe these systems are scalable to support our growth plans.

Our back-office computer systems are comprised of a variety of technologies designed to assist in the management and analysis of our revenues, costs and key operational metrics as well as support the daily operations of our headquarters. These include third-party hosted systems that support our real estate and construction processes, a third-party hosted financial system, a third-party hosted data warehouse and business intelligence system to consolidate multiple data sources for reporting, advanced analysis, and financial analysis and forecasting, a third-party hosted payroll system, and an on-premises call center solution to manage and track member-related requests.

We also provide our franchisees access to a web-based, third-party hosted custom franchise management system to receive informational notices, operational resources and updates, training materials and other franchisee communications. In 2015, we initiated a project to replace our existing franchise management system and consolidate several back-office systems, including our call center solution, onto a third-party hosted platform to drive greater cross-system integration and efficiency and provide a scalable platform to support our growth plans. We anticipate the majority of this project will be completed in 2015.

We recognize the value of enhancing and extending the uses of information technology in virtually every area of our business. Our information technology strategy is aligned to support our business strategy and operating plans. We maintain an ongoing comprehensive multi-year program to replace or upgrade key systems, enhance security and optimize their performance.

**Intellectual property**

We own many registered trademarks and service marks in the United States and in other countries. We believe the Planet Fitness name and the many distinctive marks associated with it are of significant value and are very important to our business. Accordingly, as a general policy, we pursue registration of our marks in select international jurisdictions, monitor the use of our marks in the United States and internationally and vigorously oppose any unauthorized use of the marks.

We license the use of our marks to franchisees, third-party vendors and others through franchise agreements, vendor agreements and licensing agreements. These agreements restrict third parties’ activities with respect to use of the marks and impose brand standards requirements. We require licensees to inform us of any potential infringement of the marks.

We register some of our copyrighted material and otherwise rely on common law protection of our copyrighted works. Such copyrighted materials are not material to our business.

We also license some intellectual property from third parties for use in our stores but such licenses are not material to our business.

**Government regulation**

We and our franchisees are subject to various U.S. federal, state and local laws, as well as Canadian national, provincial and local laws, affecting our business.

We are subject to the FTC Franchise Rule promulgated by the FTC that regulates the offer and sale of franchises in the United States and requires us to provide to all prospective franchisees certain mandatory disclosure in a

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FDD. In addition, we are subject to state franchise sales laws in approximately 14 states that regulate the offer and sale of franchises by requiring us to make a franchise filing or obtain franchise registration prior to our making any offer or sale of a franchise in those states and to provide a FDD to prospective franchisees in accordance with such laws.

We are subject to franchise sales laws in five provinces in Canada that regulate the offer and sale of franchises by requiring us to provide a FDD in a prescribed format to prospective franchisees in accordance with such laws, and that regulate certain aspects of the franchise relationship. We are also subject to franchise relationship laws in over 20 states that regulate many aspects of the franchisor-franchisee relationship, including renewals and terminations of franchise agreements, franchise transfers, the applicable law and venue in which franchise disputes must be resolved, discrimination, and franchisees’ right to associate, among others.

We and our franchisees are also subject to the U.S. Fair Labor Standards Act of 1938, as amended, and various other laws in the United States and Canada governing such matters as minimum-wage requirements, overtime and other working conditions. A significant number of our and our franchisees’ employees are paid at rates related to the U.S. federal minimum wage, and past increases in the U.S. federal minimum wage have increased labor costs, as would future increases.

Our and our franchisees’ operations and properties are subject to extensive U.S. and Canadian federal, state, provincial and local laws and regulations, including those relating to environmental, building and zoning requirements. Our and our franchisees’ development of properties depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements.

We and our franchisees are responsible at stores we each operate for compliance with state laws that regulate the relationship between health clubs and their members. Nearly all states have consumer protection regulations that limit the collection of monthly membership dues prior to opening, require certain disclosures of pricing information, mandate the maximum length of contracts and “cooling off” periods for members (after the purchase of a membership), set escrow and bond requirements for health clubs, govern member rights in the event of a member relocation or disability, provide for specific member rights when a health club closes or relocates, or preclude automatic membership renewals.

We and our franchisees primarily accept payments for our memberships through electronic fund transfers from members’ bank accounts, and, therefore, we and our franchisees are subject to both federal and state legislation and certification requirements, including the Electronic Funds Transfer Act. Some states, such as New York and Tennessee, have passed or have considered legislation requiring gyms and health clubs to offer a prepaid membership option at all times and/or limit the duration for which gym memberships can auto-renew through EFT payments, if at all. Our business relies heavily on the fact that our memberships continue on a month-to-month basis after the completion of any initial term requirements (if any), and compliance with these laws, regulations, and similar requirements may be onerous and expensive, and variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business. States that have such health club statutes provide harsh penalties for violations, including membership contracts being void or voidable.

Additionally, the collection, maintenance, use, disclosure and disposal of individually identifiable data by our, or our franchisees’, businesses are regulated at the federal, state and provincial levels as well as by certain financial industry groups, such as the Payment Card Industry Organization and the NACHA. Federal, state and financial industry groups may also consider from time to time new privacy and security requirements that may apply to our businesses and may impose further restrictions on our collection, disclosure and use of individually identifiable information that are housed in one or more of our databases.

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Many of the states where we and our franchisees operate stores have health and safety regulations that apply to health clubs and other facilities that offer indoor tanning services. In addition, U.S. federal healthcare legislation signed into law in March 2010 contains a 10% excise tax on indoor tanning services. Under the rule promulgated by the IRS imposing the tax, a portion of the cost of memberships that include access to our tanning services are subject to the tax.

**Legal proceedings**

We are involved in various claims and legal actions that arise in the ordinary course of business. We do not believe that the ultimate resolution of these actions will have a material adverse effect on our financial position, results of operations, liquidity and capital resources.

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**Management**

**Executive officers and directors**

Below is a list of the names, ages, positions and a brief account of the business experience of the individuals who serve as our executive officers and directors as of the date of this prospectus.

|  |  |  |
| --- | --- | --- |
| **Name** | **Age** | **Position** |
| Chris Rondeau | 42 | Chief Executive Officer and Director |
| Dorvin Lively | 56 | Chief Financial Officer |
| Richard Moore | 44 | Chief Administrative Officer and General Counsel |
| Marc Grondahl | 48 | Director |
| Charles Esserman | 56 | Director |
| Pierre LeComte | 42 | Director |
| Michael Layman | 32 | Director |
| Edward Wong | 32 | Director |
| Stephen Spinelli, Jr. | 60 | Director |

**Chris Rondeau** has served as our Chief Executive Officer since January 2013. He previously served as our Chief Operating Officer since 2003.Mr. Rondeau joined Planet Fitness in 1993, one year after our original founders, Michael and Marc Grondahl, started the Company in 1992. Throughout the years, he has played a critical role working side by side with them to develop and refine the unique, low-cost/high-value business model and lean operating system that we believe revolutionized both the fitness and franchising industry. Because of his leadership experience, role as Chief Executive Officer and history with Planet Fitness, we believe Mr. Rondeau is well qualified to serve on our board of directors.

**Dorvin Lively** has served as our Chief Financial Officer since July 2013. Mr. Lively, a 30-year veteran of corporate finance for various retail andconsumer-products companies, leads our finance, treasury, financial planning and supply chain functions, as well as strategic and long-term planning. Prior to joining Planet Fitness, from August 2011 to July 2013 Mr. Lively served as Executive Vice President, Chief Financial Officer, interim Chief Executive Officer and Chief Administrative Officer for RadioShack Corporation. In these positions, Mr. Lively led the company’s finance, treasury, financial planning, investor relations, supply chain and dealer franchise functions. Prior to RadioShack, Mr. Lively served as Chief Financial Officer at Ace Hardware Corp. His experience also includes previous positions at Maidenform Brands, Toys R Us, The Reader’s Digest Association and Pepsi-Cola International. Mr. Lively is a Certified Public Accountant (Inactive) and received his Bachelor’s Degree from the University of Arkansas.

**Richard Moore** has served as our Chief Administrative Officer and General Counsel since early 2013, after serving as our General Counselbeginning in 2012. Previously, Mr. Moore spent five years at Ropes & Gray LLP, focusing on private equity transactions, private investment fund formation, public offerings and public company portfolio management. He also successfully led Planet Fitness through the sale to TSG in November 2012. In his role as Chief Administrative Officer, Mr. Moore is responsible for assisting the Chief Executive Officer in building out our leadership and management team and is responsible for managing the Planet Fitness Worldwide Headquarters, with a focus on creating an infrastructure to support our continued growth and expansion. Mr. Moore received his Bachelor’s Degree from Duke University and his J.D. from Northeastern University School of Law.

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**Marc Grondahl** has served on our board of directors since November 2012. He is one of our co-founders and joined the business in 1992. For 20years, Mr. Grondahl, alongside his brother, Michael Grondahl, and Chief Executive Officer, Chris Rondeau, developed and refined the successful Planet Fitness business model we have today. Throughout the years, Mr. Grondahl oversaw the financial and strategic planning for the organization, and in 1998, he was named Chief Financial Officer. Prior to joining our Company in 1992, Mr. Grondahl worked at a manufacturing company as a cost accountant. He received his Bachelor’s Degree in business administration from Bryant College. Because of his extensive experience and understanding of the Planet Fitness business, we believe Mr. Grondahl is well qualified to serve on our board of directors.

**Charles Esserman** has served on our board of directors since November 2012. Mr. Esserman serves as Chief Executive Officer of TSG, of whichhe is a founder. He has over 25 years of private equity investment experience and, together with the partners of TSG, built one of the first consumer-focused private equity funds in the United States. Mr. Esserman helps oversee current and prospective portfolio investments for TSG and is Chair of TSG’s Investment Committee. Prior to TSG, Mr. Esserman was with Bain & Company, a management consulting company. He is a member of the Board of Overseers of the Hoover Institution and the Board of Trust of Vanderbilt University. Mr. Esserman received his Bachelor’s Degree in computer science engineering from the Massachusetts Institute of Technology and an MBA from Stanford, where he was an Arjay Miller Scholar. Because of his experience in portfolio investments and consumer brands, we believe Mr. Esserman is well qualified to serve on our board of directors.

**Pierre LeComte** has served on our board of directors since November 2012. Mr. LeComte has served as Managing Director of TSG since 2009and is a member of TSG’s Investment Committee. Mr. LeComte was formerly with Bain & Company, where he led strategic diligence teams in the private equity practice and worked across consumer and retail sectors. Prior to joining Bain, Mr. LeComte worked in brand management with Yahoo! and the Nabisco Biscuit Company, and was a consumer goods and retail consultant with the New England Consulting Group. Mr. LeComte was previously a director of Yard House Restaurants, overseeing its rapid growth from a regional chain to a national brand now owned by Darden Restaurants. Mr. LeComte received his Bachelor’s Degree in Economics from the Wharton School at the University of Pennsylvania and an M.B.A. from the Kellogg Graduate School of Management at Northwestern University. Because of his extensive experience in brand management and retail concepts, we believe Mr. LeComte is well qualified to serve on our board of directors.

**Michael Layman** has served on our board of directors since March 2015. Mr. Layman has served in multiple roles at TSG since 2009, includingmost recently as Senior Vice President, and is responsible for conducting due diligence for new business opportunities, structuring transactions and working with TSG’s partner companies across consumer and retail industries. Prior to joining TSG, Mr. Layman was an investment banker with Jefferies & Company, where he worked on a variety of advisory and capital markets transactions for restaurant companies, including franchisors. Prior to Jefferies, Mr. Layman was an investment banker with Wachovia Securities, covering the restaurant and retail industries. Mr. Layman received his Bachelor of Science in Accountancy, summa cum laude, from the WP Carey School of Business at Arizona State University. Because of his experience with consumer brands and franchisors, we believe Mr. Layman is well qualified to serve on our board of directors.

**Edward Wong** has served on our board of directors since November 2012. He has served as a Vice President of TSG since 2011 and works withits partner companies and is involved in the origination, structuring and due diligence of new investment opportunities. Prior to joining TSG, Mr. Wong was with Falconhead Capital, a private equity fund focused on investing in the consumer, retail and media sectors. Prior to Falconhead, Mr. Wong was an investment banker at Citigroup, where he was focused on advising clients on mergers and acquisitions and capital markets transactions in the consumer and retail industries. Mr. Wong received his Bachelor of Business Administration, with high distinction, from The Ross School of Business at the University of Michigan. Because of his experience in consumer brands, we believe Mr. Wong is well qualified to serve on our board of directors.

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**Stephen Spinelli, Jr.** has served on our board of directors since January 2012. He currently serves as President of Philadelphia University, aposition he has held since June of 2007. Dr. Spinelli co-founded Jiffy Lube International, Inc. in 1979 under the leadership of his college football coach. Three years later, Dr. Spinelli became a franchisee and remained a director of the Company. He grew to become Jiffy Lube’s largest franchisee. Dr. Spinelli has also previously served as Chief Executive Officer of the American Oil Change Corporation. He received his Ph.D. in economics from The Management School, Imperial College, University of London, his M.B.A. from Babson College and his Bachelor’s Degree in Economics from McDaniel College. Because of his experience in franchising and as an entrepreneur, we believe Dr. Spinelli is well qualified to serve on our board of directors.

**Board composition and director independence**

Our business and affairs are managed under the direction of the board of directors. Upon the closing of this offering, our certificate of incorporation will provide that our board of directors shall consist of at least three directors but not more than 15 directors and that the number of directors may be fixed from time to time by resolution of our board of directors. Our board of directors will be divided into three classes, as follows:

|  |  |  |
| --- | --- | --- |
| • Class I, which will initially consist of | | , whose terms will expire at our annual meeting of stockholders to be held in 2016; |
| • | Class II, which will initially consist of | , whose terms will expire at our annual meeting of stockholders to be held in 2017; and |
| • | Class III, which will initially consist of | , whose terms will expire at our annual meeting of stockholders to be held in 2018. |

Upon the expiration of the initial term of office for each class of directors, each director in such class shall be elected for a term of three years and serve until a successor is duly elected and qualified or until his or her earlier death, resignation or removal. Any additional directorships resulting from an increase in the number of directors or a vacancy may be filled by the directors then in office.

In connection with this offering, we will enter into a stockholders agreement with investment funds affiliated with TSG governing their nomination rights with respect to our board of directors following this offering. Under the agreement, we are required to take all necessary action to cause the board of directors to include individuals designated by TSG in the slate of nominees recommended by the board of directors for election by our stockholders, as follows:

* for so long as TSG owns at least 50% of the shares of our Class A and Class B common stock held by TSG prior to the completion of this offering, TSG will be entitled to (i) designate four individuals for nomination and (ii) request to expand the size of the board of directors and fill resulting vacancies such that TSG nominees comprise a majority of our board of directors;
* for so long as TSG owns less than 50% but at least 25% of the shares of our Class A and Class B common stock held by TSG prior to the completion of this offering, TSG will be entitled to designate three individuals for nomination;
* for so long as TSG owns less than 25% but at least 10% of the shares of our Class A and Class B common stock held by TSG prior to the completion of this offering, TSG will be entitled to designate two individuals for nomination; and
* for so long as TSG owns less than 10% but at least 5% of the shares of our Class A and Class B common stock held by TSG prior to the completion of this offering, TSG will be entitled to designate one individual for nomination.

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TSG will have also have the exclusive right to remove its designees and to fill vacancies created by the removal or resignation of its designees, and we are required to take all necessary action to cause such removals and fill such vacancies at the request of TSG.

Following the completion of this offering, we will be a “controlled company” under the rules of the NYSE because more than 50% of the voting power of our common stock will be held by investment funds affiliated with TSG. See “Principal and selling stockholders.” We intend to rely upon the “controlled company” exception relating to the board of directors and committee independence requirements under the rules of the NYSE. Pursuant to this exception, we will be exempt from the rules that would otherwise require that our board of directors consist of a majority of independent directors and that our compensation committee and nominating and governance committee be composed entirely of independent directors. The “controlled company” exception does not modify the independence requirements for the audit committee, and we intend to comply with the requirements of the Exchange Act and the rules of the NYSE, which require that our audit committee have at least one independent director upon consummation of this offering, consist of a majority of independent directors within 90 days following the effective date of the registration statement of which this prospectus forms a part and exclusively of independent directors within one year following the effective date of the registration statement of which this prospectus forms a part.

Our board of directors has determined that Mr. Spinelli is an independent director under the rules of the NYSE. In making this determination, the board of directors considered the relationships that Mr. Spinelli has with our Company and all other facts and circumstances that the board of directors deemed relevant in determining his independence, including ownership interests in us.

**Board committees**

Upon the completion of this offering, our board of directors will have three standing committees: the audit committee; the compensation committee; and the nominating and corporate governance committee. Each of the committees operates under its own written charter adopted by the board of directors, each of which will be available on our website upon completion of this offering. Under our stockholders agreement, following this offering TSG will have the right to appoint a director to serve on each of our committees (other than the audit committee), subject to NYSE and SEC rules.

***Audit committee***

Following this offering, our audit committee will be composed of , with serving as chairman of the committee. We anticipate that, prior to the completion of this offering, our audit committee will determine that meets the definition of “independent director” under the rules

of the NYSE and under Rule 10A-3 under the Exchange Act. Within 90 days following the effective date of the registration statement of which this prospectus forms a part, we anticipate that the audit committee will consist of a majority of independent directors, and within one year following the effective date of the registration statement of which this prospectus forms a part, the audit committee will consist exclusively of independent directors. None of our audit committee members simultaneously serves on the audit committees of more than three public companies, including

ours. Our board of directors has determined that is an “audit committee financial expert” within the meaning of the SEC’s regulations and applicable listing standards of the NYSE. The audit committee’s responsibilities upon completion of this offering will include:

* appointing, approving the compensation of, and assessing the qualifications, performance and independence of our independent registered public accounting firm;
* pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;

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* reviewing the audit plan with the independent registered public accounting firm and members of management responsible for preparing our financial statements;
* reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
* reviewing the adequacy of our internal control over financial reporting;
* reviewing all related person transactions for potential conflict of interest situations and approving all such transactions;
* establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
* recommending, based upon the audit committee’s review and discussions with management and the independent registered public accounting firm, the inclusion of our audited financial statements in our Annual Report on Form 10-K;
* reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;
* monitoring our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
* preparing the audit committee report required by the rules of the SEC to be included in our annual proxy statement; and
* reviewing and discussing with management and our independent registered public accounting firm our earnings releases.

***Compensation committee***

Following this offering, our compensation committee will be composed of , with compensation committee’s responsibilities upon completion of this offering will include:

serving as chairman of the committee. The

* determining and approving the compensation of our chief executive officer, including annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, and evaluating the performance of our chief executive officer in light of such corporate goals and objectives;
* reviewing and approving the corporate goals and objectives relevant to the compensation of our other executive officers;
* reviewing and approving the compensation of our other executive officers;
* appointing, compensating and overseeing the work of any compensation consultant, legal counsel or other advisor retained by the compensation committee;
* conducting the independence assessment outlined in the rules of the NYSE with respect to any compensation consultant, legal counsel or other advisor retained by the compensation committee;
* reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;

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* reviewing and establishing our overall management compensation philosophy and policy;
* overseeing and administering our equity compensation and similar plans;
* reviewing and approving our policies and procedures for the grant of equity-based awards and granting equity awards;
* reviewing and making recommendations to the board of directors with respect to director compensation; and
* reviewing and discussing with management the compensation discussion and analysis to be included in our annual proxy statement or Annual Report on Form 10-K.

***Nominating and corporate governance committee***

Following this offering, our nominating and corporate governance committee will be composed of , with serving as chairman of the

committee. The nominating and corporate governance committee’s responsibilities upon completion of this offering will include:

* developing and recommending to the board of directors criteria for board and committee membership;
* establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
* identifying individuals qualified to become members of the board of directors;
* recommending to the board of directors the persons to be nominated for election as directors and to each of the board’s committees;
* developing and recommending to the board of directors a set of corporate governance principles;
* articulating to each director what is expected, including reference to the corporate governance principles and directors’ duties and responsibilities;
* reviewing and recommending to the board of directors practices and policies with respect to directors;
* reviewing and recommending to the board of directors the functions, duties and compositions of the committees of the board of directors;
* reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;
* provide for new director orientation and continuing education for existing directors on a periodic basis;
* performing an evaluation of the performance of the committee; and
* overseeing the evaluation of the board of directors and management.

**Board oversight of risk management**

While the full board of directors has the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas. In particular, our audit committee oversees management of enterprise risks as well as financial risks. Our compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements and the incentives created by the compensation awards it administers. Our nominating and corporate governance committee

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oversees risks associated with corporate governance, business conduct and ethics, and is responsible for overseeing the review and approval of related party transactions. Pursuant to the board of directors’ instruction, management regularly reports on applicable risks to the relevant committee or the full board of directors, as appropriate, with additional review or reporting on risks conducted as needed or as requested by the board of directors and its committees.

**Compensation committee interlocks and insider participation**

None of the members of our compensation committee has at any time during the prior three years been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee. For a description of transactions between us and members of our compensation committee and affiliates of such members, see “Certain relationships and related party transactions.”

**Code of conduct**

We have adopted a code of conduct that applies to all of our employees, including our principal executive officer and principal financial officer. In connection with this offering, we will make our code of conduct available on our website. We intend to disclose any amendments to our codes, or any waivers of their requirements, on our website.

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**Executive compensation**

This section describes the compensation awarded to, earned by, or paid to our Chief Executive Officer, Christopher Rondeau, and our two most highly compensated executive officers (other than Mr. Rondeau), our Chief Financial Officer, Dorvin Lively, and our Chief Administrative Officer and General Counsel, Richard Moore, who collectively are referred to in this prospectus as our “named executive officers”. During 2014, our named executive officers received compensation and benefits from Pla-Fit Holdings, LLC (“Pla-Fit”) and its subsidiaries. The board of managers of Pla-Fit (referred to as our board for purposes of this executive compensation discussion) was responsible for making decisions regarding the compensation of our named executive officers.

**Summary compensation table**

The following table sets forth information concerning the compensation awarded or paid to our named executive officers for fiscal 2014.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Non-equity** |  |  |  |
|  |  |  | **incentive plan** | **All other** |  |  |
|  |  | **Salary** | **compensation** | **compensation** | **Total** | |
| **Name and principal position** | **Year** | **($)** | **($)(1)** | **($)(2)** | **($)** | |
| Christopher Rondeau | 2014 | 500,000 | 565,000 | 23,091 | 1,088,091 |  |
| *Chief Executive Officer* |  |  |  |  |  |  |
| Dorvin Lively | 2014 | 450,000 | 254,227 | 24,408 | 728,635 |  |
| *Chief Financial Officer* |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Richard Moore | 2014 | 270,538 | 158,186 | 26,070 | 454,794 |  |
| *Chief Administrative Officer and General Counsel* |  |  |  |  |  |  |

1. Amounts represent annual bonuses paid to our named executive officers under our annual bonus program, as described below.
2. Amounts shown in the “All other compensation” column include the following items, as applicable to each named executive officer for fiscal 2014:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **401(k)** |  | **Specialized** |  |  |  |
|  | **company** | **Tax** | **accounting** | **Relocation** |  |  |
|  | **match** | **equalization** | **services fees** | **expenses** |  |  |
|  | **contributions** | **payments** | **reimbursed** | **reimbursed** | **Total** | |
| **Name** | **($) (a)** | **($)(b)** | **($)(c)** | **($)(d)** | **($)** | |
| Christopher Rondeau | — | 22,091 | 1,000 | — | 23,091 | |
| Dorvin Lively | 5,486 | 15,997 | 1,000 | 1,925 | 24,408 | |
| Richard Moore | 10,400 | 14,670 | 1,000 | — | 26,070 | |
|  |  |  |  |  |  |  |

1. Represents our matching contributions to the Planet Fitness 401(k) Plan (referred to as our 401(k) plan), which is a broad-based tax-qualified defined contribution plan for our U.S.-based employees.
2. Represents certain tax equalization payments made to our named executive officers to offset self-employment and other additional taxes incurred with respect to 2014 compensation as a result of their being treated as partners rather than employees for U.S. tax purposes.
3. Represents the reimbursement of fees related to accounting services.
4. Represents the reimbursement of certain relocation expenses in 2014.

***2014 base salaries***

Each of our named executive officers is paid a base salary reflecting his skill set, experience, role and responsibilities. The base salary of each of our named executive officers is set forth in his employment agreement (described below under “Agreements with our named executive officers— Base salaries and

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performance bonus opportunities”) and is subject to adjustment by our board. The initial base salary for Mr. Moore, as well as the expected increases to such base salary for the first two years following his commencement of employment, are set forth in Mr. Moore’s employment agreement. In 2014, our board approved an increase to Mr. Moore’s base salary from $265,000 to $280,000, consistent with the terms of his employment agreement.

***2014 performance bonuses***

In fiscal 2014, each of our named executive officers was eligible to earn a cash bonus under our cash bonus program based on the achievement of key corporate financial and strategic goals. Pursuant to their employment agreements, the target amount of each named executive officer’s cash bonus is set as a percentage of his base salary. For 2014, the target bonus amount was set at 100% of base salary for Mr. Rondeau and 50% of base salary for each of Messrs. Lively and Moore.

Following the commencement of 2014, our board, after consultation with management, established the corporate performance goals for our 2014 cash bonus program, each having a designated weighting. These corporate performance goals included corporate same store sales, franchise same store sales, franchise openings, earnings before interest, taxes, depreciation and amortization, and capital expenditures. Each performance goal, other than the capital expenditure goal, had a threshold, target and maximum level of achievement and related payout.

The actual amount earned by each named executive officer under our 2014 cash bonus program was determined by our board based on the level of achievement of these goals. The actual amount of the bonuses paid to our named executive officers for fiscal 2014 is set forth above in the Summary compensation table in the column entitled “Non-equity incentive plan compensation.”

***Agreements with our named executive officers***

We have entered into an employment agreement with Mr. Rondeau, dated November 8, 2012 (and amended January 21, 2013), with Mr. Lively, dated June 28, 2013, and with Mr. Moore, dated July 23, 2012.

*Base salaries and performance bonus opportunities*

Pursuant to his employment agreement, Mr. Rondeau is entitled to an annual base salary of $500,000, which is subject to increase by our board. Mr. Rondeau is also eligible to earn an annual cash bonus, which may be set at a target of 50% to 100% of base salary, based upon the achievement of performance goals determined by our board.

Pursuant to his employment agreement, Mr. Lively is entitled to an annual base salary of $450,000, which is subject to adjustment by our board. Mr. Lively is also eligible to earn an annual cash bonus, with a target of 50% of his annual base salary, based upon the achievement of performance goals determined by our board.

Pursuant to his employment agreement, Mr. Moore was entitled to an initial annual base salary of $250,000, which has subsequently been increased by our board in accordance with the terms of this agreement to $280,000. His annual base salary remains subject to increase by our board. Mr. Moore is also eligible to earn an annual cash bonus, which may be set at a target of 25% to 50% of base salary, based upon the achievement of performance goals determined by our board.

*Restrictive covenants*

Pursuant to their respective employment agreements, our named executive officers are bound by certain restrictive covenants, including covenants relating to confidentiality and assignment of intellectual property

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rights, as well as covenants not to compete with us or to solicit our customers, prospective customers, employees or other service providers during employment and, for Messrs. Lively and Moore, for two years following termination of employment.

*Severance*

Each employment agreement provides for severance upon a termination of employment by us without cause or the named executive officer for good reason, in each case, conditioned on the named executive officer’s timely and effective execution of a separation agreement provided by the Company containing a release of claims and other customary terms and continued performance of the restrictive covenants described above. Messrs. Rondeau and Lively are each entitled to severance consisting of 12 months of continued base salary, payable in the form of salary continuation, and Mr. Rondeau is also entitled to a prorated annual cash bonus for the year of termination based on actual performance. Mr. Moore is entitled to severance consisting of continued base salary and an amount equal to the Company’s monthly share of his health care premium payments for a period of between one and six months following termination of employment as determined by good-faith negotiation between the parties with reference to severance amounts typically paid to similarly situated executives in businesses of similar size.

***Equity-based compensation***

Messrs. Lively and Moore currently hold Class M Common Units in Pla-Fit (the “Class M Units”), granted to them pursuant to the terms of the Management Incentive Plan (described below). The Class M Units are intended to be “profits interests” for U.S. federal income tax purposes. Eighty percent (80%) of the Class M Units generally vest annually over five years from a specified vesting date, and twenty percent (20%) vest upon the occurrence of an initial public offering. All unvested Class M Units are subject to accelerated vesting upon a sale of the Company. None of our named executive officers were granted Class M Units in 2014.

***Employee benefits and perquisites***

All of our full-time employees, including our named executive officers, are eligible to participate in our health and welfare plans, including medical and dental benefits, life insurance benefits and short-term and long-term disability insurance. Our named executive officers participate in these plans on the same basis as other eligible employees. We do not maintain any supplemental health or welfare plans for our named executive officers.

We also provide our named executive officers, together with other key employees, with certain additional limited benefits. The value of these benefits is included above in the “All other compensation” column of the Summary compensation table.

**Retirement plans**

All of our named executive officers participate in our 401(k) Plan, a broad-based retirement plan in which generally all of our full-time U.S.-based employees are eligible to participate. Under our 401(k) Plan, employees are permitted to defer their annual eligible compensation, subject to the limits imposed by the Internal Revenue Code, and the Company makes a matching contribution of 100% of employee contributions up to the first 3% of compensation, plus 50% of employee contributions up to the next 2% of compensation. We do not maintain any qualified or non-qualified defined benefit plans or supplemental executive retirement plans that cover our named executive officers.

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**Management Incentive Plan**

Effective April 30, 2013, our board approved the Pla-Fit Holdings, LLC 2013 Equity Incentive Plan (the “Management Incentive Plan”). The Management Incentive Plan provides for the grant of Class M Units to selected employees and other persons providing services to Pla-Fit and its subsidiaries. Our board is the administrator of the Management Incentive Plan. At the time of grant of Class M Units, our board will establish a distribution threshold in respect of each unit.

The vesting terms and conditions applicable to the Class M Units granted under the Management Incentive Plan are set forth in individual award agreements. In addition, pursuant to the individual award agreements, each holder of Class M Units agrees to be bound by certain restrictive covenants, including covenants relating to confidentiality and assignment of intellectual property rights, as well as covenants not to compete with us or to solicit our customers, prospective customers, employees or other service providers during employment or service and for 12 months following termination of employment or service.

Upon a termination of employment or other service relationship for any reason, all then unvested Class M Units will be forfeited, and if the termination is for cause or due to a breach of the restrictive covenants, all Class M Units, vested or unvested, will be forfeited. Pla-Fit has the right, following a termination of employment or other service, to repurchase vested Class M Units. The price that Pla-Fit is required to pay for any Class M Unit following a termination of employment or service depends on the circumstances of such termination. In general a holder of vested Class M Units is entitled to receive fair value for his or her vested units; however, any repurchase amount paid is required to be returned to Pla-Fit if the holder later breaches any provisions of the award agreement or the Management Incentive Plan, or breaches the restrictive covenants applicable to him or her, or if Pla-Fit reasonably determines that the holder could have been terminated for cause at the time his or her employment was terminated.

Prior to the completion of this offering, it is expected that all of the outstanding vested and unvested Class M Units in Pla-Fit will be converted into an amount of vested and unvested common units (the “Holdings Units” described above under “The recapitalization transactions— Reclassification”), respectively. Each unvested Holdings Unit will continue to vest following the completion of this offering based on the vesting schedule of the outstanding unvested Class M Unit for which it was exchanged. Pursuant to the terms of the award agreements evidencing the grant of Class M Units, twenty percent (20%) of the Class M Units will vest upon the completion of the offering. Holders of Holdings Units will also receive Class B common stock, as described above under “The recapitalization transactions—Reclassification.” To the extent Holdings Units do no vest in accordance with their terms, the corresponding shares of Class B common stock will be forfeited. Holders of Holdings Units will become subject to certain agreements in connection with this offering, as described below under “Certain relationships and related party transactions.”

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**Outstanding equity awards at 2014 fiscal year-end**

The following table shows the number of Class M Unit awards held by our named executive officers as of December 31, 2014.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Number of** | **Market value of** | |
|  | **Class M Units** | **Class M Units** | |
|  | **that have not** | **that have not** | |
| **Name** | **vested (#)** | **vested ($)(4)** | |
| Christopher Rondeau(1) | — | — | |
| Dorvin Lively | 132.632(2) | 8,707,562 |  |
| Richard Moore | 71.579(3) | 5,298,577 |  |
|  |  |  |  |

1. Mr. Rondeau does not hold any Class M Units. He holds Class O Common Units in Pla-Fit.
2. Mr. Lively was granted 157.895 Class M Units on August 13, 2013. 80% of the Class M Units held by Mr. Lively vest in equal installments on each of July 24, 2014, 2015, 2016, 2017 and 2018 and 20% of the Class M Units will vest in connection with an initial public offering (including this offering), subject to his continued employment. Any unvested awards will vest in full upon a sale of the Company, subject to Mr. Lively’s continued employment.
3. Mr. Moore was granted 105.263 Class M Units on April 30, 2013. 80% of the Class M Units held by Mr. Moore vest in equal installments on each of November 8, 2013, 2014, 2015, 2016 and 2017 and 20% of the Class M Units will vest in connection with an initial public offering (including this offering), subject to his continued employment. Any unvested awards will vest in full upon a sale of the Company, subject to Mr. Moore’s continued employment.
4. There is no public market for the Class M Units. The value included in this table is based on the fair market value of a Class M Unit as of December 31, 2014, as determined by our board (taking into account the applicable distribution threshold associated with the Class M Units). As described above, prior to the completion of this offering, the Class M Units will be converted into Holdings Units (with corresponding shares of Class B common stock). Amounts will only be realized in respect of Class M Units to the extent that the vesting conditions described above are satisfied and to the extent they are entitled to distributions under their governing documents.

**Director compensation**

Our directors who are affiliated with our Sponsor do not receive any compensation for their service on our board. Our board agreed to pay an amount of $10,000 per year to each of Gov. Benson and Dr. Spinelli, our former and current non-affiliated non-employee directors, respectively, for their service on our board. Gov. Benson resigned from our board in March 2015. In 2014, Dr. Spinelli was also paid $40,000 for the provision of business and franchise consulting services pursuant to a consulting agreement with the Company dated April 30, 2013, which agreement terminated on December 31, 2014 with no further payment due and owing to Dr. Spinelli under the agreement thereafter. Following the completion of this offering, we plan to establish a formal policy governing the compensation of our non-employee directors.

The following table sets forth information concerning the compensation of our non-employee directors in fiscal 2014. Other than as set forth in the table below, we did not pay any compensation, or make any equity awards or non-equity incentive plan awards, to any of the non-employee members of our board in 2014. Mr. Rondeau receives no additional compensation for his service as a director, and, consequently, is not included in this table. The compensation received by Mr. Rondeau as an employee during 2014 is reflected in the “Summary compensation table” above.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Fees earned or** | **All other** |  |  |
|  | **paid in cash** | **compensation** | **Total** | |
| **Name** | **($)(2)** | **($)** | **($)** | |
| Craig Benson(1) | 10,000 | — | 10,000 | |
| Stephen Spinelli, Jr.(1) | 10,000 | 40,000(3) | 50,000 | |
| Charles Esserman | — | — | — | |
| Pierre LeComte | — | — | — | |
| Edward Wong | — | — | — | |
| Marc Grondahl | — | 7,582(4) | 7,582 |  |
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1. As of December 31, 2014, Gov. Benson and Dr. Spinelli each held 15.789 Class M Common Units, granted to them on April 30, 2013 (the “Director Units”). 80% of the Director Units vest in equal installments on each of November 8, 2013, 2014, 2015, 2016 and 2017 and 20% of the Director Units will vest in connection with an initial public offering (including this offering), subject to the director’s continued service on the board. Any unvested awards will vest in full upon a sale of the Company, subject to the director’s continued service on the board. As of December 31, 2014, each of Gov. Benson and Dr. Spinelli held 10.737 unvested Class M Units. In connection with Gov. Benson’s resignation from our board, our board amended Gov. Benson’s Director Units to provide that his unvested Class M Units all vested in full prior to such resignation.
2. Represents the $10,000 annual fee paid to each of Gov. Benson and Dr. Spinelli for their services on our board.
3. Represents consulting fees paid to Dr. Spinelli for consulting services performed for the Company in 2014, pursuant to his consulting agreement with the Company dated April 30, 2013. The consulting agreement with Dr. Spinelli terminated on December 31, 2014. Pursuant to this agreement, the Company paid Dr. Spinelli an annual consulting fee of $40,000.
4. Represents the cost to the Company of health insurance premiums paid on behalf of Mr. Grondahl, who had been an employee of the Company until April 2013. This is a discretionary benefit provided by the Company to Mr. Grondahl.

**Other equity and incentive plans**

***Planet Fitness, Inc. 2015 Omnibus Plan***

In connection with this offering, our board of directors intends to adopt the Planet Fitness, Inc. 2015 Omnibus Plan (the “2015 Omnibus Plan”), and, following this offering, all equity-based awards will be granted under the 2015 Omnibus Plan. The following summary describes what we anticipate will be the material terms of the 2015 Omnibus Plan. This summary of the 2015 Omnibus Plan is not a complete description of all provisions of the 2015 Omnibus Plan and is qualified in its entirety by reference to the 2015 Omnibus Plan, a form of which is filed as an exhibit to the registration statement of which this prospectus forms a part.

*Administration*

The 2015 Omnibus Plan is administered by our compensation committee, which has the authority to, among other things, interpret the 2015 Omnibus Plan, determine eligibility for, grant and determine the terms of awards under the 2015 Omnibus Plan. Our compensation committee’s determinations under the 2015 Omnibus Plan will be conclusive and binding.

*Authorized shares*

Subject to adjustment, as described below, the maximum number of shares of our common stock that may be delivered in satisfaction of awards

under the 2015 Omnibus Plan is shares. The shares of our common stock to be issued under the 2015 Omnibus Plan may be newly issued shares of our common stock or treasury stock acquired by us. Any shares of common stock underlying awards that are settled in cash, expire or become unexercisable without having been exercised or that are forfeited or repurchased by us due to failure to vest will again be available for issuance under the 2015 Omnibus Plan. In addition, the number of shares of our common stock delivered in satisfaction of awards will be determined net of shares of our common stock withheld by us in payment of the exercise price or purchase price of an award or in satisfaction of tax withholding requirements with respect to an award.

*Individual limits*

The maximum number of shares of our common stock subject to stock options, and the maximum number of shares of our common stock subject

to stock appreciation rights (“SARs”), that may be granted to any participant in the 2015 Omnibus Plan in any calendar year is each shares. The maximum number of shares of our common stock subject to other awards that may be granted to any participant in the 2015 Omnibus Plan in

any calendar year is shares. The maximum amount payable to any participant in the 2015 Omnibus Plan in any calendar year under a cash award is $ . Additional limits apply with respect to awards granted to directors who are not employees of our Company, such that the grant-date fair value of

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stock-denominated awards, and the maximum amount payable under any cash awards, granted in any calendar year may not exceed, in each case, $400,000, except that such limit for a non-employee chairman of our board of directors or lead director is, in each case, $700,000.

*Eligibility*

Our key employees, directors, consultants and advisors are eligible to participate in the 2015 Omnibus Plan.

*Types of awards*

The 2015 Omnibus Plan provides for awards of stock options, SARs, restricted stock, unrestricted stock, stock units, performance awards, cash awards and other awards convertible into or otherwise based on shares of our common stock. The 2015 Omnibus Plan permits the grant of performance awards that are intended to qualify as exempt performance-based compensation under Section 162(m) of the Internal Revenue Code (“Section 162(m)”), to the extent applicable, as well as awards that are not intended to so qualify. During a transition period following the completion of this offering, the 2015 Omnibus Plan will also allow for the grant of performance awards that are exempt from Section 162(m) and its requirements under a special transition rule under Section 162(m).

*Performance criteria*

Performance awards may be made based upon, and subject to the achievement of, performance objectives specified by our compensation committee. Performance objectives with respect to those awards that are intended to qualify as “performance-based compensation” for purposes of Section 162(m), to the extent applicable, are limited to an objectively determinable measure or measures of performance relating to any or any combination of the following (measured either absolutely or comparatively (including, without limitation, by reference to an index or indices or a specified peer group) and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof, and subject to such adjustments, if any, as our compensation committee specifies, consistent with the requirements of Section 162(m)): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or equity expense, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital, capital employed or assets; one or more operating ratios; operating income or profit, including on an after-tax basis; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; same store sales; customer satisfaction; gross or net store openings, including timing of openings and achievement of growth targets with respect thereto; new store first year sales; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings.

*Vesting*

Our compensation committee has the authority to determine the vesting schedule applicable to each award, and to accelerate the vesting or exercisability of any award.

*Termination of employment or service*

Our compensation committee may determine the effect of a termination of employment or service on an award. Unless otherwise provided by our compensation committee, upon a termination of a participant’s employment or service, all unvested stock options and SARs then held by the participant will terminate, all other unvested

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awards will be forfeited and all vested stock options and SARs then held by the participant will remain outstanding for three months following such termination, or one year in the case of a termination due to death or permanent disability, or, in each case, until the applicable expiration date of the award, if earlier. All stock options and SARs held by a participant immediately prior to the participant’s termination of employment or service will immediately terminate if such termination is for cause, as defined in the 2015 Omnibus Plan, or occurs in circumstances that would have constituted grounds for the participant’s employment or service to be terminated for cause, in the determination of our compensation committee.

*Transferability*

Awards under the 2015 Omnibus Plan may not be transferred other than by the laws of descent and distribution, unless, for awards other than incentive stock options, otherwise provided by our compensation committee.

*Corporate transactions*

In the event of certain corporate transactions (including a merger, consolidation or similar transaction, or the sale of substantially all of the assets, a change in ownership of the stock, or the dissolution or liquidation of the Company), our compensation committee may, among other things, provide for the continuation or assumption of outstanding awards, for new grants in substitution of outstanding awards, for the accelerated vesting or delivery of shares under awards or for a cash-out of outstanding awards, in each case on such terms and with such restrictions as it deems appropriate. Except as our compensation committee may otherwise determine, awards not assumed in connection with such a transaction will terminate automatically and, in the case of outstanding restricted stock, will be forfeited automatically upon the consummation of such transaction.

*Adjustments*

In the event of certain corporate transactions (including a stock dividend, stock split or combination of shares, including a reverse stock split, recapitalization or other change in our capital structure), our compensation committee will make appropriate adjustments to the maximum number of shares of our common stock that may be delivered under, and the individual share limits included in, the 2015 Omnibus Plan, and will also make appropriate adjustments to the number and kind of shares or securities subject to awards, the exercise prices of such awards or any other terms of awards affected by such change. Our compensation committee may also make the types of adjustments described above to take into account distributions and events other than those listed above if it determines that such adjustments are appropriate to avoid distortion in the operation of the 2015 Omnibus Plan.

*Recovery of compensation*

Our compensation committee may cancel, rescind, withhold or otherwise limit or restrict any award at any time under the 2015 Omnibus Plan if the participant is not in compliance with the provisions of the 2015 Omnibus Plan or any award thereunder or if the participant breaches any agreement with us with respect to non-competition, non-solicitation or confidentiality. Our compensation committee also may recover any award or payments or gain in respect of any award under the 2015 Omnibus Plan in accordance with any applicable Company clawback or recoupment policy, or as otherwise required by applicable law or applicable stock exchange listing standards.

*Amendment; termination*

Our compensation committee may amend the 2015 Omnibus Plan or outstanding awards, or terminate the 2015 Omnibus Plan as to future grants of awards, except that our compensation committee will not be able to alter

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the terms of an award if it would affect materially and adversely a participant’s rights under the award without the participant’s consent (unless expressly provided in the 2015 Omnibus Plan or the right to alter the terms of an award was expressly reserved by our compensation committee at the time the award was granted). Amendments to the 2015 Omnibus Plan will be conditioned on shareholder approval to the extent such approval is required by law, including the Code and applicable stock exchange requirements.

***Cash Incentive Plan***

In connection with this offering, our board of directors intends to adopt the Planet Fitness, Inc. Cash Incentive Plan (the “Cash Incentive Plan”). Beginning with our 2016 fiscal year, annual cash bonus opportunities for our named executive officers and other key employees will be granted under the Cash Incentive Plan. The following summary describes what we anticipate will be the material terms of the Cash Incentive Plan. This summary is not a complete description of all provisions of the Cash Incentive Plan and is qualified in its entirety by reference to the Cash Incentive Plan, a form of which is filed as an exhibit to the registration statement of which this prospectus forms a part.

*Administration*

The Cash Incentive Plan will be administered by our compensation committee, which has the authority to interpret the Cash Incentive Plan and awards granted under it, to determine the terms and conditions of awards, and generally to do all things necessary to administer the Cash Incentive Plan. Any interpretation or decision by our compensation committee will be final and conclusive.

*Participation; individual limit*

Our executive officers and other key employees will be selected from time to time by our compensation committee to participate in the Cash Incentive Plan. The maximum payment to any participant pursuant to an award intended to qualify as performance-based compensation under Section 162(m) under the Cash Incentive Plan in any fiscal year will in no event exceed $5,000,000.

*Awards*

With respect to each award granted under the Cash Incentive Plan, our compensation committee will determine the performance criteria applicable to the award, the amount or amounts payable if the performance criteria are achieved, and such other terms and conditions as our compensation committee deems appropriate. The Cash Incentive Plan permits the grant of awards that are intended to qualify as exempt performance-based compensation under Section 162(m), to the extent applicable, as well as awards that are not intended to so qualify. During a transition period following completion of this offering, awards under the Cash Incentive Plan will not be required to comply with the provisions of the plan applicable to performance-based compensation under Section 162(m) under a special transition rule under Section 162(m).

*Performance criteria*

Awards under the Cash Incentive Plan will be made based on, and subject to achieving, performance criteria established by our compensation committee, which may be applied to a participant or participants on an individual basis, to a business unit or division, or to the Company as a whole. Performance criteria for awards intended to qualify as performance-based compensation for purposes of Section 162(m), to the extent applicable, are limited to the objectively determinable measure or objectively determinable measures of performance relating to any or any combination of the following (measured either absolutely or comparatively

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(including, without limitation, by reference to an index or indices or a specified peer group) and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof and subject to such adjustments, if any, as our compensation committee specifies, consistent with the requirements of Section 162(m)): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or equity expense, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital, capital employed or assets; one or more operating ratios; operating income or profit, including on an after tax basis; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; same store sales; customer satisfaction; gross or net store openings, including timing of openings and achievement of growth targets with respect thereto; new store first year sales; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings.

*Payment under an award*

A participant will be entitled to payment under an award only if all conditions to payment have been satisfied in accordance with the Cash Incentive Plan and the terms of the award. Our compensation committee will determine the payment date or dates for awards under the Cash Incentive Plan. Following the close of the performance period, our compensation committee will determine (and, to the extent required by Section 162(m), certify) whether and to what extent the applicable performance criteria have been satisfied. Our compensation committee will then determine the actual payment, if any, under each award. Unless otherwise provided by our compensation committee, all payments will be made not later than March 15th of the calendar year following the calendar year in which the performance period ends, and a participant will not be entitled to any payment unless he or she remains employed through the date of payment. Our compensation committee may permit a participant to defer payment of an award subject to the requirements of applicable law.

*Recovery of compensation*

Our compensation committee may provide that awards will be subject to forfeiture, termination or rescission, and that a participant will be obligated to return to the Company payments received with respect to an award, in connection with (i) a breach by the participant of award terms or the Cash Incentive Plan, or any non-competition, non-solicitation, confidentiality or similar covenant or agreement with the Company or any of its affiliates or

1. an overpayment to the participant of incentive compensation due to inaccurate financial data. Our compensation committee may recover

awards and payments under any award in accordance with any applicable Company clawback or recoupment policy, as amended and in effect from time to time, or as otherwise required by applicable law or applicable stock exchange listing standards.

*Amendment; termination*

Our compensation committee or our board of directors may amend the Cash Incentive Plan at any time and from time to time, and may terminate the Cash Incentive Plan at any time.

***2015 Cash Bonus Program***

Each of our named executive officers is entitled to participate in our cash bonus program for our 2015 fiscal year. The terms of our of cash bonus program for our 2015 fiscal year, as they apply to our named executive officers and our other senior executives, are generally the same as the terms that applied for our 2014 fiscal year, as described above under “2014 performance bonuses”. Cash bonus awards payable in respect of our

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2015 fiscal year will be based on the achievement of key corporate financial and strategic goals relating to corporate same store sales, franchise same store sales, club openings, and earnings before interest, taxes, depreciation and amortization. The target amount of each named executive officer’s annual cash bonus as a percentage of his base salary remains unchanged from the 2014 target amounts. The actual amount earned by each named executive officer under our 2015 cash bonus program will be determined by our board or our compensation committee based on the level of achievement of these goals.

*2013 Performance Incentive Plan*

Certain of our employees were granted cash awards pursuant to the Pla-Fit Holdings, LLC 2013 Performance Incentive Plan (“2013 Performance Incentive Plan”). None of our named executive officers or directors holds awards under the 2013 Performance Incentive Plan. Each award under this plan represents the conditional right to receive a cash payment upon a change in control or an initial public offering of Pla-Fit Holdings, LLC if the equity value of Pla-Fit Holdings, LLC in connection with such transaction exceeds a certain threshold, subject to the holder of the award remaining employed on the date of such transaction. We expect to make cash payments in an estimated amount of $1.7 million to holders of awards under the 2013 Performance Incentive Plan in connection with this offering.

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**Certain relationships and related party transactions**

**Related party agreements in effect prior to this offering**

***Franchisee relationships***

Former Governor Craig Benson, a former member of our board of directors, is also a Planet Fitness franchisee. Gov. Benson, through his ownership interest in BL Technologies Investments, LLC, entered into an ADA with us dated October 23, 2012, under which he has opened eight Planet Fitness stores as of March 31, 2015, for each of which he entered into a franchise agreement. Over the next twelve years, Gov. Benson is obligated to open an additional 27 Planet Fitness stores. In 2012, 2013 and 2014, Gov. Benson paid royalties and fees to us, which totaled approximately $350,000, $40,000 and $452,000, respectively, and purchased fitness equipment for seven of his Planet Fitness stores, each as required by the terms of his franchise agreements. Gov. Benson’s equipment purchases totaled approximately $1.4 million and $3.1 million in 2013 and 2014, respectively. Gov. Benson did not purchase equipment from us in 2012. The terms of Gov. Benson’s ADA and franchise agreements are commensurate with other franchise agreements executed during the same time period.

Dennis Rondeau, father of Chris Rondeau, our Chief Executive Officer and a member of our board of directors, is also a Planet Fitness franchisee. Mr. Rondeau, through his ownership interest in Freedom Fitness, LLC, entered into an ADA with us dated December 10, 2009, under which he has opened four stores as of March 31, 2015, for each of which he entered into a Franchise Agreement. Over the next two years, Mr. Rondeau is obligated to open an additional four Planet Fitness stores. In 2012, 2013 and 2014, Mr. Rondeau paid royalties and fees to us, which totaled approximately $132,000, $200,000 and $321,000, respectively, and purchased fitness equipment for three of his Planet Fitness stores, each as required by the terms of his franchise agreements. Mr. Rondeau’s equipment purchases totaled approximately $0, $855,000 and $574,000, in 2012, 2013 and 2014, respectively. The terms of Mr. Rondeau’s ADA and franchise agreements are commensurate with other franchise agreements executed during the same time period.

In addition, Chris Rondeau and Marc Grondahl are partial owners of PFP Direct Loan LLC and PF Principals, LLC, which directly and indirectly have provided financing to a limited number of qualified Planet Fitness franchisees to fund leasehold improvements and other related expenses, as one of several financing providers available to franchisees. Our Company does not participate in these transactions.

***Consulting agreement***

Stephen Spinelli, Jr. a member of our board of directors, entered into a consulting agreement with us dated April 30, 2013 pursuant to which he provided us with business and franchise consulting services in exchange for an annual fee of $40,000. In both 2013 and 2014, Dr. Spinelli received $40,000 in compensation pursuant to the consulting agreement. The agreement expired December 31, 2014.

***Leases***

On June 23, 2008, we entered into a lease agreement with MMC Fox Run, LLC for our headquarters in Newington, New Hampshire. The lease agreement was amended on November 1, 2011 and again on November 8, 2012. On November 8, 2013, we entered into a new office lease. MMC Fox Run, LLC is currently owned by Mr. Chris Rondeau and Mr. Marc Grondahl. Pursuant to the office lease, the initial lease term is for ten years, with two five-year renewal options. In 2012, 2013 and 2014, we paid an aggregate of approximately $269,000, $269,000 and $383,000, respectively, in rent to MMC Fox Run, LLC.

On March 1, 2010, we entered into a lease agreement with Matthew Michael Realty, LLC for a corporate-owned store in Dover, New Hampshire. Matthew Michael Realty, LLC is currently owned by Mr. Michael Grondahl, an

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original co-founder of Planet Fitness and brother of Mr. Marc Grondahl. Pursuant to the lease agreement, the initial lease term is for approximately fourteen years and expires on April 20, 2024. In 2012, 2013 and 2014, we paid approximately $491,000, $466,000 and $466,000, respectively, in rent to Matthew Michael Realty, LLC.

On June 3, 2008, we entered into a lease agreement with PF Melville Realty Co., LLC for our corporate-owned store in Melville, New York. PF Melville Realty Co., LLC is currently owned by Mr. Michael Grondahl. The initial lease term is for fifteen years. In 2012, 2013 and 2014, we paid an aggregate of approximately $160,000, $544,000 and $559,000, respectively, in rent to PF Melville Realty Co., LLC.

For some or all of the periods presented in this prospectus, the results of operations of MMC Fox Run, LLC, Matthew Michael Realty, LLC and PF Melville Realty Co., LLC are included in our consolidated financial statements. For further information, including certain ownership changes that have occurred with respect to these entities, see Notes 2(a) and 4 to our audited consolidated financial statements included elsewhere in this prospectus.

***Management services agreement***

On December 14, 2012, in connection with our acquisition by investment funds affiliated with our Sponsor, we entered into a management services agreement with TSG6 Management, LLC, an affiliate of our Sponsor (the “Management Company”), pursuant to which the Management Company has provided certain management, consulting and advisory services to Pla-Fit Holdings, LLC. In exchange for these services, we pay the Management Company an aggregate annual management fee equal to $1.0 million, and we reimburse the Management Company for reasonable out-of-pocket expenses incurred by it relating to operations of Pla-Fit Holdings, LLC and its subsidiaries and in connection with the provision of services pursuant to the management services agreement. In 2012, 2013 and 2014, we paid $0.1 million, $1.1 million and $1.2 million, respectively, in respect of management services and reimbursable expenses payable to the Management Company under the management services agreement. In addition, we agreed to indemnify the Management Company and certain persons affiliated with the Management Company to the fullest extent permitted by law from and against all losses arising from the Management Company’s performance under the management services agreement.

In connection with the completion of this offering, the management services agreement will be terminated, and we will pay a one-time termination fee of $1.0 million to the Management Company in accordance with the terms of the agreement. Four of our directors, Messrs. Esserman, Layman, LeComte and Wong, are employees of TSG.

**Recapitalization transactions in connection with this offering**

These summaries do not purport to be complete descriptions of all of the provisions of the documents relating to the recapitalization transactions, and they are qualified in their entirety by reference to the complete text of agreements which have been filed with the SEC as exhibits to the registration statement of which this prospectus is a part. For information on how to obtain copies of these agreements, see the section entitled “Where you can find more information.”

***Exchange agreement***

In connection with this offering, we and the Continuing LLC Owners will enter into an exchange agreement under which they (or certain permitted transferees) will have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, together with a corresponding number of shares of Class B common stock, for shares of our Class A common stock on a one-for-one basis, subject to

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customary conversion rate adjustments for stock splits, stock dividends, reclassifications and other similar transactions. The exchange agreement will also provide that a Continuing LLC Owner will not have the right to exchange Holdings Units if we determine that such exchange would be prohibited by law or regulation or would violate other agreements with us to which the Continuing LLC Owner may be subject. As a Continuing LLC Owner exchanges Holdings Units for shares of Class A common stock, the number of Holdings Units held by Planet Fitness, Inc. is correspondingly increased as it acquires the exchanged Holdings Units, and a corresponding number of shares of Class B common stock are cancelled.

***Tax receivable agreements***

Pursuant to the exchange agreement described above, from time to time we may be required to acquire Holdings Units of Pla-Fit Holdings, LLC from their holders upon exchange for shares of our Class A common stock. Pla-Fit Holdings, LLC intends to have an election under Section 754 of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”) in effect for taxable years in which such sales of Holdings Units occur. Pursuant to the Section 754 election, sales of Holdings Units are expected to result in an increase in the tax basis of tangible and intangible assets of Pla-Fit Holdings, LLC. When we acquire Holdings Units from the Continuing LLC Owners, we expect that both the existing basis for certain assets and the anticipated basis adjustments will increase depreciation and amortization deductions allocable to us for tax purposes from Pla-Fit Holdings, LLC, and therefore reduce the amount of income tax we would otherwise be required to pay in the future to various tax authorities. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent increased tax basis is allocated to those capital assets.

Upon the completion of this offering, we will be a party to two tax receivable agreements. Under the first of those agreements, we generally will be required to pay to our Continuing LLC Owners 85% of the applicable cash savings, if any, in U.S. federal and state income tax that we are deemed to realize as a result of certain tax attributes of their Holdings Units sold to us (or exchanged in a taxable sale) and that are created as a result of

1. the sales of their Holdings Units for shares of our Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest). Under the second tax receivable agreement, we generally will be required to pay to the Direct TSG Investors 85% of the amount of cash savings, if any, that we are deemed to realize as a result of the tax attributes of the Holdings Units that we hold in respect of the Direct TSG Investors’ interest in us, which resulted from the Direct TSG Investors’ purchase of interests in the 2012 Acquisition, and certain other tax benefits. Under both agreements, we generally will retain the benefit of the remaining 15% of the applicable tax savings.

For purposes of these tax receivable agreements, cash savings in tax are calculated by comparing our actual income tax liability to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the tax receivable agreements, unless certain assumptions apply or the tax receivable agreements accelerate, as discussed herein. The term of the tax receivable agreements will commence upon the completion of this offering and will continue until all such tax benefits have been utilized or expired, unless we exercise our rights to terminate the agreements or payments under the agreements are accelerated in the event that we materially breach any of our material obligations under the agreements or our counterparties elect to accelerate our obligations under the tax receivable agreements (as described below). The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, will vary depending upon a number of factors, including the timing of sales by the holders of Holdings Units, the price of our Class A common stock at the time of the sale, whether such sales are taxable, the amount and timing of the taxable income we generate in the future, the tax rate then applicable and the portion of our payments under the tax receivable agreements constituting imputed interest.

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The payment obligation under the tax receivable agreements is an obligation of Planet Fitness, Inc., not Pla-Fit Holdings, LLC, and we expect that the payments we will be required to make under the tax receivable agreements will be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize all tax benefits that are subject to the tax receivable agreements, we expect that the reduction in tax payments for us associated with our purchase of Holdings Units from certain of our Continuing LLC Owners with the net proceeds

of this offering and future sales of Holdings Units as described above would aggregate approximately $ over years from the date of this offering based on the initial public offering price of $ per share of our Class A common stock and assuming all future exchanges or

redemptions would occur one year after this offering. Under such scenario we would be required to pay the owners of Holdings Units 85% of such

amount, or $ , over the -year period from the date of this offering. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us, and tax receivable agreement payments by us, will be calculated using the market value of the shares at the time of exchange or redemption and the prevailing tax rates applicable to us over the life of the tax receivable agreements, and will be dependent on us generating sufficient future taxable income to realize the benefit. Payments under the tax receivable agreements are not conditioned on the Continuing LLC Owners’ or the Direct TSG Investors’ continued ownership of us.

In addition, although we are not aware of any issue that would cause the IRS to challenge the tax basis increases or tax attributes subject to the tax receivable agreements, the beneficiaries of the tax receivable agreements will not reimburse us for any payments previously made if such basis increases or other attributes are subsequently disallowed, except that excess payments made to any beneficiary will be netted against payments otherwise to be made, if any, to such beneficiary after our determination of such excess. As a result, in such circumstances, we could make payments under the tax receivable agreements that are greater than our actual cash tax savings.

The tax receivable agreements provide that (i) in the event that we materially breach such tax receivable agreements, (ii) if, at any time, we elect an early termination of the tax receivable agreements, or (iii) upon certain mergers, asset sales, other forms of business combinations or other changes of control, our (or our successor’s) obligations under the tax receivable agreements (with respect to all Holdings Units, whether or not they have been sold before or after such transaction) would accelerate and become payable in a lump sum amount equal to the present value of the anticipated future tax benefits calculated based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the tax deductions, tax basis and other tax attributes subject to the tax receivable agreements.

As a result of the foregoing, (i) we could be required to make payments under the tax receivable agreements that are greater than or less than the specified percentage of the actual tax savings we realize in respect of the tax attributes subject to the agreements and (ii) we may be required to make an immediate lump sum payment equal to the present value of the anticipated tax savings, which payment may be made years in advance of the actual realization of such future benefits, if any such benefits are ever realized. In these situations, our obligations under the tax receivable agreements could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to finance our obligations under the tax receivable agreements in a manner that does not adversely affect our working capital and growth requirements. For example, if we were to elect to terminate the tax receivable agreements immediately after this offering, based on the initial public offering price of

$ per share of our Class A common stock and a discount rate equal to %, we estimate that we would be required to pay $ in the aggregate under the tax receivable agreements.

Subject to the discussion above regarding the acceleration of payments under the tax receivable agreements, payments under the tax receivable agreements, if any, will generally be made on an annual basis to the extent

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we have sufficient taxable income to utilize the increased depreciation and amortization charges and other tax attributes subject to the tax receivable agreements. The availability of sufficient taxable income to utilize the increased depreciation and amortization expense and other tax attributes will not be determined until such time as the financial results for the year in question are known and tax estimates prepared. We expect

to make payments under the tax receivable agreements, to the extent they are required, within days after our federal income tax return is filed for each fiscal year. The tax receivable agreements will provide for interest, at a rate equal to one-year LIBOR, accrued from the due date (without extensions) of the corresponding tax return to the date of payment specified by the tax receivable agreements. In addition, under certain circumstances where we are unable to make timely payments under the tax receivable agreements, the tax receivable agreements will provide for

interest to accrue on unpaid payments, at a rate equal to one-year LIBOR plus basis points.

The impact that the tax receivable agreements will have on our consolidated financial statements will be the establishment of a liability, which will be increased upon the exchanges of Holdings Units for our Class A common stock, generally representing 85% of the estimated future tax benefits, if any, relating to the increase in tax basis associated with the Holdings Unit we receive in this sale.

Decisions made by our Continuing LLC Owners in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by a Continuing LLC Owner under the tax receivable agreements. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreements and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase a Continuing LLC Owner’s tax liability without giving rise to any rights of a Continuing LLC Owner to receive payments under the tax receivable agreements.

Because of our structure, our ability to make payments under the tax receivable agreements is dependent on the ability of Pla-Fit Holdings, LLC to make distributions to us. The ability of Pla-Fit Holdings, LLC to make such distributions will be subject to, among other things, restrictions in our debt documents and the applicable provisions of Delaware law that may limit the amount of funds available for distribution to its members. To the extent that we are unable to make payments under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest until paid.

***Pla-Fit Holdings, LLC amended and restated limited liability company agreement***

In connection with the recapitalization transactions, the limited liability company agreement of Pla-Fit Holdings, LLC will be amended and restated. As a result of the recapitalization transactions and this offering, we will hold Holdings Units in Pla-Fit Holdings, LLC indirectly through wholly owned subsidiaries and will be the sole managing member of Pla-Fit Holdings, LLC. Accordingly, we will operate and control all of the business and affairs of Pla-Fit Holdings, LLC and, through Pla-Fit Holdings, LLC and its operating subsidiaries, conduct our business.

Pursuant to the New LLC Agreement as it will be in effect at the time of this offering, as managing member, Planet Fitness, Inc. has the right to determine when distributions will be made by Pla-Fit Holdings, LLC to holders of Holdings Units and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the holder of Holdings Units (including Planet Fitness, Inc. and its subsidiaries) pro rata in accordance with the percentages of their respective Holdings Units.

The holders of Holdings Units, including Planet Fitness, Inc. and its subsidiaries, will incur U.S. federal, state and local income taxes on their allocable share (determined under relevant tax rules) of any taxable income of Pla-

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Fit Holdings, LLC. Net profits and net losses of Pla-Fit Holdings, LLC will generally be allocated to holders of Holdings Units (including Planet Fitness, Inc.) pro rata in accordance with the percentages of their respective Holdings Units, except to the extent certain rules provide for disproportionate allocations or are otherwise required under applicable tax law.

The New LLC Agreement will provide that Pla-Fit Holdings, LLC will make cash distributions, which we refer to as “tax distributions,” to the holders of Holdings Units. Generally, these tax distributions will be computed based on the net taxable income of Pla-Fit Holdings, LLC allocable to the holders of Holdings Units multiplied by an assumed, combined tax rate equal to the maximum rate applicable to an individual or corporate resident in San Francisco, California (taking into account, among other things, the deductibility of certain expenses and certain adjustments relating to the calculation of state taxes). For purposes of determining the taxable income of Pla-Fit Holdings, LLC, such determination will be made by generally disregarding any adjustment to the taxable income of any member of Pla-Fit Holdings, LLC that arises under the tax basis adjustment rules of the Code, and is attributable to the acquisition by such member of an interest in Pla-Fit Holdings, LLC in this offering and future exchange or sale transactions. We expect Pla-Fit Holdings, LLC may make tax distributions periodically to the extent permitted by our agreements governing our indebtedness and necessary to enable us to cover our operating expenses and other obligations, including our tax liability and obligations under the tax receivable agreements, as well as to make dividend payments, if any, to the holders of our Class A common stock.

The New LLC Agreement will also provide that substantially all expenses incurred by or attributable to Planet Fitness, Inc. (such as expenses incurred in connection with this offering) will be borne or reimbursed by Pla-Fit Holdings, LLC, but Pla-Fit Holdings, LLC will not bear the cost of our income tax expenses, obligations incurred by us under the tax receivable agreements or payments on indebtedness incurred by us other than to pay operating expenses that otherwise would be borne by Pla-Fit Holdings, LLC.

***Stockholders agreement***

In connection with this offering, we intend to enter into a stockholders agreement with investment funds affiliated with TSG. Pursuant to the stockholders agreement, we will be required to take all necessary action to cause the board of directors and its committees to include individuals designated by TSG and to include such individuals in the slate of nominees recommended by the board of directors for election by our stockholders. These nomination rights are described in this prospectus in the sections titled “Management—Board composition and director independence” and “Management—Board committees.” The stockholders agreement will also provide that we will obtain customary director indemnity insurance and enter into indemnification agreements with TSG’s director designees, and we expect to enter into indemnification agreements with each of our directors generally providing for indemnification in connection with their service to us or on our behalf.

***Registration rights agreement***

In connection with the recapitalization transactions, we intend to enter into a registration rights agreement with all of the Continuing LLC Owners and Direct TSG Investors, which include the investment funds affiliated with TSG that hold Holdings Units and shares of Class A common stock and certain employees and directors that hold Holdings Units. The registration rights agreement will provide TSG with certain demand registration rights, including shelf registration rights, in respect of any shares of our Class A common stock held by it, subject to certain conditions. In addition, in the event that we register additional shares of Class A common stock for sale to the public following the completion of this offering, we will be required to give notice of such registration to TSG and certain employees and directors party to the agreement of our intention to effect such a registration, and, subject to certain limitations, include shares of Class A common stock held by them in such registration.

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We also will undertake in the registration rights agreement to file a shelf registration statement as soon as we meet the applicable eligibility criteria and to use commercially reasonable efforts to have the shelf registration statement declared effective as soon as practicable and to remain effective in order to register the exchange of Holdings Units together with shares of Class B common stock for shares of Class A common stock by certain employees and directors from time to time. We will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of shares pursuant to the agreement. The agreement will include customary indemnification provisions in favor of TSG and the employees and directors party to the agreement, any person who is or might be deemed a control person (within the meaning of the Securities Act and the Exchange Act) and related parties against certain losses and liabilities (including reasonable costs of investigation and legal expenses) arising out of or based upon any filing or other disclosure made by us under the securities laws relating to any such registration.

**Participation in this offering**

Certain of our directors, officers or other affiliates may purchase shares of Class A common stock in the directed share program in this offering at the initial public offering price. These prospective purchasers have the right to purchase these shares, but are under no obligation to purchase any shares in this offering and their interest in purchasing shares in this offering is not a commitment to do so. The underwriters will receive the same discount from shares of our Class A common stock purchased by such directors, officers and other affiliates as they will from other shares of our Class A common stock sold to the public in this offering. Any shares purchased by such directors, officers and other affiliates will be subject to lock-up restrictions described in the section entitled “Shares eligible for future sale—Lock-up agreements.”

**Indemnification agreements**

Prior to the completion of this offering, we expect to enter into indemnification agreements with each of our directors. These agreements will require us to indemnify these individuals and, in certain cases, affiliates of such individuals, to the fullest extent permissible under Delaware law against liabilities that may arise by reason of their service to us or at our direction, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

**Related person transactions policy**

In connection with this offering, we have adopted a policy with respect to the review, approval and ratification of related person transactions. Under the policy, our audit committee is responsible for reviewing and approving related person transactions. In the course of its review and approval of related person transactions, our audit committee will consider the relevant facts and circumstances to decide whether to approve such transactions. Related person transactions must be approved or ratified by the audit committee based on full information about the proposed transaction and the related person’s interest.

We did not have a written policy regarding the review and approval of related person transactions prior to this offering. Nevertheless, with respect to such transactions, it was our policy for the board of managers of Pla-Fit Holdings, LLC to consider the nature of and business reason for such transactions, how the terms of such transactions compared to those which might be obtained from unaffiliated third parties and whether such transactions were otherwise fair to and in the best interests of, or not contrary to, our best interests.

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**Principal and selling stockholders**

The following table sets forth information with respect to the beneficial ownership of our Class A common stock and Class B common stock as of

* 2015 for (a) each person, or group of affiliated persons, known by us to own beneficially more than 5% of our outstanding shares of Class A common stock and Class B common stock, (b) each member of our board of directors, (c) each of our named executive officers, (d) all of our directors and executive officers as a group and (e) each of the selling stockholders.

Beneficial ownership is determined in accordance with SEC rules. The information is not necessarily indicative of beneficial ownership for any other purpose. In general, under these rules a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares voting power or investment power with respect to such security. A person is also deemed to be a beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days. To our knowledge, except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Class A common stock and Class B common stock beneficially owned by that person.

In connection with the recapitalization transactions, we will issue to the Continuing LLC Owners one share of our Class B common stock for each Holdings Unit that they hold. Each Continuing LLC Owner will have the right to exchange their Holdings Units, along with a corresponding number of shares of our Class B common stock, for shares of our Class A common stock on a one-for-one basis. See “The recapitalization transactions” and “Certain relationships and related party transactions.”

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The percentage of shares beneficially owned is computed on the basis of shares of our Class A common stock outstanding as of

, 2015, and Holdings Units and shares of our Class B common stock outstanding as of , 2015. Shares of our

Class A common stock that a person has the right to acquire within 60 days of , 2015 (including the right to exchange described

above) are deemed outstanding for purposes of computing the percentage ownership of such person’s holdings, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. In addition, the table below does not reflect any shares of our Class A common stock that our directors, officers and other affiliates may purchase in this offering through the directed share program described in the section entitled “Underwriting.” Unless otherwise indicated below, the address for each beneficial owner listed is c/o Planet Fitness, Inc., 26 Fox Run Road, Newington, New Hampshire 03801.



**Class A common stock beneficially owned(1)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Shares of Class A** | |  | **Shares of Class A** |  |  |
|  |  | **Shares of Class A** | |  |  | **common stock** | |  | **common stock** | |  |
|  |  | **common stock** | |  | **beneficially owned after** | | | **beneficially owned after** | | |  |
|  | **beneficially owned after** | | |  |  | **giving effect to the** | |  | **giving effect to the** | |  |
|  |  | **giving effect to the** | |  |  | **recapitalization** | |  | **recapitalization** | |  |
|  |  | **recapitalization** | |  | **transactions and after** | | | **transactions and after** | | |  |
|  | **transactions and before** | | | **Shares** |  | **this offering** | |  | **this offering** | |  |
|  |  | **this offering** | |  | **(no option)** | |  | **(with option)** | |  |
|  |  | **being** |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | **Number** | **Percentage** | | **offered** | **Number** | **Percentage** | | **Number** | **Percentage** |  |  |

**Name of beneficial owner**



***5% Stockholders***



TSG Funds(2)

***Directors and Named Executive***

***Officers***



Chris Rondeau(3)

Dorvin Lively(4)



Richard L. Moore(5)

Charles Esserman(6)



Michael Layman(6)

Pierre LeComte(6)



Edward Wong(6)

Marc Grondahl(7)



Stephen Spinelli, Jr.(8)

All executive officers and directors as a

group (9 persons)(9)



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**Class B common stock beneficially owned(1)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Shares of Class B** | |  | **Shares of Class B** |  |
|  |  | **Shares of Class B** | |  | **common stock** | |  | **common stock** | |
|  |  | **common stock** | | **beneficially owned after** | | | **beneficially owned after** | | |
|  | **beneficially owned after** | | |  | **giving effect to the** | |  | **giving effect to the** | |
|  |  | **giving effect to the** | |  | **recapitalization** | |  | **recapitalization** | |
|  |  | **recapitalization** | |  | **transactions and after** | |  | **transactions and after** | |
|  | **transactions and before** | | |  | **this offering** | |  | **this offering** | |
|  |  | **this offering** | |  | **(no option)** | |  | **(with option)** | |
|  |  |  |  |  |  |  |  |  |  |
|  | **Number** | **Percentage** | | **Number** | **Percentage** | | **Number** | **Percentage** |  |

**Name of beneficial owner**



***5% Stockholders***



TSG Funds(2)

***Directors and Named Executive Officers***



Chris Rondeau(3)

Dorvin Lively(4)



Richard L. Moore(5)

Charles Esserman(6)



Michael Layman(6)

Pierre LeComte(6)



Edward Wong(6)

Marc Grondahl(7)



Stephen Spinelli, Jr.(8)

All executive officers and directors as a

group (9 persons)(9)



* Represents beneficial ownership of less than 1%.

1. Subject to the terms of the exchange agreement, the Holdings Units held by Continuing LLC Owners are exchangeable for shares of our Class A common stock on a one-for-one basis. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Exchange agreement.” In these tables, beneficial ownership of Holdings Units has been reflected as beneficial ownership of shares of our Class A common stock for which such Holdings Units may be exchanged. When a Holdings Unit is exchanged by a Continuing LLC Owner who holds shares of Class B common stock, a corresponding share of Class B common stock will be cancelled. Accordingly, in the first table above, the percentages of Class A common stock provided also reflect combined voting power for each respective beneficial owner. See “Description of capital stock.”

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| (2) | Shares of Class A common stock shown as beneficially owned by the TSG Funds include: (a) | | | shares of Class A common stock held by TSG6 AIV II-A, L.P. (“AIV II-A”), a | |
|  | Delaware limited partnership whose general partner is TSG6 Management L.L.C. (“TSG6 Management”), a Delaware limited liability company; (b) | | | | shares of Class A common |
|  | stock held by TSG6 PF Co-Investors A, L.P. (“Co-Investors A”), a Delaware limited partnership whose general partner is TSG6 Management; (c) | | | | shares of Class A common stock |
|  | underlying an identical number of Holdings Units and shares of Class B common stock held by TSG6 PF Investment LLC (“Investment”), a Delaware limited liability company whose | | | | |
|  | managing member is TSG6 Management; and (d) | | shares of Class A common stock underlying an identical number of Holdings Units and shares of Class B common stock held | | |
|  | by TSG6 PF Investment II LLC (“Investment II” and, together with AIV II-A, Co-Investors A and Investment, the “TSG Funds”), a Delaware limited liability company whose managing | | | | |
|  | member is TSG6 Management. By virtue of the relationships described in this footnote, TSG6 Management may be deemed to share beneficial ownership of the securities held by the | | | | |
|  | TSG Funds. Voting and investment decisions with respect to securities held by the TSG Funds are made by the investment committee of TSG6 Management, which is comprised of | | | | |
|  | Charles Esserman, James O’Hara, Hadley Mullin, Pierre LeComte, Blythe Jack, Brian Krumrei and Jennifer Baxter Moser. Each member of the investment committee disclaims beneficial | | | | |
|  | ownership to the extent attributed to such member solely by virtue of his or her membership on the investment committee. Each of the TSG Funds has an address c/o TSG Consumer | | | | |
|  | Partners, LLC, 600 Montgomery Street, Suite 2900, San Francisco, California 94111. | | |  |  |
| (3) | Includes | shares of Class A common stock underlying an identical number of Holdings Units and shares of Class B common stock held by Mr. Rondeau. | | | |
| (4) | Includes | shares of Class A common stock underlying an identical number of Holdings Units and shares of Class B common stock held by Mr. Lively that have vested or will vest | | | |
|  | within 60 days. |  |  |  |  |
| (5) | Includes | shares of Class A common stock underlying an identical number of Holdings Units and shares of Class B common stock held by Mr. Moore that have vested or will vest | | | |
|  | within 60 days. |  |  |  |  |

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1. Does not include shares of Class A common stock beneficially owned by the TSG Funds. Mr. Esserman is Chief Executive Officer of TSG, Mr. Layman is a Senior Vice President of TSG, Mr. LeComte is Managing Director of TSG and Edward Wong is a Vice President of TSG. The address of each of Messrs. Esserman, Layman, LeComte and Wong is c/o TSG Consumer Partners, LLC, 600 Montgomery Street, Suite 2900, San Francisco, California 94111.

|  |  |  |
| --- | --- | --- |
| (7) | Includes | shares of Class A common stock underlying an identical number of Holdings Units and shares of Class B common stock held by Mr. Grondahl. |
| (8) | Includes | shares of Class A common stock underlying an identical number of Holdings Units and shares of Class B common stock held by Dr. Spinelli that have vested or will vest |
|  | within 60 days. |  |
| (9) | Includes | shares of Class A common stock underlying an identical number of Holdings Units and shares of Class B common stock held by our current directors and executive |
|  | officers as a group that have vested or will vest within 60 days. | |
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**Description of certain indebtedness**

**Senior secured credit facility**

***General***

On December 14, 2012, Planet Fitness Holdings, LLC entered into a $230.0 million senior secured credit facility with JPMorgan Chase Bank, N.A. as administrative agent and the other lenders party thereto. The senior secured credit facility originally consisted of a $190.0 million term loan facility and a $40.0 million revolving credit facility. On March 31, 2014, we amended and restated the senior secured credit facility to increase the size of the term loan facility to $390.0 million and to make certain other changes to the pricing terms and certain covenants.

The senior secured credit facility provides that Planet Fitness Holdings, LLC has the right at any time to request additional loans and commitments, and to the extent that the aggregate amount of such additional loans and commitments exceeds $75.0 million, the incurrence thereof is subject to a first lien net leverage ratio being no greater than the first lien net leverage ratio on March 31, 2014, reduced by 0.25. The lenders under these facilities are not under any obligation to provide any such additional term loans or commitments, and any additional term loans or increase in commitments are subject to several conditions precedent and limitations.

On March 31, 2015, we amended our senior secured credit facility to provide for an increase in term loan borrowings to $506.1 million to permit the issuance of a cash dividend of $140.0 million to holders of Class T Units and Class O Units of Pla-Fit Holdings, LLC, and to extend 1.00% soft-call prepayment premium on our senior secured credit facility until September 30, 2015. The full incremental borrowings of $120.0 million plus $20.0 million from cash on hand were used to fund the dividend payment. The additional incremental term loan borrowings bear a variable rate of interest of the greater of LIBOR or 1.00% plus the applicable margin of 3.75%. All other terms and conditions remained unchanged under the senior secured credit facility.

***Interest rates and fees***

Borrowings under the senior secured credit facility bear interest at a rate per annum equal to an applicable margin plus, at our option, either (1) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 1/2 of 1%, (b) the prime rate of JPMorgan Chase Bank, N.A. and (c) the adjusted LIBO rate for a one month interest period plus 1% or (2) a LIBO rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that LIBO rate shall not be lower than 1.00%. The initial applicable margin under the term loan facility was 2.75% and ranges from 2.75% to 2.50% for loans based upon the base rate and ranges from 3.75% to 3.50% for loans based upon the LIBO rate, in each case based upon on specified leverage ratios. The applicable margin under the revolving credit facility ranges from 1.75% to 2.25% for loans based upon the base rate and ranges from 2.75% to 3.25% for loans based upon the LIBO rate, in each case based upon on specified leverage ratios.

In addition to paying interest on outstanding principal under the senior secured credit facility, we are required to pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments thereunder at a rate ranging from 0.35% to 0.45% per annum, based upon on specified leverage ratios. We also pay customary letter of credit and agency fees.

***Mandatory prepayments***

The credit agreement governing the senior secured credit facility requires Planet Fitness Holdings, LLC to prepay outstanding term loans, subject to certain exceptions, with: (1) 100% of the net cash proceeds of any

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incurrence of indebtedness by Planet Fitness Holdings, LLC or its restricted subsidiaries other than certain indebtedness permitted under the senior secured credit facility, (2) 100% of the net cash proceeds of non-ordinary course asset sales or other dispositions of assets (including casualty events) by Planet Fitness Holdings, LLC or its restricted subsidiaries, subject to reinvestment rights and certain other exceptions.

In general, the mandatory prepayments described above are applied first, in direct order of maturities or otherwise at our direction, to scheduled principal amortization payments, second, to prepay any revolving loans, without any permanent reduction in the commitments under the revolving loan facility and third, to cash collateralize any outstanding letters of credit.

***Voluntary repayments***

We may voluntarily repay outstanding loans under the senior secured credit facility at any time subject to customary “breakage” costs with respect to LIBO rate loans.

***Amortization and final maturity***

The term loan facility amortizes each year in an amount equal to 1% per annum in equal quarterly installments for the first six and three quarter years, with the balance payable on March 31, 2021. The principal amount outstanding of the loans under the revolving credit facility becomes due and payable on March 31, 2019.

***Guarantees and security***

The senior secured credit facility is guaranteed by Planet Intermediate, LLC and certain of Planet Fitness Holdings, LLC’s direct and indirect wholly owned domestic subsidiaries (excluding certain immaterial subsidiaries and subject to certain other exceptions), and is required to be guaranteed by certain of Planet Fitness Holdings, LLC’s future domestic wholly owned subsidiaries. The security of all obligations under the senior secured credit facility and the guarantees of those obligations, subject to certain exceptions, including the mortgages, will be limited to owned real property with a fair market value above a specified threshold. Such obligations and guarantees are secured by (i) substantially all of the assets of Planet Intermediate, LLC, Planet Fitness Holdings, LLC and the subsidiary guarantors, including a first-priority pledge of 100% of certain of the capital stock or equity interests held by Planet Intermediate, LLC, Planet Fitness Holdings, LLC or any subsidiary guarantor (which pledge, in the case of the stock of any foreign subsidiary (each such entity, a “Pledged Foreign Sub”) (with certain agreed-upon exceptions) and the equity interests of certain U.S. subsidiaries that hold capital stock of foreign subsidiaries and are disregarded entities for U.S. federal income tax purposes (each such entity, a “Pledged U.S. DE”) (with certain agreed-upon exceptions), is limited to 65% of the stock or equity interests of such Pledged Foreign Sub or Pledged U.S. DE, as the case may be), in each case excluding any interests in non-wholly owned restricted subsidiaries (including joint ventures) to the extent such a pledge would violate the governing documents thereof and certain other exceptions; and (ii) a first-priority security interest in substantially all other tangible and intangible assets of Planet Intermediate, LLC, Planet Fitness Holdings, LLC and each subsidiary guarantor.

***Covenants and other matters***

The senior secured credit facility contains a number of covenants that, among other things and subject to certain exceptions, restrict the ability of

Planet Intermediate, LLC Planet Fitness Holdings, LLC and its restricted subsidiaries to:

* incur additional indebtedness;
* incur certain liens;

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* consolidate or merge;
* alter the business conducted by Planet Intermediate, LLC, Planet Fitness Holdings, LLC and its restricted subsidiaries;
* make investments, loans, advances and acquisitions;
* sell assets, including capital stock of its subsidiaries;
* enter into certain sale and leaseback transactions;
* enter into certain swap agreements or derivative transactions;
* pay dividends on capital stock or redeem, repurchase or retire capital stock or certain other indebtedness;
* engage in transactions with affiliates; and
* enter into agreements restricting our restricted subsidiaries’ ability to pay dividends.

In addition, the credit agreement governing the senior secured credit facility requires Planet Fitness Holdings, LLC and its restricted subsidiaries to comply on a quarterly basis with a maximum total net leverage ratio, which covenant is only for the benefit of the revolving credit facility. This financial maintenance covenant becomes more restrictive over time.

The credit agreement governing the senior secured credit facility contains certain customary affirmative covenants and events of default.

This summary describes the material provisions of the senior secured credit facility, but may not contain all information that is important to you. We urge you to read the provisions of the credit agreement governing the senior secured credit facility, which has been filed as an exhibit to the registration statement of which this prospectus forms a part. See “Where you can find more information.”

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**Description of capital stock**

**General**

The following description of our capital stock is intended as a summary only and is qualified in its entirety by reference to our certificate of incorporation and bylaws to be in effect at the completion of this offering, which are filed as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of the DGCL. Under “Description of capital stock,” “we,” “us,” “our” and “our Company” refer to Planet Fitness, Inc. and not to any of its subsidiaries.

As of the consummation of this offering, our authorized capital stock will consist of shares of Class A common stock, par value $0.0001 per share, shares of Class B common stock, par value $0.0001 per share, and shares of preferred stock, par value $0.0001 per share. Upon the completion of this offering, there will be shares of our Class A common stock issued and outstanding and shares of our Class B common stock issued and outstanding. See the section entitled “The recapitalization transactions.”

**Common stock**

*Voting rights.* Holders of our Class A common stock and Class B common stock will be entitled to cast one vote per share on all matterssubmitted to stockholders for their approval. Holders of our Class A common stock and Class B common stock will not be entitled to cumulate their votes in the election of directors. Holders of our Class A common stock and Class B common stock will vote together as a single class on all matters submitted to stockholders for their vote or approval, except with respect to the amendment of certain provisions of our certificate of incorporation that would alter or change the powers, preferences or special rights of the Class B common stock so as to affect them adversely, which amendments must be approved by a majority of the votes entitled to be cast by the holders of the Class B common stock, voting as a separate class, or as otherwise required by applicable law. The voting power of the outstanding Class B common stock (expressed as a percentage of the total voting power of all common stock) will be equal to the percentage of Holdings Units not held directly or indirectly by Planet Fitness, Inc.

Generally, all matters to be voted on by stockholders must be approved by a majority of votes cast affirmatively or negatively on a matter by stockholders (or, in the case of election of directors, by a plurality), voting together as a single class. Except as otherwise provided by law, amendments to the certificate of incorporation must be approved by a majority or, in some cases, a super-majority of the combined voting power of all shares entitled to vote, voting together as a single class.

*Dividend rights*. Holders of Class A common stock will share ratably (based on the number of shares of Class A common stock held) if and whenany dividend is declared by the board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock. The holders of our Class B common stock will not have any right to receive dividends other than dividends consisting of shares of our Class B common stock paid proportionally with respect to each outstanding share of our Class B common stock.

*Liquidation rights*. On our liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to theholders of preferred stock having liquidation preferences, if any, each holder of Class A common stock will be entitled to a pro rata distribution of any assets available for distribution to common stockholders. Other than their par value, the holders of our Class B common stock will not have any right to receive a distribution upon a liquidation or dissolution of our Company.

*Other matters*. No shares of Class A common stock or Class B common stock will be subject to redemption or have preemptive rights topurchase additional shares of Class A common stock or Class B common stock. Holders of shares of our Class A common stock and Class B common stock do not have subscription, redemption

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or conversion rights. There will be no redemption or sinking fund provisions applicable to the Class A common stock or Class B Common Stock. Upon consummation of this offering, all the outstanding shares of Class A common stock and Class B common stock will be validly issued, fully paid and non-assessable.

*Transfers of Class B common stock*. Pursuant to the recapitalization agreement and the New LLC Agreement, each holder of Class B commonstock agrees that:

* the holder will not transfer any shares of Class B common stock to any person unless the holder transfers an equal number of Holdings Units to the same person; and
* in the event the holder transfers any Holdings Units to any person, the holder will transfer an equal number of shares of Class B common stock to the same person.

**Preferred stock**

Our board of directors may, without further action by our stockholders, from time to time, direct the issuance of shares of preferred stock in series and may, at the time of issuance, determine the designations, powers, preferences, privileges and relative participating, optional or special rights, as well as the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the Class A common stock. Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for the payment of dividends on shares of our Class A common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of our liquidation before any payment is made to the holders of shares of our Class A common stock. Under certain circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Upon the affirmative vote of a majority of the total number of directors then in office, our board of directors, without stockholder approval, may issue shares of preferred stock with voting and conversion rights which could adversely affect the holders of shares of our Class A common stock and the market value of our Class A common stock. Upon consummation of this offering, there will be no shares of preferred stock outstanding, and we have no present intention to issue any shares of preferred stock.

**Stockholders agreement**

In connection with this offering, we intend to enter into a stockholders agreement with investment funds affiliated with TSG pursuant to which TSG will have specified board representation rights, governance rights and other rights. See “Certain relationships and related party transactions— Recapitalization transactions in connection with this offering—Stockholders agreement.”

**Registration rights**

Following the completion of this offering, all of the Continuing LLC Owners and Direct TSG Investors, which include the investment funds affiliated with TSG that hold Holdings Units and shares of Class A common stock, and certain employees and directors that hold Holdings Units, will be entitled to rights with respect to the registration of their shares under the Securities Act. These registration rights are contained in our registration rights agreement. See “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering— Registration rights agreement.”

**Anti-takeover effects of our certificate of incorporation and our bylaws**

Our certificate of incorporation and our bylaws contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions will discourage coercive takeover practices

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or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with the board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they may also discourage acquisitions that some stockholders may favor.

These provisions include:

* *Classified board.* Our certificate of incorporation provides that our board of directors will be divided into three classes of directors. As a result,approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board. Following the closing of this offering, our board of directors will initially be composed of seven members.
* *No cumulative voting.* The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unlessthe certificate of incorporation specifically authorizes cumulative voting. Our certificate of incorporation does not authorize cumulative voting.
* *Requirements for removal of directors*. Following the date on which the TSG no longer beneficially owns a majority of our common stock,directors may only be removed for cause by the affirmative vote of the holders of at least 75% of the voting power of our outstanding shares of capital stock entitled to vote thereon.
* *Advance notice procedures*. Our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annualmeeting of our stockholders, including proposed nominations of persons for election to the board of directors. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our secretary timely written notice, in proper form, of the stockholder’s intention to bring that business before the meeting. Although the bylaws do not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of our Company.
* *Actions by written consent; special meetings of stockholders*. Our certificate of incorporation provides that, following the date on which TSG nolonger beneficially owns a majority of our common stock, stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting. Our certificate of incorporation also provides that, except as otherwise required by law, special meetings of the stockholders can only be called by or at the direction of the chairman of the board, a majority of the board of directors, or, until the date on which TSG no longer beneficially owns a majority of our common stock, by the secretary at the request of the holders of 50% or more of our outstanding shares of common stock.
* *Supermajority approval requirements*. Following the date on which TSG no longer beneficially owns a majority of our common stock, certainamendments to our certificate of incorporation and shareholder amendments to our bylaws will require the affirmative vote of at least 75% of the voting power of the outstanding shares of our capital stock entitled to vote thereon.
* *Authorized but unissued shares*. Our authorized but unissued shares of common and preferred stock will be available for future issuancewithout stockholder approval. The existence of authorized but unissued shares of preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

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* *Business combinations with interested stockholders*. We have elected in our certificate of incorporation not to be subject to Section 203 of theDGCL, an antitakeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation’s voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. While we will not be subject to any anti-takeover effects of Section 203, our certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that investment funds affiliated with TSG will not be deemed to be an “interested stockholder,” regardless of the percentage of our voting stock owned by investment funds affiliated with TSG, and accordingly we will not be subject to such restrictions.

**Exclusive forum**

Our certificate of incorporation requires, to the fullest extent permitted by law, that derivative actions brought in the name of the Company, actions against directors, officers and employees for breach of a fiduciary duty and other similar actions may be brought only in specified courts 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. See “Risk Factors —Our certificate of incorporation designates courts in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.”

**Corporate opportunities**

Our certificate of incorporation provides that we renounce any interest or expectancy in the business opportunities of TSG and of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries and each such party shall not have any obligation to offer us those opportunities unless presented to one of our directors or officers in his or her capacity as a director or officer.

**Limitations on liability and indemnification of directors and officers**

Our certificate of incorporation limits the liability of our directors and officers to the fullest extent permitted by the DGCL and requires that we will provide them with customary indemnification. We also expect to enter into customary indemnification agreements with each of our directors that provide them, in general, with customary indemnification in connection with their service to us or on our behalf. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable. We also maintain officers’ and directors’ liability insurance that insures against liabilities that our officers and directors may incur in such capacities.

**Transfer agent and registrar**

The transfer agent and registrar for our Class A common stock is American Stock Transfer and Trust Company, LLC.

**Listing**

We intend to apply to list our Class A common stock on the NYSE under the symbol “PLNT.”

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**Shares eligible for future sale**

Before this offering, there has been no public market for our Class A common stock. As described below, only a limited number of shares currently outstanding will be available for sale immediately after this offering due to contractual and legal restrictions on resale. Nevertheless, future sales of substantial amounts of our Class A common stock, including shares issued upon the exercise of outstanding options, in the public market after this offering, or the perception that those sales may occur, could cause the prevailing market price for our Class A common stock to fall or impair our ability to raise capital through sales of our equity securities.

Upon the completion of this offering, we will have outstanding shares of our Class A common stock, after giving effect to the issuance of shares of our Class A common stock in this offering, assuming no exercise by the underwriters of their option to purchase additional shares and no exercise of options outstanding as of , 2015.

Of the shares that will be outstanding immediately after the completion of this offering, we expect that the shares to be sold in this offering

will be freely tradable without restriction under the Securities Act unless purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act. Shares purchased by our affiliates may not be resold except pursuant to an effective registration statement or an exemption from registration, including the safe harbor under Rule 144 of the Securities Act described below.

In addition, upon consummation of this offering, the Continuing LLC Owners and the Direct TSG Investors will beneficially own shares of our Class A common stock, including shares of Class A common stock underlying Holdings Units. Pursuant to the terms of the exchange

agreement that we will enter into with the Continuing LLC Owners in connection with this offering, the Continuing LLC Owners will have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, together with a corresponding number of shares of our Class B common stock, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends, reclassifications and other similar transactions.

Shares of our Class A common stock held by the Continuing LLC Owners and the Direct TSG Investors would be “restricted securities,” as defined in Rule 144. As a result, absent registration under the Securities Act or compliance with Rule 144 thereunder or an exemption therefrom, these shares of Class A common stock will not be freely transferable to the public. However, we will enter into a registration rights agreement with the Continuing LLC Owners and the Direct TSG Investors that will require us to register under the Securities Act the resale of these shares of Class A common stock (including shares of our Class A common stock received in exchange for a corresponding number of Holdings Units and shares of Class B common stock). See “—Registration rights” and “Certain relationships and related party transactions—Recapitalization transactions in connection with this offering—Registration rights agreement.” Such securities registered under any registration statement will be available for sale in the open market unless restrictions apply.

The remaining shares of our Class A common stock outstanding after this offering will be “restricted securities,” as that term is defined in Rule 144 of the Securities Act, and we expect that substantially all of these restricted securities will be subject to the lock-up agreements described below. These restricted securities may be sold in the public market only if the sale is registered or pursuant to an exemption from registration, such as the safe harbor provided by Rule 144.

**Lock-up agreements**

We and each of our directors, executive officers, the selling stockholders and certain other stockholders, who collectively own shares of our common stock, or securities exercisable for or exchangeable into shares of our common stock, including Holdings Units, following this offering, have agreed that, without the prior

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written consent of certain of the underwriters, we and they will not, subject to limited exceptions, directly or indirectly sell or dispose of any shares of common stock or any securities convertible into or exchangeable or exercisable for shares of common stock for a period of 180 days after the date of this prospectus. The lock-up restrictions and specified exceptions are described in more detail under “Underwriting.”

**Rule 144**

In general, under Rule 144, beginning 90 days after the date of this prospectus, any person who is not our affiliate and has held their shares of Class A common stock for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction, subject to the availability of current public information about us. In addition, under Rule 144, any person who is not our affiliate and has not been our affiliate at any time during the preceding three months and has held their shares of Class A common stock for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares of Class A common stock immediately upon the completion of this offering without regard to whether current public information about us is available.

Beginning 90 days after the date of this prospectus, a person who is our affiliate or who was our affiliate at any time during the preceding three months and who has beneficially owned restricted securities for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell a number of shares of Class A common stock within any three-month period that does not exceed the greater of:

(i) 1% of the number of shares of our Class A common stock outstanding, which will equal approximately shares immediately after this offering; and (ii) the average weekly trading volume of our Class A common stock on during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about us.

**Rule 701**

In general, under Rule 701 under the Securities Act, beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act, any of our employees, directors, officers, consultants or advisors who acquired shares of Class A common stock from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 is entitled to sell such shares in reliance on Rule 144 but without compliance with certain of the requirements contained in Rule 144. Accordingly, subject to any applicable lock-up agreements, beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act, under Rule 701 persons who are not our affiliates may resell those shares without complying with the minimum holding period or public information requirements of Rule 144, and persons who are our affiliates may resell those shares without compliance with Rule 144’s minimum holding period requirements.

**Equity incentive plans**

Following this offering, we intend to file with the SEC a registration statement on Form S-8 under the Securities Act covering the shares of Class A common stock that are subject to options and other awards issuable pursuant to our equity incentive plans. Shares covered by such registration statement will be available for sale in the open market following its effective date, subject to certain Rule 144 limitations applicable to affiliates and the terms of lock-up agreements applicable to those shares.

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**Registration rights**

Subject to the lock-up agreements described above, certain holders of our Class A common stock, or securities exercisable for or exchangeable into, shares of Class A common stock, including Holdings Units, may demand that we register the sale of their shares under the Securities Act or, if we file another registration statement under the Securities Act other than a Form S-8 covering securities issuable under our equity plans or on Form S-4, may elect to include their shares of Class A common stock in such registration. Following such registered sales, the shares will be freely tradable without restriction under the Securities Act, unless held by our affiliates. See “Certain relationships and related party transactions— Recapitalization transactions in connection with this offering—Registration rights agreement.”

**Participation in this offering**

Any shares purchased by potential purchasers in the directed share program cannot be resold in the public market immediately following this offering as a result of restrictions under securities laws and lock-up agreements, but are able to be sold following the expiration of these restrictions, in each case as described above.

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**Material U.S. federal income tax considerations for Non-U.S. Holders**

The following is a summary of the material U.S. federal income and estate tax considerations relating to the purchase, ownership and disposition of shares of our Class A common stock issued pursuant to this offering by Non-U.S. Holders (defined below). This summary does not purport to be a complete analysis of all the potential tax considerations relevant to Non-U.S. Holders of shares of our Class A common stock. This summary is based upon the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), the Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change or differing interpretations at any time, possibly with retroactive effect.

This summary assumes that shares of our Class A common stock are held by a Non-U.S. Holder as “capital assets” within the meaning of Section 1221 of the Internal Revenue Code (generally, property held for investment). This summary does not purport to deal with all aspects of U.S. federal income and estate taxation that might be relevant to particular Non-U.S. Holders in light of their particular investment circumstances or status, nor does it address specific tax considerations that may be relevant to particular persons subject to special treatment under U.S. federal income tax laws (including, for example, financial institutions, broker-dealers, insurance companies, partnerships or other pass-through entities or arrangements, certain U.S. expatriates or former long-term residents of the U.S., tax-exempt organizations, pension plans, “controlled foreign corporations,” “passive foreign investment companies,” corporations that accumulate earnings to avoid U.S. federal income tax, or persons in special situations, such as those who have elected to mark securities to market or those who hold shares of our Class A common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment). In addition, except as explicitly addressed herein with respect to estate tax, this summary does not address estate or any gift tax considerations or considerations arising under the tax laws of any state, local or non-U.S. jurisdiction or any consideration relating to the alternative minimum tax or the 3.8% tax on net investment income.

For purposes of this summary, a “Non-U.S. Holder” means a beneficial owner of shares of our Class A common stock that for U.S. federal income tax purposes, is an individual, corporation, estate or trust other than:

* an individual who is a citizen or resident of the United States;
* a corporation, or any other organization taxable as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
* an estate, the income of which is included in gross income for U.S. federal income tax purposes regardless of its source; or
* a trust if (1) a U.S. court is able to exercise primary supervision over the trust’s administration and one or more U.S. persons (as defined in the Internal Revenue Code) have the authority to control all of the trust’s substantial decisions or (2) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds shares of our Class A common stock, the tax treatment of persons treated as its partners for U.S. federal income tax purposes will generally depend upon the status of the partner and the activities of the partnership. Partnerships and other entities that are classified as partnerships for U.S. federal income tax purposes and persons holding our Class A common stock through a partnership or other entity classified as a partnership for U.S. federal income tax purposes are urged to consult their own tax advisors.

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There can be no assurance that the IRS will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal income or estate tax consequences to a Non-U.S. Holder of the purchase, ownership or disposition of shares of our Class A common stock.

**THIS SUMMARY IS NOT INTENDED TO BE TAX ADVICE. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME AND ESTATE TAXATION AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF SHARES OF OUR CLASS A COMMON STOCK, AS WELL AS THE APPLICATION OF STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX LAWS.**

**Distributions on shares of our Class A common stock**

As discussed under “Dividend policy” above, we do not currently anticipate paying cash dividends on shares of our Class A common stock in the foreseeable future. In the event that we do make a distribution of cash or property with respect to shares of our Class A common stock, any such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined under U.S. federal income tax principles, and will be subject to withholding as described in the next paragraph below. If a distribution exceeds our current or accumulated earnings and profits, the excess will be treated as a tax-free return of the Non-U.S. Holder’s investment, up to such holder’s adjusted tax basis in its shares of our Class A common stock, as determined on a share-per-share basis. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in “—Gain on sale, exchange or other taxable disposition of shares of our Class A common stock.”

Any dividends paid to a Non-U.S. Holder with respect to shares of our Class A common stock generally will be subject to a 30% U.S. federal withholding tax unless such Non-U.S. Holder provides the applicable withholding agent with an appropriate and validly completed IRS Form W-8, such as:

* IRS Form W-8BEN (or successor form) or IRS Form W-8BEN-E (or successor form) certifying, under penalties of perjury, that such Non-U.S. Holder is entitled to a reduction in withholding under an applicable income tax treaty; or
* IRS Form W-8ECI (or successor form) certifying, under penalties of perjury, that a dividend paid on shares of our Class A common stock is not subject to withholding tax because it is effectively connected with conduct of a trade or business in the United States of the Non-U.S. Holder (in which case such dividend generally will be subject to regular graduated U.S. federal income tax rates on a net income basis as described below).

The certifications described above must be provided to the applicable withholding agent prior to the payment of dividends and must be updated periodically. The certification also may require a Non-U.S. Holder that provides an IRS form or that claims treaty benefits to provide its U.S. taxpayer identification number. Special certification and other requirements apply in the case of certain Non-U.S. Holders that are intermediaries or pass-through entities for U.S. federal income tax purposes.

If dividends are effectively connected with the conduct of a trade or business in the United States of the Non-U.S. Holder (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained by such Non-U.S. Holder in the United States), the Non-U.S. Holder, although exempt from the withholding tax described above (provided that the certifications described above are satisfied), will generally be subject to U.S. federal income tax on such dividends on a net income basis in the same manner as if it were a resident of the U.S. In addition, if such Non-U.S. Holder is taxable as a corporation for U.S. federal income tax purposes, such Non-U.S. Holder may be subject to an additional “branch profits tax” equal to 30% of its effectively connected earnings and profits for the taxable year, unless an applicable income tax treaty provides otherwise.

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Non-U.S. Holders that do not timely provide the applicable withholding agent with the required certification, but which are eligible for a reduced rate of U.S. federal withholding tax pursuant to an applicable income tax treaty may obtain a refund or credit of any excess amount withheld by timely filing an appropriate claim for refund with the IRS.

Any distribution described in this section would also be subject to the discussion below in the section entitled “—Foreign Account Tax Compliance Act.”

**Gain on sale, exchange or other taxable disposition of shares of our Class A common stock**

Subject to the discussion below under “—Backup withholding and information reporting” and “—Foreign Account Tax Compliance Act,” in general, a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on any gain realized upon such holder’s sale, exchange or other disposition of shares of our Class A common stock (including a redemption, but only if the redemption would be treated as a sale or exchange rather than a distribution for U.S. federal income tax purposes) unless (i) such Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of disposition, and certain other conditions are met, (ii) we are or have been a “U.S. real property holding corporation,” as defined in the Internal Revenue Code (a “USRPHC”), at any time within the shorter of the five-year period preceding the disposition and the Non-U.S. Holder’s holding period with respect to the applicable shares of our Class A common stock (the “relevant period”) and certain other conditions are met, or (iii) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the U.S. (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base maintained by such Non-U.S. Holder in the U.S.).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (unless an applicable income tax treaty provides otherwise) on the amount by which such Non-U.S. Holder’s capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the disposition.

With respect to the second exception above, although there can be no assurance, we believe we are not, and we do not currently anticipate becoming, a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of other business assets, there can be no assurance that we are not currently or will not become a USRPHC in the future. Generally, a corporation is a USRPHC only if the fair market value of its U.S. real property interests (as defined in the Internal Revenue Code) equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus certain other assets used or held for use in a trade or business. Even if we are or become a USRPHC, a Non-U.S. Holder would not be subject to U.S. federal income tax on a sale, exchange or other taxable disposition of our Class A common stock by reason of our status as a USRPHC so long as (a) our Class A common stock is regularly traded on an established securities market (within the meaning of Internal Revenue Code Section 897(c)(3)) during the calendar year in which such sale, exchange or other taxable disposition of our Class A common stock occurs and (b) such Non-U.S. Holder does not own and is not deemed to own (directly, indirectly or constructively) more than 5% of our Class A common stock at any time during the relevant period. If we are a USRPHC and the requirements of (a) or (b) are not met, gain on the disposition of shares of our Class A common stock generally will be taxed in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the “branch profits tax” generally will not apply. Prospective investors are urged to consult their own tax advisors regarding the possible consequences to them if we are, or were to become, a USRPHC.

If the third exception applies, the Non-U.S. Holder generally will be subject to U.S federal income tax on a net income basis with respect to such gain in the same manner as if such holder were a resident of the U.S., unless

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otherwise provided in an applicable income tax treaty. In addition, a Non-U.S. Holder that is a corporation for U.S federal income tax purposes may also be subject to a “branch profits tax” on its effectively connected earnings and profits at a rate of 30%, unless an applicable income tax treaty provides otherwise.

**Foreign Account Tax Compliance Act**

Legislation commonly referred to as the Foreign Account Tax Compliance Act, as modified by Treasury regulations and subject to any official interpretations thereof, any applicable intergovernmental agreement between the U.S. and non-U.S. government to implement these rules and improve international tax compliance, or any fiscal or regulatory legislation or rules adopted pursuant to any such intergovernmental agreement (collectively, “FATCA”), generally will impose a U.S. federal withholding tax of 30% on payments to certain non-U.S. entities (including certain intermediaries), including dividends on and the gross proceeds from a sale or other disposition of our Class A common stock unless such persons comply with a complicated U.S. information reporting, disclosures and certification requirements. This new regime requires, among other things, a broad class of persons to obtain disclose and report information about their investors and account holders. These requirements are different from and in addition to the certification requirements described elsewhere in this discussion. The withholding rules apply currently to payments of dividends on shares of our Class A common stock, and are scheduled to apply to payments of gross proceeds from the sale or other dispositions of our Class A common stock paid after December 31, 2016. If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under “—Distributions on shares of our Class A common stock,” the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. Prospective investors should consult their own tax advisors regarding the possible impact of these rules on their investment in our Class A common stock, and the entities through which they hold our Class A common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of this 30% withholding tax under FATCA.

**Backup withholding and information reporting**

We or a financial intermediary must report annually to the IRS and to each Non-U.S. Holder the gross amount of the distributions on shares of our Class A common stock paid to such holder and the tax withheld, if any, with respect to such distributions. These information reporting requirements apply even if withholding was not required. In addition to the requirements described above under “—Foreign Account Tax Compliance Act,” a Non-U.S. Holder generally will be subject to backup withholding at the then applicable rate for dividends paid to such holder unless such holder furnishes a valid IRS Form W-8BEN or IRS Form W-8BEN-E (or such other applicable form and documentation as required by the Internal Revenue Code or the Treasury regulations promulgated thereunder) certifying under penalties of perjury that it is a Non-U.S. Holder (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Internal Revenue Code). Dividends paid to Non-U.S. Holders subject to the U.S. federal withholding tax, as described above under “—Distributions on shares of our Class A common stock,” generally will be exempt from U.S. backup withholding.

Information reporting and backup withholding will generally apply to the payment of the proceeds of a disposition of shares of our Class A common stock by a Non-U.S. Holder effected by or through the U.S. office of any broker, U.S. or non-U.S., unless the holder certifies that it is not a U.S. person (as defined in the Internal Revenue Code) and satisfies certain other requirements, or otherwise establishes an exemption. For information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker, and dispositions otherwise effected through a non-U.S. office generally will not be subject to

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information reporting. Generally, backup withholding will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected through a non-U.S. office of a U.S. broker or non-U.S. office of a non-U.S. broker. Prospective investors are urged to consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available to the tax authorities of the country in which the Non-U.S. Holder resides or is incorporated, under the provisions of a specific treaty or agreement.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment made to a Non-U.S. Holder can be refunded or credited against such Non-U.S. Holder’s U.S. federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS.

**Federal estate tax**

Shares of our Class A common stock held (or treated as held) by an individual who is not a U.S. citizen or resident (as defined for U.S. federal estate tax purposes) at the time of such individual’s death will be included in such individual’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and, therefore, may be subject to U.S. federal estate tax.

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**Underwriting**

We and the selling stockholders are offering the shares of Class A common stock described in this prospectus through a number of underwriters. J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Jefferies LLC and Credit Suisse Securities (USA) LLC are acting as representatives of the underwriters named below. We and the selling stockholders have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we and the selling stockholders have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of Class A common stock listed next to its name in the following table.

|  |  |
| --- | --- |
|  | **Number** |
| **Underwriter** | **of Shares** |



J.P. Morgan Securities LLC

Merrill Lynch, Pierce, Fenner & Smith

Incorporated



Jefferies LLC

Credit Suisse Securities (USA) LLC



Guggenheim Securities, LLC

Robert W. Baird & Co. Incorporated



William Blair & Company, L.L.C.

Piper Jaffray & Co.



Cowen and Company, LLC

Total



The underwriters are committed to purchase all the shares of Class A common stock offered by us and the selling stockholders, other than those covered by the option to purchase additional shares described below, if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the shares of Class A common stock directly to the public at the initial public offering price set forth on the cover

page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. Any such dealers may resell

shares to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. After the initial public offering of the shares, the offering price and other selling terms may be changed by the underwriters. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

The underwriters have an option to buy up to additional shares of Class A common stock to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this option. If any shares are purchased with this option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of Class A common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriters have reserved for sale at the initial public offering price up to shares of Class A common stock, or approximately % of the shares of being offered by this prospectus, for sale to some of our directors, officers, employees and other parties associated with us or our Sponsor in a directed share program. The number of shares of Class A common stock available for sale to the general public in the offering will be reduced to the extent these parties purchase the reserved shares. Any reserved shares of Class A common stock

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not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered in this prospectus.

The underwriting fee is equal to the public offering price per share of Class A common stock less the amount paid by the underwriters to us and the

selling stockholders per share of Class A common stock. The underwriting fee is $ per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters’ option to purchase additional shares.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Paid by the selling** |
|  |  |  | **Paid by the Company** | |  | **stockholders** |
|  |  |  |  |  |  |  |
|  |  | **No exercise** | **Full exercise** | | **No exercise** | **Full exercise** |
| Per share | $ | | $ |  | $ |  |
| Total | $ | | $ |  | $ |  |

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses,

but excluding the underwriting discounts and commissions, will be approximately $ . We have agreed to reimburse the underwriters for certain expenses in connection with this offering in the amount not exceeding $ . The underwriters have agreed to reimburse certain of our expenses incurred in connection with this offering.

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that we will not:

* 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, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge or disposition; or
* enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or any such other securities,

regardless of whether any of these transactions are to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise, in each case without the prior written consent of J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 180 days after the date of this prospectus, other than the shares of our common stock to be sold hereunder and subject to certain other limited exceptions.

Our directors, executive officers, the selling stockholders and certain other stockholders have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities, with limited exceptions, for a period of 180 days after the date of this prospectus, may not, without the prior written consent of J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated:

* 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, directly or indirectly, regardless of whether any such transaction is to be settled by delivery of our common stock or such other

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securities, in cash or otherwise, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock (including, without limitation, common stock or such other securities which may be deemed to be beneficially owned by such directors, executive officers and stockholders in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or publicly disclose the intention to make any offer, sale, pledge or disposition;

* enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock or such other securities, regardless of whether any such transaction is to be settled by delivery of our common stock or such other securities, in cash or otherwise; or
* make any demand for or exercise any right with respect to the registration of any shares of our common stock or any security convertible into or exercisable or exchangeable for our common stock.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

We intend to apply to have our Class A common stock approved for listing on the NYSE under the symbol “PLNT.”

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of Class A common stock in the open market for the purpose of preventing or retarding a decline in the market price of the Class A common stock while this offering is in progress. These stabilizing transactions may include making short sales of the Class A common stock, which involves the sale by the underwriters of a greater number of shares of Class A common stock than they are required to purchase in this offering, and purchasing shares of Class A common stock on the open market to cover positions created by short sales. Short sales may be “covered” shorts, which are short positions in an amount not greater than the underwriters’ over-allotment option referred to above, or may be “naked” shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option. 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 the Class A common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the Class A common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase Class A common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of increasing or maintaining the market price of the Class A common stock or preventing or retarding a decline in the market price of the Class A common stock, and, as a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NYSE, in the over-the-counter market or otherwise.

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price will be determined by negotiations among us, the selling stockholders and the representatives of the

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underwriters. In determining the initial public offering price, we, the selling stockholders and the representatives of the underwriters expect to consider a number of factors including:

* the information set forth in this prospectus and otherwise available to the representatives;
* our prospects and the history and prospects for the industry in which we compete;
* an assessment of our management;
* our prospects for future earnings;
* the general condition of the securities markets at the time of this offering;
* the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
* other factors deemed relevant by the underwriters, the selling stockholders and us.

Neither we nor the selling stockholders nor the underwriters can assure investors that an active trading market will develop for our Class A common stock, or that the shares will trade in the public market at or above the initial public offering price.

Other than in the United States, no action has been taken by us, the selling stockholders or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

**Notice to prospective investors in the United Kingdom**

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling with Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

**Notice to prospective investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the European Union Prospectus Directive (the “EU Prospectus Directive”) was implemented in that Relevant Member State no offer of securities described in this prospectus may be made to the public in that Relevant Member State other than:

* to any legal entity which is a “qualified investor” as defined under the EU Prospectus Directive; 169

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* to fewer than 150 natural or legal persons (other than “qualified investors” as defined in the EU Prospectus Directive), per Relevant Member State, subject to obtaining the prior consent of the underwriters; or
* in any other circumstances falling within Article 3(2) of the EU Prospectus Directive, provided that no such offer of securities shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the EU Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the EU Prospectus Directive and each person who initially acquires any securities or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each of the underwriters and us that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the EU Prospectus Directive.

For the purposes of this provision, the expression an “offer of securities to the public” in relation to any securities 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 securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State. The expression “EU Prospectus Directive” means Directive 2003/71/EC, as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in each Relevant Member State.

**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 or 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.

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**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

1. 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.

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**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 the shares may not be circulated or distributed, nor may the shares 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 shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

1. 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
2. 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 shares pursuant to an offer made under Section 275 of the SFA except:

1. 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;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**Other relationships**

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. An affiliate of J.P. Morgan Securities LLC is the administrative agent and a lender and an affiliate of Jefferies LLC is a lender under the credit agreement governing our senior secured credit facility. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

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In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Solebury Capital LLC (“Solebury”), a FINRA member, is acting as our financial advisor in connection with the offering. Solebury is not acting as an underwriter and will not sell or offer to sell any securities and will not identify, solicit or engage directly with potential investors. In addition, Solebury will not underwrite or purchase any of the offered securities or otherwise participate in any such undertaking.

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**Legal matters**

The validity of the issuance of our Class A common stock offered in this prospectus will be passed upon for us by Ropes & Gray LLP, Boston, Massachusetts. The underwriters are being represented by Simpson Thacher & Bartlett LLP, New York, New York.

**Experts**

The balance sheet of Planet Fitness, Inc. as of March 16, 2015 has been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Pla-Fit Holdings, LLC as of December 31, 2013 and 2014 (Successor), and for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor) and for the years ended December 31, 2013 and 2014 (Successor), have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

**Where you can find more information**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of Class A common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information with respect to us and the Class A common stock offered hereby, please refer to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The SEC’s website address is www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act and, in accordance therewith, we will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the public reference room and website of the SEC referred to above.

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**Index to financial statements**

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|  | Consolidated financial statements as of December 31, 2013 and 2014 (Successor) and the periods from January 1, 2012 to | | | | | | | | | | | | | | | | | | |  |
|  | November 7, 2012 (Predecessor) and from November 8, 2012 to December 31, 2012 (Successor) and the years ended December 31, | | | | | | | | | | | | | | | | | | |  |
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**Report of independent registered public accounting firm**

The Board of Directors

Planet Fitness, Inc.:

We have audited the accompanying balance sheet of Planet Fitness, Inc. (the “Corporation”) as of March 16, 2015. The balance sheet is the responsibility of the Corporation’s management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Planet Fitness, Inc. at March 16, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Boston, Massachusetts

March 25, 2015

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**Planet Fitness, Inc.**

**Balance sheet**



|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **March 16, 2015** | | |  |
|  | **Assets** | $ | 1 | |  |
| **Commitments and Contingencies** | |  |  |  |  |
|  |  |  |  |
|  | **Stockholder’s Equity** |  |  |  |  |
|  | Common stock, par value $0.01 per share, 1,000 shares authorized, 100 shares issued and outstanding |  | 1 |  |  |
|  | **Total Stockholder’s Equity** | $ | 1 | |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

*See accompanying notes to balance sheet.*

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**Planet Fitness, Inc.**

**Notes to balance sheet**

**(1) Organization**

Planet Fitness, Inc. (the “Corporation”) was formed as a Delaware corporation on March 16, 2015. The Corporation was formed for the purpose of completing a public offering and related transactions in order to carry on the business of Pla-Fit Holdings, LLC and subsidiaries (the “Company”). The Corporation will be the sole managing member of the Company and will operate and control all of the businesses and affairs of the Company and continue to conduct the business now conducted by the Company.

**(2) Summary of significant accounting policies**

***Basis of accounting***

The balance sheet has been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Separate statements of operations, comprehensive income, changes in stockholder’s equity, and cash flows have not been presented in the financial statements because there have been no activities in this entity.

**(3) Stockholder’s equity**

The Corporation is authorized to issue 1,000 shares of Common Stock, par value $0.01 per share, 100 shares of which have been issued and are outstanding as of March 16, 2015.

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**Planet Fitness, Inc.**

**Balance sheets**

**(unaudited)**



|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **March 16, 2015** | | | **March 31, 2015** | | |  |
|  |  |  |  |  |  |  |  |  |  |
| **Assets** | **$** | | **1** | | **$** | **1** | |  |
| **Commitments and Contingencies** | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | **Stockholder’s Equity** |  |  |  |  |  |  |  |  |
|  | Common stock, par value $0.01 per share, 1,000 shares authorized, 100 shares issued and |  |  |  |  |  |  |  |  |
|  | outstanding |  |  | 1 | |  | 1 | |  |
|  |  |  |  |  |  |  |  |  |  |
| **Total Stockholder’s Equity** | $ | | 1 | | $ | 1 | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

*See accompanying notes to balance sheets.*

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**Planet Fitness, Inc.**

**Notes to balance sheets**

**(unaudited)**

**(1) Organization**

Planet Fitness, Inc. (the “Corporation”) was formed as a Delaware corporation on March 16, 2015. The Corporation was formed for the purpose of completing a public offering and related transactions in order to carry on the business of Pla-Fit Holdings, LLC. The Corporation will be the sole managing member of Pla-Fit Holdings, LLC and will operate and control all of the businesses and affairs of Pla-Fit Holdings, LLC and, through Pla-Fit Holdings, LLC and its subsidiaries, continue to conduct the business now conducted by these subsidiaries.

**(2) Summary of Significant Accounting Policies**

***Basis of Accounting***

The balance sheet as of March 31, 2015 is unaudited. The balance sheets have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Separate statements of operations, comprehensive income, changes in stockholder’s equity, and cash flows have not been presented in the financial statements because there have been no activities in this entity.

**(3) Stockholder’s Equity**

The Corporation is authorized to issue 1,000 shares of Common Stock, par value $0.01 per share, 100 shares of which were issued and outstanding at March 16, 2015 and March 31, 2015.

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**Report of independent registered public accounting firm**

The Board of Directors and Members

Pla-Fit Holdings, LLC:

We have audited the accompanying consolidated balance sheets of Pla-Fit Holdings, LLC and subsidiaries as of December 31, 2013 and 2014 (Successor), and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor), and the years ended December 31, 2013 and 2014 (Successor). These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pla-Fit Holdings, LLC and subsidiaries as of December 31, 2013 and 2014 (Successor), and the results of their operations and their cash flows for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor), and the years ended December 31, 2013 and 2014 (Successor), in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Boston, Massachusetts

March 25, 2015

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**Pla-Fit Holdings, LLC and subsidiaries**

**Consolidated balance sheets**

**(Amounts in thousands)**



|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **December 31,** | | | |  |  |
|  |  |  |  | **2013** |  |  | **2014** | |  |
|  |  |  |  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |  |  |
| Current assets: | |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents | $ | | 31,267 | $ | | 43,291 | |  |
|  | Accounts receivable, net of allowance for bad debts of $352 and $399 at December 31, 2013 and 2014, respectively |  |  | 15,783 |  |  | 19,275 | |  |
|  | Due from related parties, current |  |  | 1,332 |  |  | 1,141 |  |  |
|  | Inventory |  |  | 2,243 |  |  | 3,012 |  |  |
|  | Notes receivable, current |  |  | 513 |  |  | 1,290 |  |  |
|  | Restricted assets—NAF (note 6) |  |  | 1,351 |  |  | — | |  |
|  | Prepaid expenses |  |  | 3,573 |  |  | 4,355 |  |  |
|  | Other current assets |  |  | 1,485 |  |  | 2,954 |  |  |
|  | Total current assets |  |  | 57,547 |  |  | 75,318 | |  |
|  | Property and equipment, net |  |  | 33,766 |  |  | 49,579 | |  |
|  | Intangible assets, net |  |  | 303,328 |  |  | 295,162 |  |  |
|  | Goodwill |  |  | 157,210 |  |  | 176,981 |  |  |
|  | Notes receivable, net of current portion |  |  | 3,672 |  |  | 2,007 |  |  |
|  | Other assets, net |  |  | 6,573 |  |  | 10,229 |  |  |
|  | Total assets | $ | | 562,096 | $ | | 609,276 |  |  |
| **Liabilities and Equity** | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | |  |  |  |  |  |  |  |  |
|  | Current liabilities: |  |  |  |  |  |  |  |  |
|  | Current maturities of long-term debt | $ | | 9,500 | $ | | 3,900 |  |  |
|  | Accounts payable |  |  | 25,517 |  |  | 26,738 | |  |
|  | Accrued expenses |  |  | 4,862 |  |  | 8,494 |  |  |
|  | Current maturities of obligations under capital leases |  |  | 1,162 |  |  | 376 |  |  |
|  | Equipment deposits |  |  | 2,647 |  |  | 6,675 |  |  |
|  | Restricted liabilities—NAF (note 6) |  |  | 1,351 |  |  | — | |  |
|  | Deferred revenue, current |  |  | 11,444 |  |  | 14,549 | |  |
|  | Other current liabilities |  |  | 264 |  |  | 153 |  |  |
|  | Total current liabilities |  |  | 56,747 |  |  | 60,885 | |  |
|  | Long-term debt, net of current maturities |  |  | 173,375 |  |  | 383,175 |  |  |
| Obligations under capital leases, net of current portion | |  |  | 423 |  |  | 45 | |  |
|  | Deferred rent, net of current portion |  |  | 1,376 |  |  | 3,012 |  |  |
| Deferred revenue, net of current portion | |  |  | 7,193 |  |  | 9,330 |  |  |
|  | Deferred tax liabilities—non current |  |  | 593 |  |  | 606 |  |  |
| Other liabilities | |  |  | 474 |  |  | 474 |  |  |
|  | Total noncurrent liabilities |  |  | 183,434 |  |  | 396,642 |  |  |
| Commitments and contingencies (note 17) | |  |  |  |  |  |  |  |  |
|  | |  |  |  |  |  |  |  |  |
|  | Equity: |  |  |  |  |  |  |  |  |
|  | Members’ equity |  |  | 315,623 |  |  | 146,156 |  |  |
|  | Accumulated other comprehensive income (loss) |  |  | 92 |  |  | (636) | |  |
|  | Total equity attributable to Pla-Fit Holdings, LLC |  |  | 315,715 |  |  | 145,520 |  |  |
|  | Noncontrolling interests in variable interest entities |  |  | 6,200 |  |  | 6,229 |  |  |
|  | Total equity |  |  | 321,915 |  |  | 151,749 |  |  |
|  | Total liabilities and equity | $ | | 562,096 | $ | | 609,276 |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

*See accompanying notes to consolidated financial statements.*

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**Pla-Fit Holdings, LLC and subsidiaries**

**Consolidated statements of operations**

**(Amounts in thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Period from** | |  |  | **Period from** | |  |  |  |  |  |  |  |  |
|  |  |  | **January 1,** | |  | **November 8,** | | |  |  |  |  |  |  |  |  |
|  |  | **2012 through** | | |  | **2012 through** | | |  |  | **Year ended** | |  | **Year ended** | |  |
|  |  |  | **November 7,** | |  | **December 31,** | | |  | **December 31,** | | | **December 31,** | | |  |
|  |  |  | **2012** | |  |  | **2012** | |  |  | **2013** | |  | **2014** | |  |
|  |  | **(Predecessor)** | | |  |  |  |  |  | **(Successor)** | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Franchise | $ | | 28,478 |  |  | $ | 6,257 |  | $ | | 44,157 | | $ | 71,806 | |  |
| Corporate-owned stores |  |  | 40,360 |  |  |  | 8,822 |  |  |  | 67,364 | |  | 85,041 | |  |
| Equipment |  |  | 49,062 |  |  |  | 26,708 | |  |  | 99,488 | |  | 122,930 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total revenue |  |  | 117,900 |  |  |  | 41,787 | |  |  | 211,009 | |  | 279,777 |  |  |
| Operating costs and expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cost of revenue |  |  | 41,064 |  |  |  | 21,480 | |  |  | 81,353 | |  | 100,306 |  |  |
| Store operations |  |  | 28,381 |  |  |  | 5,950 |  |  |  | 41,692 | |  | 49,476 | |  |
| Selling, general and administrative |  |  | 19,475 |  |  |  | 2,633 |  |  |  | 23,118 | |  | 35,121 | |  |
| Depreciation and amortization |  |  | 5,676 |  |  |  | 6,959 |  |  |  | 28,808 | |  | 32,341 | |  |
| Other (gain) loss (notes 4 and 5) |  |  | (1,921) | |  |  | — | |  |  | — | |  | 994 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total operating costs and expenses |  |  | 92,675 |  |  |  | 37,022 | |  |  | 174,971 | |  | 218,238 |  |  |
| Income from operations |  |  | 25,225 |  |  |  | 4,765 |  |  |  | 36,038 |  |  | 61,539 |  |  |
| Other income (expense), net: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest income |  |  | 897 |  |  |  | 100 |  |  |  | 496 | |  | 377 |  |  |
| Interest expense |  |  | (2,249) | |  |  | (2,530) | |  |  | (9,408) | |  | (22,177) | |  |
| Other income (expense) |  |  | 29 |  |  |  | (125) | |  |  | (694) | |  | (1,261) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total other expense, net |  |  | (1,323) | |  |  | (2,555) | |  |  | (9,606) | |  | (23,061) | |  |
| Income before taxes |  |  | 23,902 |  |  |  | 2,210 |  |  |  | 26,432 |  |  | 38,478 |  |  |
| Provision for income taxes |  |  | 656 |  |  |  | 56 |  |  |  | 633 |  |  | 1,183 |  |  |
| Net income |  |  | 23,246 |  |  |  | 2,154 |  |  |  | 25,799 | |  | 37,295 | |  |
| Less net income attributable to noncontrolling interests |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (note 4) |  |  | 1,015 |  |  |  | 32 |  |  |  | 361 |  |  | 487 |  |  |
| Net income attributable to Pla-Fit Holdings, LLC | $ | | 22,231 |  |  | $ | 2,122 |  | $ | | 25,438 | | $ | 36,808 | |  |
| Unaudited pro forma financial information (note 21, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| unaudited) |  |  |  |  |  |  |  |  |  |  |  |  | $ |  |  |  |
| Historical income before taxes |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma provision for income taxes |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma net income |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma net income attributable to |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| noncontrolling interests |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma net income attributable to the Company |  |  |  |  |  |  |  |  |  |  |  |  | $ |  |  |  |
| Pro forma net income per share information (note 21, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| unaudited) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pro forma net income per share of Class A common |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| stock |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  |  |  |  |  |  |  |  |  |  |  | $ |  |  |  |
| Diluted |  |  |  |  |  |  |  |  |  |  |  |  | $ |  |  |  |
| Pro forma weighted average shares of Class A common |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| stock outstanding |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Diluted |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *See accompanying notes to consolidated financial statements.* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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**Pla-Fit Holdings, LLC and subsidiaries**

**Consolidated statements of comprehensive income**

**(Amounts in thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Period from** |  |  |  | **Period from** | |  |  |  |  |  |  |  |
|  |  | **January 1,** |  |  | **November 8,** | | |  |  |  |  |  |  |  |
|  | **2012 through** | |  |  | **2012 through** | | |  |  | **Year ended** | |  | **Year ended** | |
|  |  | **November 7,** |  |  | **December 31,** | | |  | **December 31,** | | | **December 31,** | | |
|  |  | **2012** |  |  |  | **2012** | |  |  | **2013** | |  | **2014** | |
|  | **(Predecessor)** | |  |  |  |  |  |  | **(Successor)** | | |  |  |  |
| Net income including noncontrolling interests | $ | 23,246 |  | $ | | 2,154 |  | $ | | 25,799 | | $ | 37,295 | |
| Other comprehensive income (loss), net: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gains (losses) on interest rate swaps |  | — |  |  |  | — | |  |  | 92 | |  | (92) | |
| Unrealized loss on interest rate cap |  | — |  |  |  | — | |  |  | — | |  | (662) | |
| Foreign currency translation adjustments |  | — |  |  |  | — | |  |  | — | |  | 26 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total other comprehensive income (loss) |  | — |  |  |  | — | |  |  | 92 | |  | (728) | |
| Total comprehensive income including |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| noncontrolling interests |  | 23,246 |  |  |  | 2,154 |  |  |  | 25,891 | |  | 36,567 | |
| Total comprehensive income attributable to |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| noncontrolling interests |  | 1,015 |  |  |  | 32 |  |  |  | 361 | |  | 487 |  |
| Total comprehensive income attributable to Pla- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fit Holdings, LLC | $ | 22,231 |  | $ | | 2,122 |  | $ | | 25,530 | | $ | 36,080 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



*See accompanying notes to consolidated financial statements.*

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****[**Table of Contents**](#page8)

**Pla-Fit Holdings, LLC and subsidiaries**

**Consolidated statements of cash flows**

**(Amounts in thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Period from** |  |  |  | **Period from** | |  |  |  |  |  |  |  |
|  |  |  | **January 1,** |  |  | **November 8,** | | |  |  |  |  |  |  |  |
|  |  | **2012 through** | |  |  | **2012 through** | | |  |  | **Year ended** | |  | **Year ended** | |
|  |  |  | **November 7,** |  |  | **December 31,** | | |  | **December 31,** | | | **December 31,** | | |
|  |  |  | **2012** |  |  |  | **2012** | |  |  | **2013** | |  | **2014** | |
|  |  | **(Predecessor)** | |  |  |  |  |  |  | **(Successor)** | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash flows from operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income | $ | | 23,246 |  | $ | | 2,154 |  | $ | | 25,799 | | $ | 37,295 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Adjustments to reconcile net income to net cash |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| provided by operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  |  | 5,676 |  |  |  | 6,959 |  |  |  | 28,808 | |  | 32,341 | |
| Amortization of deferred financing costs |  |  | 283 |  |  |  | 75 |  |  |  | 1,582 | |  | 1,315 |  |
| Amortization of favorable leases and asset |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| retirement obligations |  |  | — |  |  |  | 34 |  |  |  | 246 | |  | 501 |  |
| Deferred tax benefit |  |  | (25) |  |  |  | (101) | |  |  | (1,430) | |  | (63) | |
| Provision for bad debts |  |  | 129 |  |  |  | 24 |  |  |  | 57 | |  | 139 |  |
| Gains on disposal of property and equipment |  |  | (20) |  |  |  | (22) | |  |  | (52) | |  | (545) | |
| Loss on extinguishment of debt |  |  | — |  |  |  | — | |  |  | — | |  | 4,697 |  |
| Gain on sale of subsidiaries and variable interest |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| entities |  |  | (1,921) |  |  |  | — | |  |  | — | |  | — | |
| Changes in operating assets and liabilities, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| excluding effects of acquisitions and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| dispositions: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| State income taxes |  |  | — |  |  |  | — | |  |  | (364) | |  | (1,670) | |
| Accounts receivable |  |  | 4,458 |  |  |  | (5,399) | |  |  | (3,101) | |  | (3,632) | |
| Notes receivable and due from related parties |  |  | (1,129) |  |  |  | 5,025 |  |  |  | 1,281 | |  | 177 |  |
| Inventory |  |  | 188 |  |  |  | (493) | |  |  | (1,750) | |  | (769) | |
| Other assets and other current assets |  |  | (4,599) |  |  |  | 1,093 |  |  |  | (776) | |  | (1,818) | |
| Accounts payable and accrued expenses |  |  | (713) |  |  |  | 3,142 |  |  |  | 13,456 | |  | 5,042 |  |
| Other liabilities and other current liabilities |  |  | 104 |  |  |  | 182 |  |  |  | 421 | |  | (2) | |
| Equipment deposits |  |  | 3,350 |  |  |  | (1,885) | |  |  | (1,803) | |  | 4,028 |  |
| Deferred revenue |  |  | 880 |  |  |  | 1,488 |  |  |  | 3,398 | |  | 842 |  |
| Deferred rent |  |  | 670 |  |  |  | 205 |  |  |  | 1,171 |  |  | 1,527 |  |
| Net cash provided by operating activities |  |  | 30,577 |  |  |  | 12,481 | |  |  | 66,943 | |  | 79,405 | |
| Cash flows from investing activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Acquisition of the Company, net of cash acquired |  |  | — |  |  |  | (215,336) | |  |  | — | |  | — | |
| Additions to property and equipment |  |  | (4,308) |  |  |  | (856) | |  |  | (7,287) | |  | (16,650) | |
| Acquisition of franchises |  |  | (12,140) |  |  |  | — | |  |  | — | |  | (38,638) | |
| Proceeds from sale of property and equipment and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| insurance recoveries |  |  | 39 |  |  |  | 36 |  |  |  | 150 | |  | 926 |  |
| Acquisition of intangibles |  |  | (335) |  |  |  | — | |  |  | — | |  | — | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net cash used in investing activities |  |  | (16,744) |  |  |  | (216,156) | |  |  | (7,137) | |  | (54,362) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



continued

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****[**Table of Contents**](#page8)

**Pla-Fit Holdings, LLC and subsidiaries**

**Consolidated statements of cash flows**

**(Amounts in thousands)**

continued

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Period from** | |  |  | **Period from** | |  |  |  |  |  |  |  |  |
|  |  | **January 1,** | |  | **November 8,** | | |  |  |  |  |  |  |  |  |
|  | **2012 through** | | |  | **2012 through** | | |  |  | **Year ended** | |  | **Year ended** | |  |
|  |  | **November 7,** | |  | **December 31,** | | |  | **December 31,** | | | **December 31,** | | |  |
|  |  | **2012** | |  |  | **2012** | |  |  | **2013** | |  | **2014** | |  |
|  | **(Predecessor)** | | |  |  |  |  |  | **(Successor)** | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash flows from financing activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Successor capital contribution, net of cash acquired |  | — | |  |  | 215,336 |  |  |  | — | |  | — | |  |
| Proceeds from issuance of long-term debt |  | 8,500 |  |  |  | 190,000 |  |  |  | — | |  | 390,000 |  |  |
| Principal payments on capital lease obligations |  | (2,354) | |  |  | (490) | |  |  | (3,291) | |  | (1,162) | |  |
| Repayment of long-term debt |  | (1,203) | |  |  | (40,052) | |  |  | (10,544) | |  | (185,800) | |  |
| Payment of deferred financing and other debt-related |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| costs |  | (360) | |  |  | (7,161) | |  |  | (19) | |  | (7,785) | |  |
| Net (repayments) borrowings on line of credit |  | 14,500 | |  |  | 3,525 |  |  |  | (3,525) | |  | — | |  |
| Repayment of interim financing |  | — | |  |  | (165,000) | |  |  | — | |  | — | |  |
| Premiums paid for interest rate caps |  | — | |  |  | — | |  |  | — | |  | (2,373) | |  |
| Acquisition of PFPA noncontrolling interest |  | (4,895) | |  |  | — | |  |  | — | |  | — | |  |
| Contributions from members |  | 4,792 |  |  |  | — | |  |  | — | |  | — | |  |
| Contributions from variable interest entities |  | — | |  |  | 22 |  |  |  | 3,402 | |  | — | |  |
| Distributions to variable interest entities |  | (1,651) | |  |  | — | |  |  | (960) | |  | (458) | |  |
| Distributions to members |  | (23,127) | |  |  | (3,739) | |  |  | (23,057) | |  | (205,374) | |  |
| Net cash (used in) provided by financing |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| activities |  | (5,798) | |  |  | 192,441 |  |  |  | (37,994) | |  | (12,952) | |  |
| Effects of exchange rate changes on cash and cash |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| equivalents |  | — | |  |  | — | |  |  | — | |  | (67) | |  |
| Net increase (decrease) in cash and cash |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| equivalents |  | 8,035 |  |  |  | (11,234) | |  |  | 21,812 | |  | 12,024 | |  |
| Cash and cash equivalents, beginning of period |  | 12,986 |  |  |  | 20,689 | |  |  | 9,455 | |  | 31,267 | |  |
| Cash and cash equivalents, end of period | $ | 21,021 |  |  | $ | 9,455 |  |  | $ | 31,267 |  | $ | 43,291 |  |  |
| Supplemental cash flow information: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net cash paid for income taxes | $ | 1,194 |  |  | $ | 285 |  | $ | | 1,826 | | $ | 1,604 |  |  |
| Cash paid for interest |  | 2,056 |  |  |  | 2,021 |  |  |  | 7,638 | |  | 20,756 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-cash investing activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-cash consideration for acquisition of franchises | $ | — | |  | $ | — | | $ | | — | | $ | 3,000 |  |  |
| Non-cash additions to property and equipment |  | — | |  |  | — | |  |  | — | |  | 1,049 |  |  |
| Rollover equity investment by MMC |  | — | |  |  | 78,750 | |  |  | — | |  | — | |  |
| Interim financing in connection with the 2012 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Acquisition |  | — | |  |  | 165,000 |  |  |  | — | |  | — | |  |
| NY/NJ acquisition and consolidation of PF Melville: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fair value of assets contributed | $ | 44,143 | |  | $ | — | | $ | | — | | $ | — | |  |
| Liabilities assumed |  | (5,396) | |  |  | — | |  |  | — | |  | — | |  |
| Equity contribution of net assets |  | (38,747) | |  |  | — | |  |  | — | |  | — | |  |
| Sale of subsidiary: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Assets sold | $ | (1,531) | |  | $ | — | | $ | | — | | $ | — | |  |
| Liabilities forgiven |  | 483 |  |  |  | — | |  |  | — | |  | — | |  |
| Issuance of note receivable |  | 1,500 |  |  |  | — | |  |  | — | |  | — | |  |
| Non-cash financing activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-cash distributions to members | $ | — | |  | $ | — | | $ | | — | | $ | 901 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

*See accompanying notes to consolidated financial statements.*

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**Pla-Fit Holdings, LLC and subsidiaries**

**Consolidated statements of changes in equity**

**(Amounts in thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Noncontrolling** | | |  |  |  |
|  |  |  |  |  | **Accumulated** | |  | **interests in** | |  |  |  |
|  |  |  |  |  | **other** | |  | **variable** | |  |  |  |
|  |  | **Members’** | | **comprehensive** | | |  | **interest** | |  |  |  |
|  | **equity (deficit)** | | |  | **income (loss)** | |  | **entities** | | **Total equity** | | |
| **Predecessor** |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at December 31, 2011 | $ | (6,475) | | $ | — | | $ | 8,236 |  | $ | 1,761 |  |
| Net income |  | 22,231 |  |  | — | |  | 1,015 |  |  | 23,246 | |
| Contributions from members |  | 4,792 |  |  | — | |  | — | |  | 4,792 |  |
| NY/NJ acquisition |  | 38,747 |  |  | — | |  | 275 |  |  | 39,022 | |
| Acquisition of PFPA |  | (5,287) | |  | — | |  | 392 |  |  | (4,895) | |
| Acquisition of Colorado |  | (118) | |  | — | |  | 118 |  |  | — | |
| Distributions to members |  | (23,127) | |  | — | |  | (1,651) | |  | (24,778) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at November 7, 2012 | $ | 30,763 |  | $ | — | | $ | 8,385 |  | $ | 39,148 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Successor** |  |  |  |  |  |  |  |  |  |  |  |  |
| Successor capital contribution | $ | 314,250 |  | $ | — | | $ | — | | $ | 314,250 |  |
| Net income |  | 2,122 |  |  | — | |  | 32 | |  | 2,154 |  |
| Noncontrolling interests and eliminations |  | 609 |  |  | — | |  | 3,343 |  |  | 3,952 |  |
| Contributions from members |  | — | |  | — | |  | 22 | |  | 22 | |
| Distributions to members |  | (3,739) | |  | — | |  | — | |  | (3,739) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at December 31, 2012 |  | 313,242 |  |  | — | |  | 3,397 |  |  | 316,639 |  |
| Net income |  | 25,438 |  |  | — | |  | 361 |  |  | 25,799 | |
| Other comprehensive income |  | — | |  | 92 |  |  | — | |  | 92 | |
| Contributions from members |  | — | |  | — | |  | 3,402 |  |  | 3,402 |  |
| Distributions to members |  | (23,057) | |  | — | |  | (960) | |  | (24,017) | |
| Balance at December 31, 2013 |  | 315,623 |  |  | 92 |  |  | 6,200 |  |  | 321,915 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income |  | 36,808 |  |  | — | |  | 487 |  |  | 37,295 | |
| Other comprehensive loss |  | — | |  | (728) | |  | — | |  | (728) | |
| Distributions to members |  | (206,275) | |  | — | |  | (458) | |  | (206,733) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at December 31, 2014 | $ | 146,156 |  | $ | (636) | | $ | 6,229 |  | $ | 151,749 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

*See accompanying notes to consolidated financial statements.*

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to consolidated financial statements**

**(Amounts in thousands, except unit and per unit amounts)**

**(1) Business organization**

Planet Fitness is a franchisor and operator of fitness centers, with more than 6 million members and 918 owned and franchised locations (referred to as stores) in 47 states across the United States, Puerto Rico and Canada as of December 31, 2014.

Planet Fitness Holdings, LLC (Holdings or the Predecessor) was established on March 1, 2008 to serve as the reporting entity for various subsidiaries that operate three distinct lines of business:

* Licensing and selling franchises under the Planet Fitness trade name.
* Owning and operating fitness centers under the Planet Fitness trade name.
* Selling fitness-related equipment to franchisee-owned stores.

Prior to November 7, 2012, Holdings was wholly owned by three individuals (Michael Grondahl, Marc Grondahl, and Christopher Rondeau, collectively known as MMC). On November 7, 2012, MMC contributed their ownership interests in Holdings to a newly formed entity, Pla-Fit Holdings LLC (the Company or the Successor) and on November 8, 2012 the Company was acquired as part of a transaction between MMC and TSG PF Investment LLC (TSG), for consideration totaling $479,250 (the TSG Acquisition) (see note 3).

The TSG Acquisition was accounted for using the purchase method of accounting which resulted in a new basis for the assets acquired and liabilities assumed. Accordingly, although the Company continues with the same core operations after the TSG Acquisition, the accompanying consolidated financial statements reflect Holdings’ historical accounting basis for the periods prior to the TSG Acquisition (the Predecessor) and the Company’s new accounting basis for the period following the TSG Acquisition (the Successor).

**(2) Summary of significant accounting policies**

***(a) Basis of presentation and consolidation***

The accompanying consolidated financial statements include the accounts of the Company and its predecessor, Holdings, and have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany balances and transactions have been eliminated in consolidation.

The Company also consolidates entities in which it has a controlling financial interest, the usual condition of which is ownership of a majority voting interest. The Company also considers for consolidation certain interests where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity (VIE), is required to be consolidated by its primary beneficiary. The primary beneficiary of a VIE is considered to possess the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the rights to receive benefits from the VIE that are significant to it. The principal entities in which the Company possesses a variable interest include franchise entities and certain other entities. The Company is not deemed to be the primary beneficiary for Planet Fitness franchise entities. Therefore, these entities are not consolidated.

During 2012, certain changes occurred, including the TSG Acquisition, which impacted the consolidation status of certain VIEs. As such, the results of the Successor have been consolidated with Matthew Michael Realty LLC

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**Pla-Fit Holdings, LLC and subsidiaries**

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(MMR) and PF Melville LLC (PF Melville) based on the determination that the Company is the primary beneficiary with respect to these VIEs.

These entities are real estate holding companies that derive a majority of their financial support from the Company through lease arrangements.

The results of the Predecessor for all or a portion of the period from January 1, 2012 through November 7, 2012 have been consolidated with the following VIEs in which Holdings or one of its subsidiaries has been determined to be the primary beneficiary (see note 4):

* 304 Maplewood, LLC (304 Maplewood); MMC Fox Run, LLC (MMC Fox Run); MMCT Realty, LLC (MMCT); MMR, MMC Crosby Road LLC (MMC Crosby Road); and PF Melville (collectively, the Real Estate Entities). These are all real estate holding companies that previously had common ownership with Holdings and derived a majority of their financial support from Holdings (see note 4).
* PFPA, LLC (PFPA), Fitness 41, LLC (Planet Fitness OK), and Pla-Fit Colorado, LLC (Colorado) operate Planet Fitness franchises in certain parts of Pennsylvania, Oklahoma, and Colorado, respectively. The aforementioned entities previously had common ownership with Holdings and received financial support from Holdings in the form of guarantees and advances. Holdings acquired the remaining ownership interest in PFPA on February 1, 2012 and Colorado on September 30, 2012 (see note 5). The common ownership in Planet Fitness OK was terminated on September 30, 2012 (see note 4).

With the exception of the change in basis, the accounting principles utilized are the same for the Predecessor and the Successor. ***(b) Use of estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant areas where estimates and judgments are relied upon by management in the preparation of the consolidated financial statements include revenue recognition, consolidation of VIEs, valuation of assets and liabilities in connection with acquisitions, valuation of share based compensation awards, and the evaluation of the recoverability of goodwill and long-lived assets, including intangible assets.

***(c) Concentrations***

Cash and cash equivalents are financial instruments, which potentially subject the Company to a concentration of credit risk. The Company invests its excess cash in several major financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company maintains balances in excess of these limits, but does not believe that such deposits with its banks are subject to any unusual risk.

The credit risk associated with trade receivables is mitigated due to the large number of customers, generally our franchisees, and their broad dispersion over many different geographic areas. We do not have any concentrations with respect to our revenues.

The Company purchases equipment, both for corporate-owned stores and for sales to franchisee-owned stores, from two primary vendors. For the year ended December 31, 2013 purchases from these two vendors comprised

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**Pla-Fit Holdings, LLC and subsidiaries**

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66% and 27%, respectively of total equipment purchases. For the year ended December 31, 2014 purchases from these two vendors comprised

66% and 25%, respectively of total equipment purchases.

The Company, including Planet Fitness NAF, LLC (NAF) uses one primary vendor for advertising services. Purchases from this vendor totaled 68% and 61% of total advertising purchases for the years ended December 31, 2013 and 2014, respectively (see note 6 for further discussion of NAF).

***(d) Cash and cash equivalents***

The Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. Cash held within the NAF is recorded as a restricted asset (see note 6).

1. ***Revenue recognition* Franchise**

The following revenues are generated as a result of transactions with or related to the Company’s franchisees. *Area development fees*

Franchisees contractually enter into area development agreements (ADAs) to secure the exclusive right to open franchise stores within a defined geographical area. ADAs establish the timing and number of stores to be developed within the defined geographical area. Pursuant to an ADA, a franchisee is generally required to pay an initial nonrefundable development fee for a minimum number of stores to be developed, as outlined in the respective ADA. ADA fees collected in advance are deferred until the Company provides substantially all required obligations pursuant to the ADA. As the efforts and total cost relating to initial services are affected significantly by the number of stores opened in an area, the respective ADA is treated as a divisible contract. As each new site is accepted under an ADA, a franchisee signs a franchise operating agreement for the respective franchise location. As each store opened under an ADA typically has performance obligations associated with it, the Company recognizes ADA revenue as each individual franchise location is developed in proportion to the total number of stores to be developed under the ADA. These obligations are typically completed once the store is opened or the franchisee executes the individual property lease. As of December 31, 2013 and 2014, the deferred revenue for ADAs was $7,867 and $8,215, respectively. ADAs generally have an initial term equal to the number of years over which the franchisee is required to open franchise stores, which is typically 5 to 10 years. There is no right of refund for an executed ADA. Upon default, as defined in the agreement, the Company may reacquire the rights pursuant to an ADA, and all remaining deferred revenue is recognized at that time.

*Franchise fees and performance fees*

For stores opened without an ADA, the Company generally charges an initial upfront nonrefundable franchise fee. Nonrefundable franchise fees are typically deferred until the franchisee executes a lease and receives initial training for the location, which is the point at which the Company has determined it has provided all of its material obligations required to recognize revenue. As of December 31, 2013 and 2014, the Company has recorded deferred franchise fees of $206 and $205, respectively, relating to stores to be opened in future years. These amounts are included in deferred revenue as of December 31, 2013 and 2014.

The individual franchise agreements typically have a 10-year initial term, but provide the franchisee with an opportunity to enter into successive renewals subject to certain conditions.

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**Pla-Fit Holdings, LLC and subsidiaries**

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Franchise agreements entered into prior to 2010 may include performance fees, which are fees earned by the Company upon each franchise store reaching a predetermined amount of total monthly membership billings. Performance fees are recognized when the related performance thresholds have been met.

*Royalties*

Royalties, which represent recurring fees paid by franchisees based on the franchisee-owned stores’ monthly membership billings, are recognized on a monthly basis over the term of the franchise agreement. As specified under certain franchise agreements, the Company recognizes additional royalty fees as the franchisee-owned stores attain contractual monthly membership billing threshold amounts. Beginning in 2010, for all new franchise agreements entered into, the Company began charging a fixed royalty percentage based upon gross membership billings.

*Commissions*

The Company recognizes commission revenue from its franchisees’ use of preferred vendor arrangements. Commissions are recognized when amounts have been earned and collectability from the vendor is reasonably assured. Commissions and rebates from equipment vendors where the Company has recognized the related equipment revenue and costs are recorded as a reduction to the cost of revenue.

*Placement*

The Company is generally responsible for assembly and placement of equipment it sells to franchisee-owned stores. Placements revenue is recognized upon completion and acceptance of the services at the franchise location.

**Corporate-owned stores**

The following revenues are generated from stores owned and operated by the Company.

*Membership dues revenue*

Customers are offered multiple membership choices varying in length. Membership dues are earned and recognized over the membership term on a straight-line basis.

*Enrollment fee revenue*

Enrollment fees are charged to new members at the commencement of their membership. The Company recognizes enrollment fees ratably over the estimated duration of the membership life, which is generally two years.

*Annual membership fee revenue*

Annual membership fees are annual fees charged to members in addition to and in order to maintain low monthly membership dues. The Company recognizes annual membership fees ratably over the 12-month membership period.

*Retail sales*

The Company sells Planet Fitness branded apparel, food, beverages, and other accessories. The revenue for these items is recognized at the point of sale.

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**Pla-Fit Holdings, LLC and subsidiaries**

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**(Amounts in thousands, except unit and per unit amounts)**

**Equipment**

The Company sells and delivers equipment purchased from third-party equipment manufacturers to franchisee-owned stores. Equipment revenue is recognized upon the equipment being delivered to and assembled at each store and accepted by the franchisee. Customers are charged for all freight costs incurred for the delivery of equipment. Freight revenue is recorded within equipment revenue and freight costs are recorded within cost of revenue. The Company recognizes revenue on a gross basis in these transactions as management has determined the Company to be the principal in the transaction. Customer equipment deposits are recognized as a liability on the accompanying consolidated balance sheets until delivery, assembly (if required), and acceptance by the customer. As of December 31, 2013 and 2014, equipment deposits were $2,647 and $6,675, respectively.

**Sales tax**

All revenue amounts are recorded net of applicable sales tax.

***(f) Deferred revenue***

Deferred revenue represents cash received from franchisees for ADAs and franchise fees for which revenue recognition criteria has not yet been met and cash received from members for enrollment fees, membership dues and annual fees for the portion not yet earned based on the membership period.

ASC Topic 805, *Business Combinations*, required the Successor to recognize a liability related to deferred revenue previously recorded by the Predecessor at its fair value on the acquisition date rather than its historical book value. As such, the Successor did not record $8,038 of deferred revenues that had been recorded by the Predecessor as of November 7, 2012, but instead reduced the value of goodwill as of November 8, 2012.

***(g) Cost of revenue***

Cost of revenue consists of direct costs associated with equipment sales, including freight costs, direct costs related to the maintenance and support of the Company’s proprietary system-wide point-of-sale system, and the cost of retail merchandise sold in corporate-owned stores. Costs related to the point-of-sale system were $0, $0, $1,107 and $3,385 for the period from January 1, 2012 through November 7, 2012 (Predecessor), the period from November 8, 2012 through December 31, 2012 (Successor), and for the years ended December 31, 2013 and 2014 (Successor), respectively. Costs related to retail merchandise were immaterial in all periods presented.

***(h) Store operations***

Store operations consists of the direct costs related to operating corporate-owned stores, including our store management and staff, rent expense, utilities, supplies, maintenance, and local advertising.

***(i) Selling, general and administrative***

Selling, general and administrative expenses consist of costs associated with administrative and franchisee support functions related to our existing business as well as growth and development activities. These costs primarily consist of payroll, IT related, marketing, legal and accounting expenses. These expenses include costs

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**Pla-Fit Holdings, LLC and subsidiaries**

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related to placement services of $1,159, $532, $2,245, and $2,743, for the period from January 1, 2012 through November 7, 2012 (Predecessor), the period from November 8, 2012 through December 31, 2012 (Successor), and for the years ended December 31, 2013 and 2014 (Successor), respectively.

***(j) Accounts and notes receivable***

Accounts receivable is primarily comprised of amounts owed to the Company resulting from equipment, placement, and commission revenue. Notes receivable arise primarily from financing activities with franchisees. On a periodic basis, and at least annually, the Company evaluates its accounts and notes receivable and may establish an allowance for doubtful accounts based on collections and current credit conditions. Accounts are written off as uncollectible when it is determined that further collection efforts will be unsuccessful. Notes receivable are generally secured by all property, assets, and rights owned by the franchisee. Historically, the Company has not had a significant amount of write-offs.

***(k) Leases and asset retirement obligations***

The Company recognizes rent expense related to leased office and operating space on a straight-line basis over the term of the lease. The difference between rent expense and rent paid, if any, is the result of escalation provisions and lease incentives, such as tenant improvements provided by lessors, and is recorded as deferred rent in the Company’s consolidated balance sheets.

In accordance with ASC Topic 410, *Asset Retirement and Environmental Obligations*, the Company establishes assets and liabilities for the present value of estimated future costs to return certain leased facilities to their original condition. Such assets are depreciated on a straight-line basis over the lease period into operating expense, and the recorded liabilities are accreted to the future value of the estimated restoration costs.

***(l) Property and equipment***

Property and equipment is recorded at cost and depreciated using the straight-line method over its related estimated useful life. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related asset, whichever is shorter. Upon sale or retirement, the asset cost and related accumulated depreciation are removed from the respective accounts, and any related gain or loss is reflected in the consolidated statements of operations. Ordinary maintenance and repair costs are expensed as incurred. The estimated useful lives of the Company’s fixed assets by class of asset are as follows:



|  |  |
| --- | --- |
|  | **Years** |
| Buildings and building improvements | 20–40 |
| Computers and equipment | 3 |
| Furniture and fixtures | 5 |
| Leasehold improvements | Useful life or term of lease |
|  | whichever is shorter |
| Fitness equipment | 5–7 |
| Vehicles | 5 |
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**Pla-Fit Holdings, LLC and subsidiaries**

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**(Amounts in thousands, except unit and per unit amounts)**

***(m) Advertising expenses***

The Company expenses advertising costs as incurred. Advertising expenses, net of amounts reimbursed by franchisees, are included within selling, general and administrative expenses and totaled $4,708, $481, $5,731 and $7,272 for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor) and the years ended December 31, 2013 and 2014 (Successor), respectively. See note 6 for discussion of the national advertising fund.

***(n) Goodwill, long-lived assets, and other intangible assets***

Goodwill and other intangible assets that arise from acquisitions are recorded in accordance with ASC Topic 350, *Intangibles—Goodwill and Other*. In accordance with this guidance, specifically identified intangible assets must be recorded as a separate asset from goodwill if either of the following two criteria is met: (1) the intangible asset acquired arises from contractual or other legal rights; or (2) the intangible asset is separable. Intangibles are typically trade and brand names, customer relationships, noncompete agreements, reacquired franchise rights, and favorable or unfavorable leases. Transactions are evaluated to determine whether any gain or loss on reacquired franchise rights, based on their fair value, should be recognized separately from identified intangibles. Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination.

Goodwill and indefinite-lived intangible assets are not amortized, but are reviewed annually for impairment or more frequently if impairment indicators arise. Separable intangible assets that are not deemed to have an indefinite life are amortized over their estimated useful lives on either a straight-line or accelerated basis as deemed appropriate, and are reviewed for impairment when events or circumstances suggest that the assets may not be recoverable.

The Company performs its annual test for impairment of goodwill and indefinite lived intangible assets on December 31 of each year. For goodwill, the first step of the impairment test is to determine whether the carrying amount of a reporting unit exceeds the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds the reporting unit’s fair value, the Company would be required to perform a second step of the impairment test as this is an indication that the reporting unit’s goodwill may be impaired. The second step compares the implied fair value of the reporting unit’s goodwill with the carrying amount of that goodwill. Any impairment loss would be recognized in an amount equal to the excess of the carrying value of the goodwill over the implied fair value of the goodwill. The Company is also permitted to make a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If the Company concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test.

For indefinite lived intangible assets, the impairment assessment consists of comparing the carrying value of the asset to its estimated fair value. To the extent that the carrying value exceeds the fair value of the asset, an impairment is recorded to reduce the carrying value to its fair value. The Company is also permitted to make a qualitative assessment of whether it is more likely than not an indefinite lived intangible asset’s fair value is less than its carrying value prior to applying the quantitative assessment. If based on the Company’s qualitative assessment it is not more likely than not that the carrying value of the asset is less than its fair value, then a quantitative assessment is not required.

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The Company determined that no impairment charges were required during any periods presented.

The Company applies the provisions of ASC Topic 360, *Property, Plant and Equipment*, which requires that long-lived assets, including amortizable intangible assets, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for impairment, then assets are required to be grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the undiscounted future net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no events or changes in circumstances that required the Company to test for impairment during any of the periods presented.

***(o) Income taxes***

The Company and its wholly owned subsidiaries were formed as limited liability companies (LLCs) and have elected to be taxed as partnerships for both federal and state purposes (pass-through entities). For federal and certain state income tax purposes, the members of the Company include the net income or loss from the pass-through entities in their individual income tax returns. Additionally, other VIEs consolidated with the Company were formed as LLCs in their state of origin and have also elected to be taxed as pass-through entities. Beginning in 2014, the Company, through two wholly owned Canadian subsidiaries, is also subject to taxation in Canada.

The Company accounts for income taxes using the asset and liability method. Deferred income taxes are recognized for the expected future tax consequences attributable to temporary differences between the carrying amount of the existing tax assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied in the years in which temporary differences are expected to be recovered or settled. The principal items giving rise to temporary differences are the use of accelerated depreciation and certain basis differences resulting from acquisitions including the TSG Acquisition. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company does incur state income taxes in certain states, principally New Hampshire.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs (see note 14).

During 2013 the Company changed its position with respect to taxes due on interest and dividends to the state of New Hampshire that had previously been paid by the members of the Predecessor. This resulted in the Company making tax payments in 2013 totaling $4,392 for periods prior to November 7, 2012. This amount is included within other income (expense) for the year ended December 31, 2013 for the Successor and is fully offset by amounts received from the members of the Predecessor as reimbursement for the taxes paid, also

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recorded within other income (expense) for the year ended December 31, 2013 for the Successor. This position is not available for periods subsequent to November 7, 2012 and therefore taxes on interest and dividends due and payable in the Successor periods are paid by the members of the Successor.

***(p) Fair value measurements***

ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The table below presents information about the Company’s assets and liabilities that are measured at fair value on a recurring basis as of

December 31, 2013 and 2014:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Quoted** | | **Significant** | |  | **Significant** | |  |
|  |  | **Total fair** |  | **prices** |  | **other** |  |  |
|  |  | **value at** | **in active** | | **observable** | | **unobservable** | | |  |
|  | **December 31,** | | **markets** | |  | **inputs** |  | **inputs** | |  |
|  |  | **2013** | **(Level 1)** | |  | **(Level 2)** |  | **(Level 3)** | |  |
| Interest rate swap | $ | 92 | $ | — | $ | 92 | $ | — | |  |
|  |  |  |  |  |  | |  |  |  |  |
|  |  |  |  |  |  | |  |  |  |  |
|  |  |  |  | **Quoted** | **Significant** | |  | **Significant** | |  |
|  |  | **Total fair** |  | **prices** |  | **other** |  |  |
|  |  | **value at** | **in active** | | **observable** | | **unobservable** | | |  |
|  | **December 31,** | | **markets** | |  | **inputs** |  | **inputs** | |  |
|  |  | **2014** | **(Level 1)** | |  | **(Level 2)** |  | **(Level 3)** | |  |
| Interest rate caps | $ | 1,711 | $ | — | $ | 1,711 | $ | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |

The Company’s derivative assets as of December 31, 2014 consist of interest rate caps that effectively manage the risk above certain interest rates for a portion of the Company’s variable rate debt. The derivative positions are valued using models that use readily observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. The Company considers the credit risk of its counterparties when evaluating the fair value of its derivatives.

The Company’s interest rate cap and interest rate swap are the only asset or liability in the consolidated balance sheets measured at fair value as of December 31, 2013 and 2014, respectively. See note 11 for further discussion.

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Assets and liabilities that are measured at fair value on a nonrecurring basis primarily include assets acquired and liabilities assumed in business combination transactions and assets and liabilities measured in the course of assessing goodwill and other long-lived assets for impairment. The fair values used in these nonrecurring measurements are generally Level 3 measurements.

***(q) Financial instruments***

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term nature of these instruments. The carrying value of debt also approximates fair value as it is variable rate debt. The Company has determined that the determination of the fair value of amounts due from related parties under long-term arrangements is impracticable given the related-party nature of these arrangements. The carrying value of notes receivable approximates fair value based on similar interest rates charged for these arrangements in recent transactions.

***(r) Derivative instruments and hedging activities***

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. For derivatives designated in hedging relationships, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in accumulated other comprehensive income, to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings.

The Company only enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged transaction, the nature of the risk being hedged, how the hedging instrument’s effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness. The Company also formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in cash flows of hedged transactions. For derivative instruments that are designated and qualify as part of a cash flow hedging relationship, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The Company discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is de-designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge.

In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in earnings. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in earnings gains and losses that were accumulated in other comprehensive income related to the hedging relationship.

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**Pla-Fit Holdings, LLC and subsidiaries**

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**(Amounts in thousands, except unit and per unit amounts)**

See note 11 for further information.

***(s) Equity-based compensation***

The Company has an equity-based compensation plan under which it receives services from employees as consideration for equity instruments of the Company. The compensation expense is determined based on the fair value of the award as of the grant date. Compensation expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. No compensation expense has been recognized related to the Company’s equity-based compensation plan since distributions in respect of these awards (other than tax distributions) are contingent upon a liquidity event occurring. See note 16 for further information.

***(t) Guarantees***

The Company, as a guarantor, is required to recognize, at inception of the guaranty, a liability for the fair value of the obligation undertaken in issuing the guarantee. See notes 4 and 17 for further discussion of such obligations guaranteed.

***(u) Contingencies***

The Company records estimated future losses related to contingencies when such amounts are probable and estimable. The Company includes estimated legal fees related to such contingencies as part of the accrual for estimated future losses.

***(v) Reclassifications***

Certain amounts have been reclassified to conform to current year presentation, including placement revenue which was previously classified in equipment revenue and is now classified in franchise revenue. Placement revenue was $1.3 million, $3.6 million, $6.3 million, and $8.5 million for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor), and the years ended December 31, 2013 and 2014 (Successor), respectively.

***(w) Recent accounting pronouncements***

The FASB issued ASU No. 2015-02, *Income Statement—Consolidation* in February 2015. This guidance affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the guidance 1) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, 2) eliminates the presumption that a general partner should consolidate a limited partnership, 3) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and 4) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

The FASB issued ASU No. 2015-01, *Income Statement—Extraordinary and Unusual Items: Simplifying Income Statement Presentation by* *Eliminating the Concept of Extraordinary Items* in January 2015. This guidance

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eliminates from GAAP the concept of extraordinary items. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the guidance prospectively. A reporting entity also may apply this guidance retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

The FASB issued ASU No. 2014-17*, Business Combinations (Topic 805): Pushdown Accounting* , in November 2014. ASU 2014-17 provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. This guidance is effective for annual periods beginning after December 15, 2015 and the effective date of adoption depends on the timing of that first in-scope transaction. Early adoption is permitted. The Company will evaluate whether to apply this guidance for applicable transactions in the future.

The FASB issued ASU No. 2014-12, *Stock Compensation: Accounting for Share-Based Payments When the Terms of an Award Provide That a* *Performance Target Could Be Achieved after the Requisite Service Period* in June 2014.

This ASU finalizes Proposed ASU EITF-13D of the same name, and seeks to resolve the diversity in practice that exists when accounting for share-based payments. In particular, ASU 2014-12 requires a performance target that affects vesting and that could be achieved after the requisite service period to be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation—Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards, and, thus, the performance target should not be reflected in estimating the grant-date fair value of the award. This guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, in May 2014. ASU 2014-09 requires an entity to recognize 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 in exchange for those goods or services. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect the new guidance will have on its consolidated financial statements and related disclosures and has not yet selected a transition method.

The FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* in April 2014. ASU 2014-08 changes the requirements for reporting discontinued operations. This ASU limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have a major effect on an entity’s operations and financial results. The new standard became effective for any disposals of components of the Company in annual reporting periods

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beginning after December 15, 2014. The Company implemented the provisions of ASU 2014-08 as of January 1, 2015. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

The FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss* *Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* in July 2013*.* ASU 2013-11 requires an unrecognized tax benefit, or a portionof an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The new standard will be applied prospectively but retrospective application is permitted. The Company implemented the provisions of ASU 2013-11 as of January 1, 2015. The Company does not expect the adoption of this guidance to have a material impact on the Company’s consolidated financial statements.

**(3) TSG acquisition**

On November 8, 2012, the Company was acquired in a transaction with TSG for $479,250. The consideration consisted of equity contributions totaling $314,250, including a rollover investment of $78,750 by MMC and $165,000 of interim notes payable from TSG to MMC. The interim notes payable were repaid in connection with the financing agreements entered into in December 2012 by the Successor (see note 10).

The following table summarizes the consideration and the fair values of the assets acquired and liabilities assumed at the acquisition date based on the final valuation and purchase price allocation:

|  |  |  |  |
| --- | --- | --- | --- |
| Total consideration transferred, net of cash acquired | $ | 459,086 |  |
| Recognized amounts of identifiable assets acquired and liabilities assumed attheir fair values: |  |  |  |
| Accounts receivable | $ | 7,364 |  |
| Property, plant and equipment |  | 28,461 | |
| Other assets |  | 17,669 | |
| Identifiable intangibles |  | 332,335 |  |
| Accounts payable, accrued expenses and other liabilities assumed |  | (68,265) | |
| Deferred revenues |  | (13,751) | |
| Deferred income taxes |  | (1,937) | |
| Total net assets acquired |  | 301,876 |  |
| Goodwill |  | 157,210 |  |
| Total | $ | 459,086 |  |
|  |  |  |  |
|  |  |  |  |
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The purchase price allocation to the identifiable intangible assets acquired is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Weighted** |  |  |  |
|  | **average** | **Fair** | |  |
|  | **useful life** |  |
|  | **(in years)** | **value** | |  |
| Trade and brand names | Indefinite | $146,300 |  |  |
| Customer relationships | 11 | 165,900 |  |  |
| Noncompete agreements | 5 | 14,500 | |  |
| Favorable leases, net | 9 | 2,235 |  |  |
| Order backlog | — | 3,400 |  |  |
|  |  | $332,335 |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

These acquired intangible assets are being amortized primarily on a straight-line basis, over their estimated useful lives by the Successor. Order backlog was amortized over the period in which the orders were fulfilled and certain customer relationships are being amortized on an accelerated basis.

The fair values of the intangible assets acquired were determined using the income approach based on significant inputs that are not observable. The Company considers the fair value of each of the acquired intangible assets to be Level 3 assets due to the significant estimates and assumptions used by management in establishing the estimated fair values.

In connection with the TSG Acquisition, the Predecessor incurred $6,638 of expenses that are included in the consolidated statement of operations for the period ended November 7, 2012, of which $4,792 was funded by equity contributions by MMC.

**(4) Variable interest entities**

The Company classifies income attributable to noncontrolling interests as part of consolidated net income and includes the accumulated amount of noncontrolling interests as a component of equity. Net income, excluding the amount allocable to noncontrolling interests, is presented as “Net income attributable to members of Pla-Fit Holdings, LLC.” The presentation of changes in equity distinguishes between equity amounts attributable to members and amounts attributable to the noncontrolling interests. Distributions to noncontrolling interests are classified as financing cash flows. In addition, increases and decreases in the Company’s controlling financial interests are reported within equity as long as such changes do not result in a loss of control. If a change occurs that results in loss of control and deconsolidation, any retained ownership interests are remeasured at fair value with the gain or loss reported in net income.

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The carrying values of VIEs included in the consolidated financial statements as of December 31 are as follows:



|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2013** |  |  |  |  |  | **2014** |  |  |
|  |  | **Assets** | **Liabilities** | | |  |  | **Assets** | **Liabilities** | | |
| PF Melville | $ 3,446 | | $ | — | | | $ 3,479 | | $ | — | |
| MMR |  | 2,754 |  | — | | | 2,750 | |  | — | |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Total |  | $ 6,200 | $ | — | | | $ 6,229 | | $ | — | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

In August 2012, MMC became the sole members of PF Melville and management determined that the Company was the primary beneficiary of this VIE. Therefore, Holdings began consolidating PF Melville in August 2012. During 2013 the ownership of this entity changed; however, this did not impact the determination that the Company continues to be the primary beneficiary of this VIE.

During 2013, the ownership of MMR changed; however, the Company continues to be the primary beneficiary of this VIE, therefore MMR remains a consolidated VIE.

The TSG Acquisition and certain other transactions resulted in the deconsolidation of MMCT, 304 Maplewood, MMC Fox Run, and MMC Crosby during 2012.

On September 30, 2012, the Company acquired the remaining interest in Colorado from the individual members for one dollar (see note 5). This resulted in Colorado becoming a wholly owned subsidiary of Holdings rather than a consolidated VIE.

On February 1, 2012, the Company purchased 100% interest in PFPA and an affiliated entity, which were formerly 51% owned by the members of the Predecessor (see note 5). This resulted in PFPA becoming a wholly owned subsidiary of Holdings rather than a consolidated VIE.

On December 31, 2011, the operations of Planet Development, LLC, an entity which had been consolidated as a VIE based on common ownership, were discontinued. During 2012, the remaining net assets of Planet Development, LLC were distributed to the individual members of the Predecessor, and the Company recognized a $702 gain on the dissolution.

On September 30, 2012, one of the individual members of the Predecessor sold their interest in Planet Fitness OK and the Company recognized a $767 gain on the sale. As a result of this transaction, Planet Fitness OK is no longer a consolidated VIE.

The Company also has variable interests in certain franchisees mainly through the guarantee of certain debt and lease agreements as well as financing provided by the Company as well as by certain related parties; however, the Company has determined it is not the primary beneficiary of these franchisees based on the criteria described in note 2(a). The Company’s maximum obligation, as a result of its guarantees of leases and debt, is approximately $3,902 and $2,896 as of December 31, 2013 and 2014, respectively.

The amount of maximum obligation represents a loss that the Company could incur from the variability in credit exposure without consideration of possible recoveries through insurance or other means. In addition, the amount bears no relation to the ultimate settlement anticipated to be incurred from the Company’s involvement with these entities, which is estimated at $0.

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**Pla-Fit Holdings, LLC and subsidiaries**

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**(5) Business acquisitions, dispositions, and noncontrolling interests**

On March 31, 2014, the Company purchased certain assets from one of its franchisees, including eight franchisee-owned stores in New York, for consideration of $42,931, including a cash payment of $39,931 and a $3,000 discount to be applied to future equipment purchases. The $3,000 equipment discount has been recorded as deferred revenue by the Company and is being recognized as future equipment sales are made by the Company to the franchisee. In addition, as a result of the transaction, the Company incurred a loss on unfavorable reacquired franchise rights of $1,293, which has been reflected in other operating costs in the statement of operations. The loss incurred reduced the net purchase price to $41,638. The Company financed the purchase through its credit facility. The purchase consideration was allocated as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Fixed assets | $ | 7,634 |  |
| Reacquired franchise rights |  | 8,950 |  |
| Membership relationships |  | 5,882 |  |
| Favorable leases, net |  | 700 |  |
| Other assets |  | 35 |  |
| Goodwill |  | 19,771 |  |
| Liabilities assumed, including deferred revenues |  | (1,334) | |
| Total | $ | 41,638 |  |
|  |  |  |  |
|  |  |  |  |

The following unaudited, pro forma financial information assumes the acquisition of these eight franchisee-owned stores occurred on January 1, 2013. The unaudited pro forma consolidated revenue and net income for the years ended December 31, 2013 and 2014 are provided for informational purposes only and do not purport to represent the Company’s actual consolidated results had each acquisition occurred on the date assumed, nor are these necessarily indicative of the Company’s future consolidated results of operations.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Years ended December 31, (unaudited)** |  | **2013** |  | **2014** |
| Revenue | $ | 228,772 | $ | 284,211 |
| Net Income | $ | 25,166 | $ | 41,039 |

Revenue and net income relating to the acquisition of these eight franchisee-owned stores since the acquisition date of March 31, 2014, amounting to $12,169 and $3,860, respectively, have been included in the consolidated statement of operations for the year ended December 31, 2014.

On September 30, 2012, Holdings acquired the remaining interest in Colorado from the individual members of the Predecessor for one dollar. In accordance with ASC Topic 810, *Consolidation*, because Colorado was already a consolidated VIE, Holdings recorded this purchase as an equity transfer of $(118) from noncontrolling interest to members’ equity.

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On August 10, 2012, the individual members of Holdings liquidated their ownership in a limited liability company that was established in 2009. In conjunction with the liquidation, Holdings forgave $650 of indebtedness to the franchise entity and the members received and concurrently contributed to Holdings certain assets of the entity, including 10 stores in New York and New Jersey (the NY/NJ acquisition). Holdings recorded this equity contribution at the fair value of the net assets contributed, in accordance with ASC Topic 805, *Business Combinations*. The fair value of the contribution was allocated based on a valuation as follows:



|  |  |  |  |
| --- | --- | --- | --- |
|  | **Amount** | | |
| Fixed assets | $ | 5,667 |  |
| Reacquired franchise rights and membership relationships |  | 14,900 |  |
| Reacquired area development rights |  | 600 |  |
| Goodwill |  | 22,488 |  |
| Other assets |  | 488 |  |
| Unfavorable leases, net |  | (26) | |
| Forgiveness of note receivable |  | (650) | |
| Deferred tax liabilities |  | (438) | |
| Liabilities assumed |  | (4,282) | |
| Total | $ | 38,747 |  |
|  |  |  |  |
|  |  |  |  |

On August 1, 2012, Holdings purchased the assets of a franchise entity, including four stores in Delaware and Pennsylvania, for a cash payment of $12,140. Holdings financed the purchase through its revolving credit facility and operating cash. The purchase price was allocated as follows:



|  |  |  |  |
| --- | --- | --- | --- |
|  | **Amount** | | |
| Fixed assets | $ | 2,022 |  |
| Reacquired franchise rights and membership relationships |  | 9,629 |  |
| Reacquired area development rights |  | 90 |  |
| Goodwill |  | 956 |  |
| Liabilities assumed, including deferred revenues |  | (557) | |
| Total | $ | 12,140 |  |
|  |  |  |  |
|  |  |  |  |

On June 1, 2012, Holdings sold certain assets related to two stores in Rhode Island to a third party. In exchange for the assets sold, Holdings received a note receivable of $1,500. The note bears interest at 7% and calls for monthly payments of principal and interest with a lump-sum payment of $1,224 due upon maturity on July 1, 2015. Holdings recorded a $452 gain on the sale.

On February 1, 2012, Holdings purchased 100% interest in PFPA and an affiliated entity, which were formerly 51% owned by the members of the Predecessor. The combined purchase included 11 stores in Pennsylvania for an additional investment of approximately $5,000. Holdings financed the purchase through its revolving credit facility. In accordance with ASC Topic 810, *Consolidation*, because PFPA was already a consolidated VIE, Holdings recorded this purchase as an equity transaction, reducing members’ equity by $5,287 and increasing noncontrolling interest in VIEs by $392.

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In all of the acquisitions above, the estimated fair values of the intangible assets acquired were determined using the income approach based on significant inputs that are not observable. All amounts related to Predecessor transactions were revalued in connection with the TSG acquisition. The Company considers the fair value of each of the acquired intangible assets to be Level 3 assets due to the significant estimates and assumptions used by management in establishing the estimated fair values.

**(6) National advertising fund**

On July 26, 2011, the Company established NAF for the creation and development of marketing, advertising, and related programs and materials for all Planet Fitness stores. On behalf of the NAF, the Company collects 2% of gross monthly membership billings from franchisees, in accordance with the provisions of the franchise agreements. The Company also contributes 2% of monthly membership billings from corporate-owned stores to the NAF. The use of amounts received by NAF is restricted to advertising, product development, public relations, merchandising, and administrative expenses and programs to increase sales and further enhance the public reputation of the Planet Fitness brand. The Company consolidates and reports all assets and liabilities held by NAF. Amounts received by NAF are reported as restricted assets and restricted liabilities within current assets and current liabilities on the consolidated balance sheets. The Company provides administrative services to NAF and charges NAF a fee for providing those services. These services include accounting services, information technology, data processing, product development, legal and administrative support, and other operating expenses, which amounted to $534, $92, $865 and $1,010 for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 through December 31, 2012 (Successor) and for the years ended December 31, 2013 and 2014 (Successor), respectively. The fees paid to the Company by NAF are included in the consolidated statements of operations as a reduction in general and administrative expense, where the expense incurred by the Company was initially recorded.

**(7) Notes receivable**

The Company has various notes receivable from franchisees to facilitate ongoing business. Notes receivable consist of unpaid principal and accrued interest. There were two notes receivable as of December 31, 2014, with maturity dates ranging from July 1, 2015 to February 1, 2018. The balance as of December 31 consists of the following current and noncurrent portions:



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2013** | | **2014** | | |
| Current portion of notes receivable | $ | | 513 |  | $1,290 | |  |
| Long-term portion of notes receivable |  |  | 3,672 |  |  | 2,007 |  |
| Total notes receivable | $ | | 4,185 |  | $3,297 | |  |
|  |  |  |  |  |  |  |  |
|  |  | |  |  |  |  |  |
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**(8) Property and equipment**

Property and equipment as of December 31 consists of the following:



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2013** | |  | **2014** | |
| Land | $ | 910 |  | $ | 910 |  |
| Equipment |  | 13,001 |  |  | 22,137 | |
| Leasehold improvements |  | 19,001 |  |  | 27,361 | |
| Buildings and improvements |  | 5,341 |  |  | 5,119 |  |
| Vehicles |  | 141 |  |  | 155 |  |
| Other |  | 2,343 |  |  | 4,250 |  |
| Construction in progress |  | — | |  | 5,375 |  |
|  |  | 40,737 |  |  | 65,307 |  |
| Accumulated depreciation |  | (6,971) | |  | (15,728) | |
| Total | $ | 33,766 |  | $ | 49,579 |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

In connection with the TSG Acquisition, the gross value of property and equipment was adjusted to its estimated fair value and accumulated depreciation was reset to $0.

The Company recorded depreciation expense of $4,142, $869, $6,171 and $9,138 for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor) and for the years ended December 31, 2013 and 2014 (Successor), respectively. Refer to note 17 for capital lease commitments.

**(9) Goodwill and intangible assets**

A summary of goodwill and intangible assets at December 31, 2013 is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Weighted** |  |  |  |  |  |  |  |  |  |  |
|  | **average** |  |  |  |  |  |  |  | **Net** | |  |
|  | **amortization** |  | **Gross** | |  |  |  |  |  |
|  | **period** |  | **carrying** | |  | **Accumulated** | | | **carrying** | |  |
|  | **(years)** |  | **amount** | |  | **amortization** | | | **amount** | |  |
| Customer relationships | 11.3 | $165,900 | |  | $ | | (21,995) | | $143,905 |  |  |
| Noncompete agreements | 5.0 | 14,500 | |  |  |  | (3,328) | | 11,172 | |  |
| Favorable leases | 8.5 | 2,235 | |  |  |  | (284) | | 1,951 |  |  |
| Order backlog | 0.4 |  | 3,400 |  |  |  | (3,400) | | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 186,035 |  |  |  | (29,007) | | 157,028 |  |  |
| Indefinite-lived intangible: |  |  |  |  |  |  |  |  |  |  |  |
| Trade and brand names | N/A |  | 146,300 |  |  |  | — |  | 146,300 |  |  |
| Total intangible assets |  | 332,335 | |  |  |  | (29,007) | | 303,328 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Goodwill |  | $157,210 | |  | $ | | — | | $157,210 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
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A summary of goodwill and intangible assets at December 31, 2014 is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Weighted** | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **average** | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **amortization** | | | |  | **Gross** | | |  |  |  |  |  |  | **Net** | |
|  |  |  | **period** | | **carrying** | | | |  | **Accumulated** | | | | | **carrying** | |
|  |  |  | **(years)** | |  | **amount** | | |  | **amortization** | | | | | **Amount** | |
| Customer relationships |  |  | 11.1 |  | $171,782 | |  |  | $ | |  | (41,130) | |  | $130,652 |  |
| Noncompete agreements |  |  | 5.0 |  |  | 14,500 |  |  |  |  |  | (6,229) | |  | 8,271 |  |
| Favorable leases |  |  | 7.5 |  |  | 2,935 |  |  |  |  |  | (779) | |  | 2,156 |  |
| Order backlog |  |  | 0.4 |  |  | 3,400 |  |  |  |  |  | (3,400) | |  | — | |
| Reacquired franchise rights |  |  | 5.8 |  |  | 8,950 |  |  |  |  |  | (1,167) | |  | 7,783 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | 201,567 |  |  |  |  |  | (52,705) | |  | 148,862 |  |
| Indefinite-lived intangible: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Trade and brand names |  |  | N/A | |  | 146,300 |  |  |  |  |  | — |  | | 146,300 |  |
| Total intangible assets |  |  |  |  | $347,867 | |  |  | $ | |  | (52,705) | |  | $295,162 |  |
|  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| Goodwill |  |  |  |  | $176,981 | |  |  | $ | |  | — | | | $176,981 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| The changes in the carrying amount of goodwill are as follows: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Corporate-** | | |  |  |  |  |  |  |  |  |
|  |  | **Franchise** | | | **owned stores** | | | |  |  | **Equipment** | | | | **Total** | |
| As of December 31, 2012 | $ | | 16,938 | | $ | 47,606 | | | $ | | | 92,666 | |  | $157,210 |  |
| Additions |  |  | — |  |  |  | — |  |  |  |  | — | | | — | |
| As of December 31, 2013 |  |  | 16,938 |  |  | 47,606 | |  |  |  |  | 92,666 | |  | 157,210 |  |
| Acquisition of franchises |  |  | — |  |  | 19,771 | |  |  |  |  | — | | | 19,771 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| As of December 31, 2014 |  | $ | 16,938 |  | $ | 67,377 | |  | $ | | | 92,666 | |  | $176,981 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Amortization expense related to the intangible assets totaled $1,499, $6,124, $22,883 and $23,698 for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor), and for the years ended December 31, 2013 and 2014 (Successor), respectively. Included within these total amortization expense amounts are $34, $246, and $495 related to amortization of favorable and unfavorable leases for the period from November 8, 2012 to December 31, 2012, and for the years ended December 31, 2013 and 2014, respectively. Amortization of favorable and unfavorable leases is recorded within store operations as a component of rent expense in the consolidated statements of operations. The anticipated annual amortization expense to be recognized in future years as of December 31, 2014 is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2015 | $ | | 21,519 | |
| 2016 |  |  | 19,756 | |
| 2017 |  |  | 18,215 | |
| 2018 |  |  | 14,582 | |
| 2019 |  |  | 14,215 | |
| Thereafter |  |  | 60,575 |  |
| Total |  | $ | 148,862 |  |
|  |  |  |  |  |
|  |  | |  |  |
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**(10) Long-term debt**

Long-term debt as of December 31 consists of the following:



|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **2013** | | **2014** | |
|  |  |  |  |  |  |
| Pla-Fit Holdings: |  |  |  |  |  |
| Term loan B requires quarterly installments plus interest through the term of the loan, maturing March 31, 2021. |  |  |  |  |  |
| Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the |  |  |  |  |  |
| borrower (4.75% at December 31, 2014) | $ | — | | $387,075 |  |
| Revolving credit line, requires interest only payments through the term of the loan, maturing March 31, 2019. |  |  |  |  |  |
| Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the |  |  |  |  |  |
| borrower (4.25% at December 31, 2014) |  | — | | — | |
| Term loan A requires quarterly installments plus interest through the term of the loan, maturing December 14, |  |  |  |  |  |
| 2017. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of |  |  |  |  |  |
| the borrower Term Loan repaid on March 31, 2014 |  | 182,875 |  | — | |
| Revolving credit line requires interest only payments through the term of the loan, maturing December 14, 2017. |  |  |  |  |  |
| Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the |  |  |  |  |  |
| borrower Revolving credit line terminated on March 31, 2014 |  | — | | — | |
|  |  | 182,875 |  | 387,075 |  |
| Current portion of long-term debt and line of credit |  | 9,500 |  | 3,900 |  |
| Long-term debt, net of current portion | $ | 173,375 |  | $383,175 |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

On March 31, 2014, the Company entered into a five-year $430,000 credit facility with a consortium of banks and lenders to refinance the existing indebtedness, as well as to provide funds for working capital, capital expenditures, acquisitions, and general corporate purposes. The facility consists of a $390,000 Term Loan and a $40,000 Revolving Credit Facility. The unused portion of the Revolving Credit Facility as of December 31, 2014 was $40,000. The Term Loan calls for quarterly principal installment payments of $975 through March 2021. Capitalized debt issuance costs associated with the financing totaled $7,785 and are reflected in other long-term assets in the Successor’s consolidated balance sheet, net of accumulated amortization of $886 as of December 31, 2014.

On December 12, 2012, the Company entered into a five-year $230,000 credit facility with a consortium of banks led by J.P. Morgan Chase Bank (JP Morgan) to refinance existing indebtedness, as well as to provide funds for working capital, capital expenditures, loans to franchisees, acquisitions, and general corporate purposes. The facility consisted of a $190,000 Term Loan and $40,000 Revolving Credit Facility. The Term Loan was paid in full as a result of the Credit Facility entered into on March 31, 2014. Capitalized debt issuance costs associated with the financing totaled $7,161. As part of the Credit Facility transaction on March 31, 2014, the Company wrote off the portions of the unamortized debt issuance costs related to the term loan as well as a portion of the debt issuance costs related to the revolving credit facility totaling $4,697. This amount is

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reflected as a loss on extinguishment in the consolidated statement of operations. Unamortized debt issuance costs associated with the 2012 credit facility of $447 is reflected in other long-term assets in the Company’s consolidated balance sheet, net of accumulated amortization of $51 as of December 31, 2014.

In conjunction with the TSG Acquisition, TSG issued notes payable to MMC totaling $165,000. These notes bore interest at 10% annually and were scheduled to mature on November 7, 2013. These interim notes payable were repaid in full and terminated in connection with executing the JP Morgan Term Loan A.

The Company’s five-year $430,000 credit facility requires the Company to meet certain financial covenants, which the Company was in compliance with as of December 31, 2014. The facility is secured by all of the Company’s assets, excluding the assets attributable to the VIEs (see note 4).

Future annual principal payments of long-term debt as of December 31, 2014 are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| 2015 | $ | 3,900 |  |
| 2016 |  | 3,900 |  |
| 2017 |  | 3,900 |  |
| 2018 |  | 3,900 |  |
| 2019 |  | 3,900 |  |
| Thereafter |  | 367,575 |  |
| Total | $ | 387,075 |  |
|  |  |  |  |
|  |  |  |  |

**(11) Derivative instruments and hedging activities**

During 2013 the Company entered into interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt instruments. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. The Company does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is an asset, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is a liability, the Company owes the counterparty and, therefore, the Company is not exposed to the counterparty’s credit risk in those circumstances. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than A1/A+ at the inception of the derivative transaction. The derivative instruments entered into by the Company do not contain credit-risk-related contingent features.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

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The Company assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company monitors interest rate risk attributable to both the Company’s outstanding or forecasted debt obligations as well as the Company’s offsetting hedge positions.

A component of the interest due on the Company’s long-term debt is based on the variable London Interbank Offered Rate (LIBOR). The debt obligations expose the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, in 2013, management entered into LIBOR based interest rate swap agreements to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. These swaps change the variable-rate cash flow exposure on a portion of its debt obligations to fixed-rate cash flows. Under the terms of the interest rate swaps, the Company receives LIBOR based variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt for the notional amount of its debt hedged. As of December 31, 2013, the total notional amount of the Company’s outstanding interest-rate swap agreements that were entered into was $90,630. The Company’s interest rate swaps were terminated in 2014 and the Company recorded a loss of $248 within interest expense in the consolidated statement of operations.

In September 2014, the Company entered into a series of LIBOR based interest rate cap agreements in exchange for premium payments of

$2.4 million to effectively manage our risk above certain interest rates and mitigate our exposure to changes in interest rates under the term loan. The interest rate caps are for a total notional amount of $194 million. The term of the interest rate caps began on September 30, 2014 and ends on September 29, 2017. The interest rate cap agreements are designed to cap the LIBOR interest rate into a fixed interest rate if the LIBOR goes above the set cap amounts of 1.5%. The derivative instruments are designated as cash flow hedges, and the effective portion of the change in the fair value of the derivative is recognized as a component of accumulated other comprehensive income (loss) until the underlying item is recognized in earnings or the forecasted transaction is no longer probable of occurring. As of December 31, 2014, the total notional amount of the Company’s outstanding interest-rate cap agreements that were entered into to hedge interest rate changes above 1.5% LIBOR was $194 million.

Changes in the fair value of interest rate swaps and caps designated as hedging instruments that effectively offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported in accumulated other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment of the hedged interest payments in the same period in which the related interest affects earnings.

There were no derivative instruments in place prior to 2013.

The Company has recorded a reduction to the interest rate cap of $662 within other assets with a corresponding amount included within accumulated other comprehensive loss as of December 31, 2014. The Company recorded a deferred gain of $92 within other assets related to its interest rate swaps with a corresponding amount included within accumulated other comprehensive income as of December 31, 2013. These amounts have been measured at fair value and are considered to be a Level 2 fair value measurement.

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As of December 31, 2014, the Company does not expect to reclassify any amounts included in accumulated other comprehensive income into earnings during the next 12 months. Transactions and events expected to occur over the next twelve months that will necessitate reclassifying these derivatives’ loss to earnings include the re-pricing of variable-rate debt.

**(12) Deferred revenue**

The summary set forth below represents the balances in deferred revenue as of December 31:



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2013** |  |  | **2014** | |
| Prepaid membership fees | $ | 4,693 | $ | | 5,382 |  |
| Enrollment fees |  | 1,603 |  |  | 1,692 |  |
| Equipment discount |  | — |  |  | 2,689 |  |
| Annual membership fees |  | 4,268 |  |  | 5,696 |  |
| Area development and franchise fees |  | 8,073 |  |  | 8,420 |  |
| Total deferred revenue |  | 18,637 |  |  | 23,879 | |
| Long-term portion of deferred revenue |  | 7,193 |  |  | 9,330 |  |
| Current portion of deferred revenue | $ | 11,444 | $ | | 14,549 | |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

Equipment deposits received in advance of assembly and customer acceptance as of December 31, 2013 and 2014 were $2,647 and $6,675, respectively.

**(13) Related party transactions**

Amounts due from members as of December 31, 2013 and 2014 relate to reimbursements for taxes owed and paid by the Company on their behalf.



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2013** | |  |  | **2014** | |
| Accounts receivable—related entities | $ | | 7 | | $ | | 11 | |
| Accounts receivable—members |  |  | 1,325 |  |  |  | 1,130 |  |
|  |  |  | 1,332 |  |  |  | 1,141 |  |
| Due from related parties, current portion |  |  | 1,332 |  |  |  | 1,141 |  |
| Due from related parties, net of current portion |  | $ | — |  | $ | | — | |
|  |  |  |  |  |  |  |  |  |
|  |  | |  |  |  |  |  |  |
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Activity with entities considered to be related parties is summarized below.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Period from** | |  |  |  | **Period from** | |  |  |  |  |  |  |
|  |  | **January 1,** | |  |  | **November 8,** | | |  |  |  |  |  |  |
|  | **2012 through** | | |  |  | **2012 through** | | |  | **Year ended** | |  | **Year ended** | |
|  |  | **November 7,** | |  |  | **December 31,** | | | **December 31,** | | | **December 31,** | | |
|  |  | **2012** | |  |  |  | **2012** | |  | **2013** | |  | **2014** | |
|  | **(Predecessor)** | | |  |  |  |  |  | **(Successor)** | | |  |  |  |
| Franchise revenue | $ | 1,783 |  |  | $ | | 23 | | $ | 1,620 |  | $ | 733 |  |
| Equipment revenue |  | 2,988 |  |  |  |  | — | |  | 855 |  |  | 3,711 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total revenue from related parties | $ | 4,771 |  |  |  | $ | 23 | | $ | 2,475 |  | $ | 4,444 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



During the period from January 1, 2012 to November 7, 2012 (Predecessor), the Company earned interest income of $326 on notes receivable from related parties. The Company has not earned interest income on notes receivable from related parties after the period ended November 7, 2012. All funds advanced to these entities were used to assist in financing of the respective operations. In addition, the Company guarantees certain operating leases and debt agreements of these entities (see note 17).

The Company paid management fees to TSG totaling $147 during the period from November 8, 2012 to December 31, 2012 (Successor), and totaling $1,136 and $1,211 during the years ended December 31, 2013 and 2014 (Successor), respectively.

**(14) Income taxes**

The provision (benefit) for income taxes consists of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Period from** | |  |  | **Period from** | |  |  |  |  |  |  |
|  |  |  | **January 1,** | |  | **November 8,** | | |  |  |  |  |  |  |
|  |  | **2012 through** | | |  | **2012 through** | | |  | **Year ended** | |  | **Year ended** | |
|  |  |  | **November 7,** | |  | **December 31,** | | | **December 31,** | | | **December 31,** | | |
|  |  |  | **2012** | |  |  | **2012** |  |  | **2013** | |  | **2014** | |
|  |  | **(Predecessor)** | | |  |  |  |  | **(Successor)** | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| State | $ | | 681 | | $ | | 157 |  | $ | 2,063 |  | $ | 1,078 |  |
| Foreign |  |  | — |  |  |  | — | |  | — | |  | 168 |  |
| Total current tax expense |  |  | 681 |  |  |  | 157 |  |  | 2,063 |  |  | 1,246 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Deferred: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| State |  |  | (25) | |  |  | (101) | |  | (1,430) | |  | 217 |  |
| Foreign |  |  | — |  |  |  | — | |  | — | |  | (280) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total deferred tax (benefit) expense |  |  | (25) | |  |  | (101) | |  | (1,430) | |  | (63) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Provision for income taxes | $ | | 656 | | $ | | 56 |  | $ | 633 |  | $ | 1,183 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The Company’s effective tax rate during all periods presented is significantly lower than the U.S. federal statutory tax rate of 35% due to its election to be treated as a pass-through entity for U.S. federal income taxes and for most state income taxes. Net deferred tax liabilities of $406 and $343 as of December 31, 2013 and

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2014, respectively, relate primarily to the tax effects of temporary differences for acquired intangible assets. Deferred tax assets as of December 31, 2013 and 2014 are immaterial and included in other assets in the accompanying consolidated balance sheets. The Company has net operating loss carryforwards related to its Canada operations of approximately $280, which begin to expire in 2034. It is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

As of December 31, 2013 and 2014, the total liability related to uncertain tax positions is $300. The Company recognizes interest accrued and penalties, if applicable, related to unrecognized tax benefits in income tax expense. Interest and penalties for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor) and for the years ended December 31, 2013 and 2014 were not material.

The Company’s open years for income tax examination purposes are 2011 through 2013.

**(15) Members’ equity**

Each of the Company’s limited liability company (LLC) subsidiaries and VIEs operate like a partnership, and therefore, profits and losses are allocated on a basis defined in the LLC agreement. The LLCs make capital distributions of cash available on the basis defined in the LLC agreement. Thereafter, distributions are made according to each partner’s or member’s interests in the LLC. As of December 31, 2014, all of the priority distribution payments, per the agreement of all of the partners of the LLC, have been made.

**(16) Equity-based compensation plan**

In 2013, the Company’s Board of Directors adopted the 2013 Equity Incentive Plan (the “Plan”). Under the Plan, the Company has granted awards in the form of Class M Units to employees and directors of the Company and its subsidiaries. A maximum of 526.316 Class M Units may be granted under the Plan. Awards under the Plan are granted on a discretionary basis and are subject to the approval of the Company’s Board of Directors. The Class M Units receive distributions (other than tax distributions) only upon a liquidity event, as defined, that exceeds a threshold equivalent to the fair value of the Company, as determined by the Company’s Board of Directors, at the grant date. Eighty percent of the awards vest over five years of continuous employment or service while the other twenty percent only vest in the event of an initial public offering of the Company’s common stock or that of its parent or one of its subsidiaries, subject to the holder of the Class M Units remaining employed or providing services on the date of such initial public offering. All awards include a repurchase option at the election of the Company for the vested portion upon termination of employment or service. The Class M Units provide for accelerated vesting if there is a Company Sale (as defined in the Company’s LLC agreement), subject to the holder of the Class M Units remaining employed or providing services on the date of such transaction. The Plan and all awards granted under it will terminate on the tenth anniversary of the date the Plan was adopted by the Company’s Board of Directors. These awards are accounted for as equity at their fair value as of the grant date; however, no expense has been recorded since distributions in respect of the Class M Units (other than tax distributions) are contingent upon a liquidity event.

The fair value of each award was estimated on the date of grant using a Monte Carlo simulation model.

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The weighted average assumptions for the grants are provided in the following table. Since the Company’s shares are not publicly traded, expected volatility is estimated based on the average historical volatility of similar entities with publicly traded shares. The term is based on the estimated time to a liquidity event. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve at the date of grant.

Valuation assumptions:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Year ended** | **Year ended** | |
|  | **December 31,** | **December 31,** | |
|  | **2013** | **2014** | |
| Expected dividend yield | —% | —% | |
| Expected volatility | 39.4% | 36.8% |  |
| Expected term (in years) | 3.7 | 1.7 | |
| Risk-free interest rate | 0.8% | 0.4% | |
| A summary of Class M Unit activity is presented below: |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Time and** | |  |  |  |  |  |  | **Weighted** | |
|  |  | **liquidity** | | **Liquidity** | |  |  |  | **average grant** | | |
|  |  | **event based** | | **event based** | | **Total units** | |  | **date fair value** | | |
| Outstanding at January 1, 2013 | | — | | — | | — | | $ | | — | |
| Units granted | | 345.262 |  | 86.315 |  | 431.577 |  | $ | | 10,047 | |
| Outstanding at December 31, 2013 | | 345.262 |  | 86.315 |  | 431.577 |  | $ | | 10,047 | |
| Units granted | | 96.841 | | 24.210 |  | 121.051 |  | $ | | 5,993 |  |
| Units forfeited | | (37.895) | | (9.473) | | (47.368) | | $ | | 6,148 |  |
| Outstanding at December 31, 2014 | | 404.208 |  | 101.052 |  | 505.260 |  | $ | | 9,436 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Vested at December 31, 2014 | | 93.473 | | — | | 93.473 | | $ | | 10,206 | |
|  |  |  |  |  |  |  |  | |  |  |  |
|  |  |  |  |  |  |  |  | |  |  |  |
| The weighted average grant-date fair value of the Class M Units vested during the years ended December 31, 2013 and 2014 was $ | | | | | | | | | | 10,656 and | |

$10,047 respectively. During the years ended December 31, 2013 and 2014, 24.421 and 69.052 units vested, respectively, but were not yet exercisable due to the fact that exercisability is contingent on a liquidity event. No distributions were paid under these awards in 2013 or 2014 and no awards were forfeited in 2013. At December 31, 2014, there was $4,767 of total unrecognized compensation cost related to all awards granted under this Plan. The timing of recognition of this amount will depend on if and when a liquidity event should occur.

**(17) Commitments and contingencies**

***(a) Capital lease commitments***

The Company is obligated under a number of lease agreements for equipment. Certain of these leases have been determined to be capital leases and the assets and liabilities have been recorded at the lesser of the present value of the minimum lease payments or the fair value of the assets. Depreciation of the assets held under capital leases is included in depreciation expense.

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Following is the property and equipment under capital lease commitments by major class as of December 31:



|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2013** | | **2014** | | |
| Property class: |  |  |  |  |  |
| Equipment | $ 4,774 |  | $ 4,774 | |  |
| Leasehold improvements | 1,542 |  | 1,542 | |  |
| Less accumulated depreciation | (2,161) | | (3,756) | | |
|  | $ 4,155 |  | $ 2,560 | |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Approximate future annual minimum gross lease payments due under capital leases are as follows: |  |  |  |  |  |
|  |  |  |  |  |  |
| 2015 |  |  | $390 | |  |
| 2016 |  |  |  | 47 |  |
| Total gross lease payments |  |  | 437 | |  |
| Less interest included in payments |  |  |  | (16) | |
| Net future annual lease payments due under capital leases |  |  |  | 421 |  |
| Less current portion |  |  |  | 376 |  |
| Long-term portion |  |  | $ 45 | | |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

***(b) Operating lease commitments***

The Company rents equipment, office, and warehouse space at various locations in the United States and Canada under noncancelable operating leases. Rental expense was $7,848, $1,904, $13,830 and $16,980 for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor) and for the years ended December 31, 2013 and 2014 (Successor), respectively. Approximate annual future commitments under noncancelable operating leases as of December 31, 2014 are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| 2015 | $ | 13,147 | |
| 2016 |  | 13,350 | |
| 2017 |  | 12,955 | |
| 2018 |  | 12,137 | |
| 2019 |  | 10,748 | |
| Thereafter |  | 56,532 | |
| Total minimum lease payments | $ | 118,869 |  |
|  |  |  |  |
|  |  |  |  |

***(c) Guarantees***

On October 7, 2008, the Company entered into an agreement with Main Street Bank (MSB), a Texas banking association, for all franchisees seeking financing to acquire equipment and other property. This agreement provides financing to all qualified franchisees for up to $40,000 (as defined in the agreement). The maximum length for any one loan is 72 months.

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to consolidated financial statements**

**(Amounts in thousands, except unit and per unit amounts)**

The Company earns a commission from MSB of up to 1.5% of the total funded leases provided to the franchisees, including origination fees. The Company has not earned any fees or commissions from MSB during any of the periods presented.

At inception, the Company was obligated to MSB in an initial aggregate amount of up to $4,000 for leases subject to a subsequent default, which declines over the term of the agreement, as defined, provided that there has been no breach by the Company of its material representations, warranties, or covenants under the agreement. The Company’s maximum potential obligation as of December 31, 2014 was approximately $137. The Company has determined the fair value of these guarantees at inception is not material and no accrual is recorded as of December 31, 2013 or 2014.

The Company has also guaranteed certain other leases and debt agreements of entities related through common ownership. These guarantees relate to leases for operating space, equipment, and other operating costs of franchises operated by the related entities. The Company’s maximum total commitment under these agreements is approximately $2,759 and would only require payment upon default by the primary obligor. The Company has determined the fair value of these guarantees at inception is not material, and as of December 31, 2013 and 2014, no accrual has been recorded for the Company’s potential obligation under its guaranty arrangement.

***(d) Legal matters***

From time to time, and in the ordinary course of business, the Company is subject to various claims, charges, and litigation, such as employment-related claims and slip and fall cases. The Company is not currently aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company’s financial position or result of operations.

***(e) Purchase commitments***

As of December 31, 2014, the Company had advertising purchase commitments of approximately $8,182, including commitments made by the NAF. In addition the Company had open purchase orders of approximately $17,371 primarily related to equipment to be sold to franchisees.

***(f) Performance incentive plan***

During 2013, the Company adopted the 2013 Performance Incentive Plan, which calls for pre-determined bonus amounts totaling $311 to be paid to employees of the Company upon a future liquidity event of the Company, including an initial public offering, that exceeds a pre-determined threshold. Given the uncertainty of the underlying event, no compensation expense has been recorded in 2013 or 2014 related to this Plan. The bonuses would be recorded in the period in which the liquidity event occurs.

**(18) Retirement plan**

The Company maintains a 401(k) deferred tax savings plan (the Plan) for eligible employees. The Plan provides for the Company to make an employer matching contribution currently equal to 100% of employee deferrals up to a maximum of 4% of each eligible participating employees’ wages. Total employer matching contributions expensed in the consolidated statements of operations were approximately $73, $18, $214, and $211 for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor) and for the years ended December 31, 2013 and 2014 (Successor), respectively.

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to consolidated financial statements**

**(Amounts in thousands, except unit and per unit amounts)**

**(19) Segments**

The Company has three reportable segments: (i) Franchise; (ii) Corporate-owned stores; and (iii) Equipment.

The Company’s operations are organized and managed by type of products and services and segment information is reported accordingly. The Company’s chief operating decision maker (the “CODM”) is its Chief Executive Officer. The CODM reviews financial performance and allocates resources by reportable segment. There have been no operating segments aggregated to arrive at the Company’s reportable segments.

The Franchise segment includes operations related to the Company’s franchising business in the United States, Puerto Rico, and Canada. The Corporate-owned stores segment includes operations with respect to all Corporate-owned stores throughout the United States and Canada. The Equipment segment includes the sale of equipment to franchisee-owned stores.

The accounting policies of the reportable segments are the same as those described in note 2. The Company evaluates the performance of its segments and allocates resources to them based on revenue and earnings before interest, taxes, depreciation, and amortization, referred to as Segment EBITDA. Revenues for all operating segments include only transactions with unaffiliated customers and include no intersegment revenues. No individual customer accounted for more than 10% of total revenues by segment or in total for any periods presented.

The tables below summarize the financial information for the Company’s reportable segments for the period from January 1, 2012 through November 7, 2012 (Predecessor), the period from November 8, 2012 through December 31, 2012 (Successor), and the years ended December 31, 2013 and 2014 (Successor). The “Corporate and other” column as it relates to Segment EBITDA primarily includes corporate overhead costs, such as payroll and related benefit costs and professional services which are not directly attributable to any individual segment.



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Revenue** | |  |  |  |  |  |  |
|  |  |  | **Period from** | |  |  | **Period from** | |  |  |  |  |  |  |
|  |  | **January 1, 2012** | | |  | **November 8,** | | |  |  |  |  |  |  |
|  |  |  | **through** | |  | **2012 through** | | |  | **Year ended** | |  | **Year ended** | |
|  |  |  | **November 7,** | |  | **December 31,** | | | **December 31,** | | | **December 31,** | | |
|  |  |  | **2012** | |  |  | **2012** | |  | **2013** | |  | **2014** | |
|  |  |  | **(Predecessor)** | |  |  |  |  | **(Successor)** | | |  |  |  |
| Franchise | $ | | 28,478 | |  | $ | 6,257 |  | $ | 44,157 | | $ | 71,806 | |
| Corporate-owned stores |  |  | 40,360 | |  |  | 8,822 |  |  | 67,364 | |  | 85,041 | |
| Equipment |  |  | 49,062 | |  |  | 26,708 | |  | 99,488 | |  | 122,930 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total | $ | | 117,900 |  |  | $ | 41,787 | | $ | 211,009 |  | $ | 279,777 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Franchise revenue includes $117, $26, $201, and $351 generated from franchisee-owned stores in Puerto Rico for the period from January 1, 2012 through November 7, 2012 (Predecessor), the period from November 8, 2012 through December 31, 2012 (Successor), and the years ended December 31, 2013 and 2014 (Successor). The Company’s Canadian corporate-owned stores generated $19 in revenue for the year ended December 31, 2014. Equipment revenue includes $638, $0, $1,327, and $1,128 related to equipment sold to franchisee-owned stores in Puerto Rico for the period from January 1, 2012 through November 7, 2012 (Predecessor), the period

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to consolidated financial statements**

**(Amounts in thousands, except unit and per unit amounts)**

from November 8, 2012 through December 31, 2012 (Successor), and the years ended December 31, 2013 and 2014 (Successor). All other revenue for all periods presented was generated from corporate-owned and franchisee-owned stores within the United States. Franchise revenue includes $3,629, $1,312, $6,315, and $8,450 generated from placement services for the period from January 1, 2012 through November 7, 2012 (Predecessor), the period from November 8, 2012 through December 31, 2012 (Successor), and the years ended December 31, 2013 and 2014 (Successor).



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | **Segment EBITDA** | | | |  |  |  |  |  |
|  |  |  |  | **Period from** | |  |  | **Period from** | |  |  |  |  |  |  |  |
|  |  |  |  | **January 1,** | |  | **November 8,** | | |  |  |  |  |  |  |  |
|  |  |  | **2012 through** | | |  | **2012 through** | | |  |  | **Year ended** | |  | **Year ended** | |
|  |  |  |  | **November 7,** | |  | **December 31,** | | |  | **December 31,** | | | **December 31,** | | |
|  |  |  |  | **2012** |  |  |  | **2012** |  |  |  | **2013** |  |  | **2014** | |
|  |  |  | **(Predecessor)** | | |  |  |  |  |  | **(Successor)** | | |  |  |  |
| Franchise | $ | | | 17,793 |  | $ | | 4,934 |  | $ | | 30,123 |  | $ | 53,109 | |
| Corporate-owned stores |  |  |  | 11,585 |  |  |  | 2,194 |  |  |  | 21,742 |  |  | 31,705 | |
| Equipment |  |  |  | 6,713 |  |  |  | 5,312 |  |  |  | 19,791 |  |  | 26,447 | |
| Corporate and other |  |  |  | (5,161) | |  |  | (841) | |  |  | (7,504) | |  | (18,642) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total | $ | | | 30,930 |  | $ | | 11,599 |  | $ | | 64,152 |  | $ | 92,619 | |
|  | |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
| The following table reconciles total Segment EBITDA to income before taxes: | | | | | |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | |  |  |  | |  |  |  |  |  |  |  |
|  |  |  |  | **Period from** | |  |  | **Period from** | |  |  |  |  |  |  |  |
|  |  | **January 1, 2012** | | | |  | **November 8,** | | |  |  |  |  |  |  |  |
|  |  |  |  | **through** | |  | **2012 through** | | |  |  | **Year ended** | |  | **Year ended** | |
|  |  |  |  | **November 7,** | |  | **December 31,** | | |  | **December 31,** | | | **December 31,** | | |
|  |  |  |  | **2012** |  |  |  | **2012** | |  |  | **2013** | |  | **2014** | |
|  |  |  | **(Predecessor)** | | |  |  |  |  |  | **(Successor)** | | |  |  |  |
| Total Segment EBITDA | $ | | | 30,930 |  | $ | | 11,599 |  | $ | | 64,152 | | $ | 92,619 | |
| Less: Depreciation and amortization |  |  |  | 5,676 |  |  |  | 6,959 |  |  |  | 28,808 | |  | 32,341 | |
| Less: Other income (expense) |  |  |  | 29 |  |  |  | (125) | |  |  | (694) | |  | (1,261) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income from operations |  |  |  | 25,225 |  |  |  | 4,765 |  |  |  | 36,038 | |  | 61,539 | |
| Interest expense, net |  |  |  | (1,352) | |  |  | (2,430) | |  |  | (8,912) | |  | (21,800) | |
| Other income (expense) |  |  |  | 29 |  |  |  | (125) | |  |  | (694) | |  | (1,261) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income before income taxes | $ | | | 23,902 |  | $ | | 2,210 |  | $ | | 26,432 | | $ | 38,478 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |
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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to consolidated financial statements**

**(Amounts in thousands, except unit and per unit amounts)**

The following table summarizes the Company’s assets by reportable segment:



|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2013** | | | **2014** | |
| Franchise | $193,997 | |  | $183,964 |  |
| Corporate-owned stores | 144,315 | |  | 161,183 |  |
| Equipment | 215,670 | |  | 250,578 |  |
| Unallocated |  | 8,114 |  | 13,551 |  |
| Total consolidated assets | $562,096 | |  | $609,276 |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

The table above includes $2,011 of long-lived assets located in the Company’s corporate-owned stores in Canada as of December 31, 2014. The Company had no assets outside the United States prior to 2014.

**(20) Corporate-owned and franchisee-owned stores**

The following table shows changes in our corporate-owned and franchisee-owned stores for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor), and for the years ended December 31, 2013 and 2014 (Successor):

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Period from** | |  | **Period from** | |  |  |  |  |  |  |
|  |  | **January 1,** | |  | **November 8,** | |  |  |  |  |  |  |
|  |  | **2012 through** | |  | **2012 through** | |  | **Years ended December 31,** | | | |  |
|  |  | **November 7,** | |  | **November 7,** | |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **2012** | |  | **2012** | | **2013** | | | **2014** | |  |
|  |  | **(Predecessor)** | |  |  |  | **(Successor)** | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Franchisee-owned stores:** |  |  |  |  |  |  |  |  |  |  |  |
| Stores operated at beginning of period | | 457 |  |  | 526 |  | 562 | | | 704 |  |  |
|  | New stores opened | 82 |  |  | 36 |  | 148 | | | 169 |  |  |
| Stores acquired from corporate | | 3 | |  | — | |  | — | | — | |  |
|  | Stores debranded, sold or consolidated | (16) | |  | — | | (6) | | | (10) | |  |
| Stores operated at end of period | | 526 |  |  | 562 |  |  | 704 |  | 863 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Corporate-owned stores:** |  |  |  |  |  |  |  |  |  |  |  |
| Stores operated at beginning of period | | 31 |  |  | 44 |  | 44 | | | 45 | |  |
|  | New stores opened | — | |  | — | | 1 | | | 2 | |  |
| Stores acquired from franchisees | | 16 |  |  | — | |  | — | | 8 | |  |
|  | Stores sold | (3) | |  | — | |  | — | | — | |  |
| Stores operated at end of period | | 44 |  |  | 44 |  |  | 45 |  | 55 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total stores:** |  |  |  |  |  |  |  |  |  |  |  |
| Stores operated at beginning of period | | 488 |  |  | 570 |  | 606 | | | 749 |  |  |
|  | New stores opened | 82 |  |  | 36 |  | 149 | | | 171 |  |  |
| Stores debranded, sold or consolidated | | — |  |  | — | | (6) | | | (2) | |  |
|  | Stores operated at end of period | 570 |  |  | 606 |  |  | 749 |  | 918 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | |  |  |  |  |  |  |  |  |  |
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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to consolidated financial statements**

**(Amounts in thousands, except unit and per unit amounts)**

**(21) Pro forma financial information (unaudited)**

Unaudited pro forma financial information has been presented to disclose the pro forma income tax expense and net income attributable to Planet Fitness, Inc., the registrant in the accompanying Registration Statement on Form S-1 (Form S-1) to register shares of Class A common stock of Planet Fitness, Inc. The unaudited pro forma financial information reflects an adjustment to the provision for income taxes to reflect an effective tax

rate of %, which was calculated using the U.S. federal income tax rate and the highest statutory rates applied to income apportioned to each state and local jurisdiction. This tax rate has been applied to the % portion of income before taxes that represents the economic interest in

Pla-Fit Holdings, LLC that will be held by Planet Fitness Inc. upon completion of the Conversion and Reclassification disclosed in the Form S-1, but before application of the proceeds of the offering. In addition, pro forma provision for income taxes includes the historical provision for income

taxes of $ related to Pla-Fit Holdings, LLC. The sum of these amounts represents total pro forma provision for income taxes of $ .

The unaudited pro forma financial information also reflects the effects of the Conversion and Reclassification on the allocation of pro forma net income between noncontrolling interests and Planet Fitness, Inc. After the Conversion and Reclassification, but prior to the completion of the offering, the noncontrolling interests of Planet Fitness, Inc. held by the continuing owners of Pla-Fit Holdings, LLC will have a % economic ownership of Pla-Fit Holdings, LLC, and as such, % of pro forma net income will be attributable to the noncontrolling interests.

Unaudited pro forma net income per share has been computed to give effect to the number of shares whose proceeds would be necessary to pay the distributions to members totaling $173,900 during the year ended December 31, 2014 and $140,000 during the three months ended March 31,

2015 as if such distributions occurred on January 1, 2014, to the extent they are in excess of the pro forma net income of $ attributable to Planet Fitness, Inc. for the year ended December 31, 2014. The pro forma unaudited net income per share has been prepared using pro forma net income, as set forth above, which reflects the pro forma effects on provision for income taxes and the allocation of pro forma net income between noncontrolling interests and Planet Fitness, Inc., resulting from the Conversion and Reclassification, but before application of the proceeds of the offering. In addition, pro forma weighted average shares outstanding includes Class A common stock of Planet Fitness, Inc. that will be outstanding after the Conversion and Reclassification, but before the offering, as well as shares issued in the offering whose proceeds would be necessary to pay the distributions to members as set forth above.

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to consolidated financial statements**

**(Amounts in thousands, except unit and per unit amounts)**

The supplemental pro forma information has been computed, assuming an initial public offering price of $ per share, the midpoint in the estimated price range set forth on the cover of the prospectus included in the Company’s Form S-1 Registration Statement. The computations assume there will be no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



**Year ended**

**December 31,**

**2014**

|  |  |  |  |
| --- | --- | --- | --- |
| Pro forma net income attributable to Planet Fitness, Inc.—basic and diluted | | $ |  |
| Pro forma weighted average shares of Class A common stock—basic and diluted | |  |  |
| Weighted average shares outstanding during the period | |  |  |
| Shares issued in the offering necessary to pay member distributions | |  |  |
| Pro forma weighted average shares of Class A common stock | |  |  |
| Pro forma net income per share—basic and diluted | | $ |  |
|  |  |  |  |
|  |  |  |  |

**(22) Subsequent events**

The Company has evaluated events that have occurred subsequent to December 31, 2014 through March 25, 2015, the date these consolidated financial statements were available to be issued.

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**Pla-Fit Holdings, LLC and subsidiaries**

**Condensed consolidated balance sheets**

**(Unaudited)**

**(Amounts in thousands)**



|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **December 31,** | |  | **March 31, 2015** | |  |  |
|  |  |  |  | **2014** | |  | **2015** | |  |
|  |  |  |  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |  |  |
| Current assets: | |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents | $ | | 43,291 | | $ | 27,532 | |  |
|  | Accounts receivable, net of allowance for bad debts of $399 and $388 at December 31, 2014 |  |  |  |  |  |  |  |  |
|  | and March 31, 2015, respectively |  |  | 19,275 | |  | 9,444 |  |  |
|  | Due from related parties, current |  |  | 1,141 |  |  | 1,139 |  |  |
|  | Inventory |  |  | 3,012 |  |  | 2,011 |  |  |
|  | Restricted assets—NAF (note 5) |  |  | — | |  | 364 |  |  |
|  | Other current assets |  |  | 8,599 |  |  | 7,857 |  |  |
|  | Total current assets |  |  | 75,318 | |  | 48,347 | |  |
| Property and equipment, net | |  |  | 49,579 | |  | 51,587 | |  |
|  | Intangible assets, net |  |  | 295,162 | |  | 289,779 |  |  |
| Goodwill | |  |  | 176,981 | |  | 176,981 |  |  |
|  | Other assets, net |  |  | 12,236 | |  | 12,873 | |  |
|  |  |  |  |  |  |  |  |  |  |
|  | Total assets | $ | | 609,276 | | $ | 579,567 |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Liabilities and Equity** |  |  |  |  |  |  |  |  |
| Current liabilities: | |  |  |  |  |  |  |  |  |
|  | Current maturities of long-term debt | $ | | 3,900 |  | $ | 5,100 |  |  |
|  | Accounts payable |  |  | 26,738 | |  | 10,515 | |  |
|  | Member distribution payable |  |  | — | |  | 7,496 |  |  |
|  | Accrued expenses |  |  | 8,494 |  |  | 7,580 |  |  |
|  | Current maturities of obligations under capital leases |  |  | 376 | |  | 249 |  |  |
|  | Equipment deposits |  |  | 6,675 |  |  | 6,445 |  |  |
|  | Restricted liabilities—NAF (note 5) |  |  | — | |  | 364 |  |  |
|  | Deferred revenue, current |  |  | 14,549 | |  | 13,634 | |  |
|  | Other current liabilities |  |  | 153 | |  | 129 |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | Total current liabilities |  |  | 60,885 | |  | 51,512 | |  |
|  |  |  |  |  |  |  |  |  |  |
|  | Long-term debt, net of current maturities |  |  | 383,175 | |  | 501,000 |  |  |
| Obligations under capital leases, net of current portion | |  |  | 45 | |  | 34 | |  |
|  | Deferred rent, net of current portion |  |  | 3,012 |  |  | 4,035 |  |  |
| Deferred revenue, net of current portion | |  |  | 9,330 |  |  | 9,443 |  |  |
|  | Deferred tax liabilities—non current |  |  | 606 | |  | 638 |  |  |
| Other liabilities | |  |  | 474 | |  | 480 |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | Total noncurrent liabilities |  |  | 396,642 | |  | 515,630 |  |  |
| Commitments and contingencies (note 13) | |  |  |  |  |  |  |  |  |
|  | |  |  |  |  |  |  |  |  |
|  | Equity: |  |  |  |  |  |  |  |  |
|  | Members’ equity |  |  | 146,156 | |  | 7,397 |  |  |
|  | Accumulated other comprehensive loss |  |  | (636) | |  | (1,314) | |  |
|  |  |  |  |  |  |  |  |  |  |
|  | Total equity attributable to Pla-Fit Holdings, LLC |  |  | 145,520 | |  | 6,083 |  |  |
|  | Noncontrolling interests in variable interest entities |  |  | 6,229 |  |  | 6,342 |  |  |
|  | Total equity |  |  | 151,749 | |  | 12,425 | |  |
|  |  |  |  |  |  |  |  |  |  |
|  | Total liabilities and equity | $ | | 609,276 | | $ | 579,567 |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

*See accompanying notes to condensed consolidated financial statements.*

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**Pla-Fit Holdings, LLC and subsidiaries**

**Condensed consolidated statements of operations**

**(Unaudited)**

**(Amounts in thousands)**



**Quarter ended**

**March 31,**



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2014** | |  |  | **2015** | |  |
|  |  |  |  |  |  |  |  |  |
| Revenue: |  |  |  |  |  |  |  |  |
| Franchise | $ | 16,500 | | $ | | 21,757 | |  |
| Corporate-owned stores |  | 17,703 | |  |  | 23,546 | |  |
| Equipment |  | 23,391 |  |  |  | 31,619 |  |  |
| Total revenue |  | 57,594 | |  |  | 76,922 | |  |
| Operating costs and expenses: |  |  |  |  |  |  |  |  |
| Cost of revenue |  | 19,225 | |  |  | 25,946 | |  |
| Store operations |  | 10,382 | |  |  | 14,341 | |  |
| Selling, general and administrative |  | 6,620 | |  |  | 14,138 | |  |
| Depreciation and amortization |  | 6,536 | |  |  | 8,201 |  |  |
| Other loss (gain) |  | 1,293 |  |  |  | (6) | |  |
| Total operating costs and expenses |  | 44,056 |  |  |  | 62,620 |  |  |
| Income from operations |  | 13,538 | |  |  | 14,302 | |  |
| Other income (expense), net: |  |  |  |  |  |  |  |  |
| Interest income |  | 80 | |  |  | 173 |  |  |
| Interest expense |  | (6,642) | |  |  | (4,929) | |  |
| Other expense |  | (379) | |  |  | (736) | |  |
|  |  |  |  |  |  |  |  |  |
| Total other expense, net |  | (6,941) | |  |  | (5,492) | |  |
| Income before taxes |  | 6,597 |  |  |  | 8,810 |  |  |
| Provision for income taxes |  | 338 |  |  |  | 272 |  |  |
| Net income |  | 6,259 | |  |  | 8,538 |  |  |
| Less net income attributable to noncontrolling interests |  | 209 |  |  |  | 113 |  |  |
| Net income attributable to Pla-Fit Holdings, LLC | $ | 6,050 | | $ | | 8,425 |  |  |
| Pro forma financial information (note 16) |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Historical income before taxes |  |  |  | $ | |  |  |  |
| Pro forma provision for income taxes |  |  |  |  |  |  |  |  |
| Pro forma net income |  |  |  |  |  |  |  |  |
| Pro forma net income attributable to noncontrolling interests |  |  |  |  |  |  |  |  |
| Pro forma net income attributable to the Company |  |  |  | $ | |  |  |  |
| Pro forma net income per share information (note 16) |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Pro forma net income per share of Class A common stock |  |  |  |  |  |  |  |  |
| Basic |  |  |  | $ | |  |  |  |
| Diluted |  |  |  | $ | |  |  |  |

Pro forma weighted average shares of Class A common stock outstanding



Basic

Diluted



*See accompanying notes to condensed consolidated financial statements.*

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****[**Table of Contents**](#page8)

**Pla-Fit Holdings, LLC and subsidiaries**

**Condensed consolidated statements of comprehensive income**

**(Unaudited)**

**(Amounts in thousands)**



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Quarter ended March 31,** | | | | |  |
|  |  | **2014** | |  |  | **2015** | |
| Net income including noncontrolling interests | $ | 6,259 |  | $ | | 8,538 |  |
| Other comprehensive income (loss), net: |  |  |  |  |  |  |  |
| Loss on interest rate swaps |  | (92) | |  |  | — | |
| Unrealized loss on interest rate cap |  | — | |  |  | (779) | |
| Foreign currency translation adjustments |  | — |  |  |  | 101 |  |
| Total other comprehensive loss |  | (92) | |  |  | (678) | |
| Total comprehensive income including noncontrolling interests |  | 6,167 |  |  |  | 7,860 |  |
| Less: total comprehensive income attributable to noncontrolling interests |  | 209 |  |  |  | 113 |  |
| Total comprehensive income attributable to Pla-Fit Holdings, LLC | $ | 5,958 |  | $ | | 7,747 |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

*See accompanying notes to condensed consolidated financial statements.*

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**Pla-Fit Holdings, LLC and subsidiaries**

**Condensed consolidated statements of cash flows**

**(Unaudited)**

**(Amounts in thousands)**



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Quarter ended March 31,** | | | | |  |
|  |  |  |  | |  |  |  |  |
|  |  |  | **2014** | |  | **2015** | |  |
|  | Cash flows from operating activities: |  |  |  |  |  |  |  |
|  | Net income | $ | 6,259 | | $ | 8,538 |  |  |
|  |  |  |  |  |  |  |  |  |
|  | Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |  |  |
|  | Depreciation and amortization |  | 6,535 | |  | 8,201 |  |  |
|  | Amortization of deferred financing costs |  | 380 | |  | 305 | |  |
|  | Amortization of favorable leases and asset retirement obligations |  | 62 | |  | 113 | |  |
|  | Deferred tax benefit |  | 2 | |  | 7 | |  |
|  | Provision for bad debts |  | — | |  | 11 | |  |
|  | Gain on disposal of property and equipment |  | — | |  | (6) | |  |
|  | Unrealized loss on interest rate swaps |  | (59) | |  | — | |  |
|  | Loss on extinguishment of debt |  | 4,697 | |  | — | |  |
|  | Changes in operating assets and liabilities, excluding effects of acquisitions and dispositions: |  |  |  |  |  |  |  |
|  | State income taxes |  | 214 | |  | 290 | |  |
|  | Accounts receivable |  | 5,675 | |  | 9,792 |  |  |
|  | Notes receivable and due from related parties |  | 120 | |  | 50 | |  |
|  | Inventory |  | 4 | |  | 1,001 |  |  |
|  | Other assets and other current assets |  | (106) | |  | 422 | |  |
|  | Accounts payable and accrued expenses |  | (15,190) | |  | (16,745) | |  |
|  | Other liabilities and other current liabilities |  | (246) | |  | 15 | |  |
|  | Equipment deposits |  | 1,286 | |  | (230) | |  |
|  | Deferred revenue |  | (1,755) | |  | (717) | |  |
|  | Deferred rent |  | 301 |  |  | 992 | |  |
|  | Net cash provided by operating activities |  | 8,179 |  |  | 12,039 |  |  |
| Cash flows from investing activities: | |  |  |  |  |  |  |  |
|  | Additions to property and equipment |  | (823) | |  | (5,326) | |  |
|  | Acquisition of franchises |  | (38,638) | |  | — | |  |
|  | Proceeds from sale of property and equipment |  | — |  |  | 6 | |  |
|  |  |  |  |  |  |  |  |  |
|  | Net cash used in investing activities |  | (39,461) | |  | (5,320) | |  |
|  |  |  |  |  |  |  |  |  |
| Cash flows from financing activities: |  |  |  |  |  |  |  |
|  | Proceeds from issuance of long-term debt |  | 390,000 |  |  | 120,000 |  |  |
|  | Principal payments on capital lease obligations |  | (523) | |  | (140) | |  |
|  | Repayment of long-term debt |  | (182,875) | |  | (975) | |  |
|  | Payment of deferred financing and other debt-related costs |  | (7,785) | |  | (1,698) | |  |
|  | Distributions to members |  | (183,835) | |  | (139,688) | |  |
|  |  |  |  |  |  |  |  |  |
|  | Net cash provided by (used in) by financing activities |  | 14,982 |  |  | (22,501) | |  |
|  | Effects of exchange rate changes on cash and cash equivalents |  | 6 |  |  | 23 | |  |
|  |  |  |  |  |  |  |  |  |
|  | Net decrease in cash and cash equivalents |  | (16,294) | |  | (15,759) | |  |
|  | Cash and cash equivalents, beginning of period |  | 31,267 |  |  | 43,291 |  |  |
|  | Cash and cash equivalents, end of period | $ | 14,973 |  | $ | 27,532 |  |  |
| Supplemental cash flow information: | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | Net cash paid for income taxes | $ | 125 | | $ | 211 | |  |
|  | Cash paid for interest | $ | 2,367 | | $ | 4,614 |  |  |
|  |  |  |  |  |  |  |  |  |
| Non-cash investing activities: |  |  |  |  |  |  |  |
|  | Non-cash consideration for acquisition of franchises | $ | 3,000 | | $ | — | |  |
|  | Non-cash additions to property and equipment | $ | — | | $ | 384 | |  |
| Non-cash financing activities: | |  |  |  |  |  |  |  |
|  | Unsettled distributions to members | $ | — | | $ | 7,496 |  |  |

*See accompanying notes to condensed consolidated financial statements.*

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**Pla-Fit Holdings, LLC and subsidiaries**

**Condensed consolidated statement of changes in equity**

**(Unaudited)**

**(Amounts in thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Noncontrolling** | | |  |  |  |  |
|  |  |  |  |  | **Accumulated** | |  | **interests in** | |  |  |  |  |
|  |  |  |  |  | **other** | |  | **variable** | |  |  |  |  |
|  | **Members’** | | | **comprehensive** | | |  | **interest** | |  |  |  |  |
|  |  | **equity** | |  | **loss** | |  | **entities** | | **Total equity** | | |  |
| Balance at December 31, 2014 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 146,156 |  | $ | (636) | | $ | 6,229 |  | $ | 151,749 |  |  |
| Net income |  | 8,425 |  |  | — | |  | 113 |  |  | 8,538 |  |  |
| Other comprehensive loss |  | — | |  | (678) | |  | — | |  | (678) | |  |
| Distributions to members |  | (147,184) | |  | — | |  | — | |  | (147,184) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at March 31, 2015 | $ | 7,397 |  | $ | (1,314) | | $ | 6,342 |  | $ | 12,425 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

*See accompanying notes to condensed consolidated financial statements.*

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to condensed consolidated financial statements**

**(unaudited)**

**(Amounts in thousands, except unit and per unit amounts)**

**(1) Business organization**

Pla-Fit Holdings, LLC (the Company) is a franchisor and operator of fitness centers, with more than 7.1 million members and 976 owned and franchised locations (referred to as stores) in 47 states, Puerto Rico and Canada as of March 31, 2015.

The Company serves as the reporting entity for various subsidiaries that operate three distinct lines of business:

* Licensing and selling franchises under the Planet Fitness trade name.
* Owning and operating fitness centers under the Planet Fitness trade name.
* Selling fitness-related equipment to franchisee-owned stores.

The results of the Company have been consolidated with Matthew Michael Realty LLC (MMR) and PF Melville LLC (PF Melville) based on the determination that the Company is the primary beneficiary with respect to these variable interest entities (VIEs). These entities are real estate holding companies that derive a majority of their financial support from the Company through lease agreements.

**(2) Summary of significant accounting policies**

***(a) Basis of presentation and consolidation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these interim financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented have been reflected. All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements as of and for the quarters ended March 31, 2014 and 2015 are unaudited. The condensed consolidated balance sheet as of December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2014 and related notes thereto included elsewhere in this prospectus. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

The Company also consolidates entities in which it has a controlling financial interest, the usual condition of which is ownership of a majority voting interest. The Company also considers for consolidation certain interests where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a VIE, is required to be consolidated by its primary beneficiary. The primary beneficiary of a VIE is considered to possess the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the rights to receive benefits from the VIE that are significant to it. The principal entities in which the Company possesses a variable interest include franchise entities and certain other entities. The Company is not deemed to be the primary beneficiary for Planet Fitness franchise entities. Therefore, these entities are not consolidated.

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to condensed consolidated financial statements**

**(unaudited)**

**(Amounts in thousands, except unit and per unit amounts)**

***(b) Use of estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant areas where estimates and judgments are relied upon by management in the preparation of the consolidated financial statements include revenue recognition, valuation of assets and liabilities in connection with acquisitions, valuation of equity based compensation awards, and the evaluation of the recoverability of goodwill and long-lived assets, including intangible assets.

***(c) Fair Value***

The table below presents information about the Company’s assets and liabilities that are measured at fair value on a recurring basis as of

December 31, 2014 and March 31, 2015:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Quoted** | **Significant** | |  |  |  |
|  | **Total fair** | |  | **prices** |  | **other** |  | **Significant** | |
|  |  | **value at** | **in active** | | **observable** | | **unobservable** | | |
|  | **December 31,** | | **markets** | |  | **inputs** |  | **inputs** | |
|  |  | **2014** | **(Level 1)** | |  | **(Level 2)** |  | **(Level 3)** | |
| Interest rate caps | $ | 1,711 | $ | — | $ | 1,711 | $ | — | |
|  |  |  |  |  |  | |  |  |  |
|  |  |  |  | **Quoted** | **Significant** | |  |  |  |
|  | **Total fair** | |  | **prices** |  | **other** |  | **Significant** | |
|  |  | **value at** | **in active** | | **observable** | | **unobservable** | | |
|  | **March 31,** | | **markets** | |  | **inputs** |  | **inputs** | |
|  |  | **2015** | **(Level 1)** | |  | **(Level 2)** |  | **(Level 3)** | |
| Interest rate caps | $ | 932 | $ | — | $ | 932 | $ | — |  |

***(d) Equity-based compensation***

The Company has granted equity awards to employees in the form of Class M Units. There were no grants, exercises or forfeitures of Class M Units during the three months ended March 31, 2015. During the three months ended March 31, 2015, the Company modified the vesting terms of 10.737 outstanding Class M Units such that those units are fully vested and eligible to receive distributions following a liquidity event. There were no other changes in awards during the three months ended March 31, 2015. As a result, the total vested awards outstanding at March 31, 2015 was 101.052. The amount of total unrecognized compensation cost related to all awards under this plan was $5,591 as of March 31, 2015.

***(e) Recent accounting pronouncements***

The FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* in April 2015. This guidance requires reporting entities present debt issuance costs as a direct deduction from the carrying amount of the related debt liability. The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity must apply this guidance retrospectively to all prior periods presented in the financial statements. The Company expects the only impact of the adoption of this guidance to be on balance sheet presentation.

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to condensed consolidated financial statements**

**(unaudited)**

**(Amounts in thousands, except unit and per unit amounts)**

**(3) Variable interest entities**

The carrying values of VIEs included in the consolidated financial statements as of December 31, 2014 and March 31, 2015 are as follows:



|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **December 31, 2014** | | | |  |  |  | **March 31, 2015** | | |  |
|  |  | **Assets** | | **Liabilities** | | | **Assets** | |  | **Liabilities** | | |
| PF Melville | $ 3,479 | | | $ | — | | $ 3,542 |  | $ | | — | |
| MMR |  | 2,750 | |  | — | | 2,800 |  |  |  | — | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total |  | $ 6,229 | | $ | — | | $ 6,342 |  | $ | | — | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

**(4) Acquisition**

On March 31, 2014, the Company purchased certain assets from one of its franchisees, including eight franchisee-owned stores in New York, for consideration of $42,931, including a cash payment of $39,931 and a $3,000 discount to be applied to future equipment purchases. The $3,000 equipment discount has been recorded as deferred revenue by the Company and is being recognized as future equipment sales are made by the Company to the franchisee. In addition, as a result of the transaction, the Company incurred a loss on unfavorable reacquired franchise rights of $1,293, which has been reflected in other operating costs in the statement of operations. The loss incurred reduced the net purchase price to $41,638. The Company financed the purchase through its credit facility. The purchase consideration was allocated as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Fixed assets | $ | 7,634 |  |
| Reacquired franchise rights |  | 8,950 |  |
| Membership relationships |  | 5,882 |  |
| Favorable leases, net |  | 700 |  |
| Other assets |  | 35 |  |
| Goodwill |  | 19,771 |  |
| Liabilities assumed, including deferred revenues |  | (1,334) | |
| Total | $ | 41,638 |  |
|  |  |  |  |
|  |  |  |  |

**(5) National advertising fund**

The Company consolidates and reports all assets and liabilities held by Planet Fitness NAF, LLC (NAF). Amounts received by NAF are reported as restricted assets and restricted liabilities within current assets and current liabilities on the condensed consolidated balance sheets. The Company provides administrative services to NAF and charges NAF a fee for providing those services. These services include accounting services, information technology, data processing, product development, legal and administrative support, and other operating expenses, which amounted to $277 and $329 for the quarters ending March 31, 2014 and 2015 respectively. The fees paid to the Company by NAF are included in the condensed consolidated statements of operations as a reduction in general and administrative expense, where the expense incurred by the Company was initially recorded.

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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to condensed consolidated financial statements**

**(unaudited)**

**(Amounts in thousands, except unit and per unit amounts)**

**(6) Property and equipment**

Property and equipment as of December 31, 2014 and March 31, 2015 consists of the following:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **December 31,** | | |  | **March 31,** | | |
|  |  | **2014** |  |  |  | **2015** | |
| Land | $ | 910 |  | $ | | 910 |  |
| Equipment |  | 22,137 |  |  |  | 23,635 | |
| Leasehold improvements |  | 27,361 |  |  |  | 31,405 | |
| Buildings and improvements |  | 5,119 |  |  |  | 5,119 |  |
| Vehicles |  | 155 |  |  |  | 155 |  |
| Other |  | 4,250 |  |  |  | 4,629 |  |
| Construction in progress |  | 5,375 |  |  |  | 4,393 |  |
|  |  | 65,307 |  |  |  | 70,246 | |
| Accumulated depreciation |  | (15,728) | |  |  | (18,659) | |
| Total | $ | 49,579 |  |  | $ | 51,587 |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

The Company recorded depreciation expense of $1,617 and $2,931 for the quarters ended March 31, 2014 and 2015, respectively.

**(7) Goodwill and intangible assets**

The Company determined that no impairment charges were required during any periods presented.

A summary of goodwill and intangible assets at December 31, 2014 and March 31, 2015 is as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Weighted** |  |  |  |  |  |  |  |  |  |
|  | **average** |  |  |  |  |  |  |  |  |  |
|  | **amortization** |  | **Gross** | |  |  |  |  | **Net** | |
|  | **period** |  | **carrying** | |  | **Accumulated** | | | **carrying** | |
| **December 31, 2014** | **(years)** |  | **amount** | |  | **amortization** | | | **amount** | |
| Customer relationships | 11.1 | $171,782 | |  | $ | | (41,130) | | $130,652 |  |
| Noncompete agreements | 5.0 | 14,500 | |  |  |  | (6,229) | | 8,271 |  |
| Favorable leases | 7.5 | 2,935 | |  |  |  | (779) | | 2,156 |  |
| Order backlog | 0.4 | 3,400 | |  |  |  | (3,400) | | — | |
| Reacquired franchise rights | 5.8 |  | 8,950 |  |  |  | (1,167) | | 7,783 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 201,567 |  |  |  | (52,705) | | 148,862 |  |
|  |  |  |  |  |  |  |  |  |  |  |
| Indefinite-lived intangible: |  |  |  |  |  |  |  |  |  |  |
| Trade and brand names | N/A |  | 146,300 |  |  |  | — |  | 146,300 |  |
| Total intangible assets |  | $347,867 | |  | $ | | (52,705) | | $295,162 |  |
|  |  |  |  |  |  |  |  |  |  |  |
| Goodwill |  | $176,981 | |  | $ | | — | | $176,981 |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
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**Pla-Fit Holdings, LLC and subsidiaries**

**Notes to condensed consolidated financial statements**

**(unaudited)**

**(Amounts in thousands, except unit and per unit amounts)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Weighted** |  |  |  |  |  |  |  |  |
|  | **average** |  |  |  |  |  |  |  |  |
|  | **amortization** | **Gross** | |  |  |  |  | **Net** | |
|  | **period** | **carrying** | |  | **Accumulated** | | | **carrying** | |
| **March, 31 2015** | **(years)** | **amount** | |  | **amortization** | | | **amount** | |
| Customer relationships | 11.1 | $171,782 |  | $ | | (45,286) | | $126,496 |  |
| Noncompete agreements | 5.0 | 14,500 |  |  |  | (6,954) | | 7,546 |  |
| Favorable leases | 7.5 | 2,935 |  |  |  | (892) | | 2,043 |  |
| Order backlog | 0.4 | 3,400 |  |  |  | (3,400) | | — | |
| Reacquired franchise rights | 5.8 | 8,950 |  |  |  | (1,556) | | 7,394 |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  | 201,567 |  |  |  | (58,088) | | 143,479 |  |
|  |  |  |  |  |  |  |  |  |  |
| Indefinite-lived intangible: |  |  |  |  |  |  |  |  |  |
| Trade and brand names | N/A | 146,300 |  |  |  | — |  | 146,300 |  |
| Total intangible assets |  | $347,867 |  |  | $ | (58,088) | | $289,779 |  |
|  |  |  |  |  |  |  |  |  |  |
| Goodwill |  | $176,981 |  | $ | | — | | $176,981 |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

**(8) Long-term debt**

Long-term debt as of December 31, 2014 and March 31, 2015 consists of the following:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **December 31,** | |  | **March 31,** | |
|  |  | **2014** | **2015** | | |
|  |  |  |  |  |  |
| Pla-Fit Holdings: |  |  |  |  |  |
| Term loan B requires quarterly installments plus interest through the term of the loan, maturing March 31, |  |  |  |  |  |
| 2021. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the |  |  |  |  |  |
| election of the borrower (4.75% at December 31, 2014 and March 31, 2015) | $ | 387,075 | $ 506,100 | |  |
| Revolving credit line, requires interest only payments through the term of the loan, maturing March 31, |  |  |  |  |  |
| 2019. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the |  |  |  |  |  |
| election of the borrower (4.25% at December 31, 2014 and March 31, 2015) |  | — |  | — |  |
| Total debt |  | 387,075 | 506,100 | |  |
| Current portion of long-term debt and line of credit |  | 3,900 |  | 5,100 |  |
| Long-term debt, net of current portion | $ | 383,175 | $ 501,000 | |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

On March 31, 2014, the Company entered into a five-year $430,000 credit facility with a consortium of banks and lenders to refinance its existing indebtedness, as well as to provide funds for working capital, capital expenditures, acquisitions, and general corporate purposes. The facility consists of a $390,000 Term Loan and a $40,000 Revolving Credit Facility. On March 31, 2015, the Company amended this credit facility to increase the Term Loan to $510,000. The unused portion of the Revolving Credit Facility as of March 31, 2015 was $40,000. The Term Loan calls for quarterly principal installment payments of $1,275 through March 2021. Capitalized debt issuance costs associated with the outstanding term loan and revolving credit line totaled

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$9,930 and are reflected in other long-term assets in the Company’s condensed consolidated balance sheet, net of accumulated amortization of $1,243 as of March 31, 2015.

The credit facility requires the Company to meet certain financial covenants, which the Company was in compliance with as of March 31, 2015.

The facility is secured by all of the Company’s assets, excluding the assets attributable to the consolidated VIEs (see note 3).

Future principal payments of long-term debt as of March 31, 2015 are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Remainder of 2015 | $ | 3,825 |  |
| 2016 |  | 5,100 |  |
| 2017 |  | 5,100 |  |
| 2018 |  | 5,100 |  |
| 2019 |  | 5,100 |  |
| Thereafter |  | 481,875 |  |
| Total | $ | 506,100 |  |
|  |  |  |  |
|  |  |  |  |

**(9) Derivative instruments and hedging activities**

The Company utilizes interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt instruments. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. The Company does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is an asset, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is a liability, the Company owes the counterparty and, therefore, the Company is not exposed to the counterparty’s credit risk in those circumstances. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than A1/A+ at the inception of the derivative transaction. The derivative instruments entered into by the Company do not contain credit-risk-related contingent features.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Company assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company monitors interest rate risk attributable to both the Company’s outstanding or forecasted debt obligations as well as the Company’s offsetting hedge positions.

As of March 31, 2014, the total notional amount of the Company’s outstanding LIBOR based interest-rate swap agreements that were entered into to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR was $90.6 million. It was determined during the quarter ended March 31,

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2014 that the hedge was ineffective and expense of $92 was reclassified from other comprehensive income to interest expense. The interest rate swaps were terminated in September 2014.

In September 2014, the Company entered into a series of interest rate caps. As of March 31, 2015, the total notional amount of the Company’s outstanding interest-rate cap agreements that were entered into to hedge interest rate changes above 1.5% LIBOR was $194 million.

The interest rate cap balances of $1,711 and $932 were recorded within other assets at December 31, 2014 and March 31, 2015, respectively. The Company recorded a reduction to the value of its interest rate caps of $779, within other comprehensive loss during the three months ended March 31, 2015. These amounts have been measured at fair value and are considered to be a Level 2 fair value measurement.

As of March 31, 2015, the Company does not expect to reclassify any amounts included in accumulated other comprehensive income into earnings during the next 12 months. Transactions and events expected to occur over the next twelve months that will necessitate reclassifying these derivatives’ loss to earnings include the re-pricing of variable-rate debt.

**(10) Deferred revenue**

The summary set forth below represents the balances in deferred revenue as of December 31, 2014 and March 31, 2015:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **December 31,** | |  | **March 31,** | | |
|  |  | **2014** |  |  | **2015** | |
| Prepaid membership fees | $ | 5,382 | $ | | 5,130 |  |
| Enrollment fees |  | 1,692 |  |  | 1,815 |  |
| Equipment discount |  | 2,689 |  |  | 2,534 |  |
| Annual membership fees |  | 5,696 |  |  | 4,188 |  |
| Area development and franchise fees |  | 8,420 |  |  | 9,410 |  |
| Total deferred revenue |  | 23,879 |  |  | 23,077 | |
| Long-term portion of deferred revenue |  | 9,330 |  |  | 9,443 |  |
| Current portion of deferred revenue | $ | 14,549 | $ | | 13,634 | |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

Equipment deposits received in advance of delivery, placement, and customer acceptance as of December 31, 2014 and March 31, 2015 were $6,675 and $6,445, respectively.

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**(11) Related party transactions**

Amounts due from members as of December 31, 2014 and March 31, 2015 relate to reimbursements for taxes owed and paid by the Company on their behalf.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **December 31,** | | | |  | **March 31,** | | |
|  |  |  |  | **2014** | |  |  | **2015** |  |
| Accounts receivable—related entities | $ | |  | 11 |  | $ | | 13 |  |
| Accounts receivable—members |  |  |  | 1,130 |  |  |  | 1,126 |  |
| . |  |  |  | 1,141 |  |  |  | 1,139 |  |
| Due from related parties, current portion |  |  |  | 1,141 |  |  |  | 1,139 |  |
| Due from related parties, net of current portion | $ | |  | — | | $ | | — | |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Activity with entities considered to be related parties is summarized below. |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | | | | | |
|  |  |  |  | **Quarter ended March 31,** | | | | | |
|  |  |  |  | **2014** | |  |  | **2015** |  |
| Franchise revenue | $ | | | 125 |  | $ |  | 262 |  |
| Equipment revenue |  |  |  | 669 |  |  |  | 55 |  |
| Total revenue from related parties | $ | | | 794 |  | $ |  | 317 |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

The Company paid management fees to TSG totaling $331 and $228 for the quarters ending March 31, 2014 and 2015, respectively.

**(12) Income taxes**

The Company’s effective tax rate during all periods presented is significantly lower than the U.S. federal statutory tax rate of 35% due to its election to be treated as a pass-through entity for U.S. federal income taxes and for most state income taxes. Net deferred tax liabilities of $343 and $352 as of December 31, 2014 and March 31, 2015, respectively, relate primarily to the tax effects of temporary differences for acquired intangible assets. Deferred tax assets as of December 31, 2014 and March 31, 2015 are immaterial and included in other assets in the accompanying condensed consolidated balance sheets. The Company has net operating loss carryforwards related to its Canada operations of approximately $280, which begin to expire in 2034. It is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

As of March 31, 2015, the total liability related to uncertain tax positions is $300. The Company recognizes interest accrued and penalties, if applicable, related to unrecognized tax benefits in income tax expense. Interest and penalties for the quarters ended March 31, 2014 and 2015 were not material.

**(13) Commitments and contingencies**

The Company rents equipment, office, and warehouse space at various locations in the United States and Canada under noncancelable operating leases. Rental expense was $3,551 and $4,620 for the three months

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ending March 31, 2014 and 2015, respectively. Approximate annual future commitments under noncancelable operating leases as of March 31, 2015 are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Remainder of 2015 | $ | 9,780 |  |
| 2016 |  | 13,341 | |
| 2017 |  | 12,996 | |
| 2018 |  | 12,148 | |
| 2019 |  | 10,614 | |
| Thereafter |  | 56,348 | |
| Total | $ | 115,227 |  |
|  |  |  |  |
|  |  |  |  |

From time to time, and in the ordinary course of business, the Company is subject to various claims, charges, and litigation, such as employment-related claims and slip and fall cases. The Company is not currently aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company’s financial position or result of operations.

As of March 31, 2015 the Company had advertising purchase commitments of approximately $9,944, including commitments made by the NAF. In addition the Company had open purchase orders of approximately $15,288 primarily related to equipment to be sold to franchisees.

The Company’s maximum obligation, as a result of its guarantees of leases and debt, is approximately $2,896 and $2,526 as of December 31, 2014 and March 31, 2015, respectively.

During 2013, the Company adopted the 2013 Performance Incentive Plan, which calls for pre-determined bonuses to be paid to employees of the Company upon a future liquidity event of the Company, including an initial public offering, that exceeds a predetermined threshold. As of March 31, 2015, awards outstanding under this plan total $1,740. Given the uncertainty of the underlying event, no compensation expense has been recorded to date related to this plan. The bonuses would be recorded in the period in which the liquidity event occurs, including the initial public offering contemplated in the accompanying Form S-1.

**(14) Segments**

The Company has three reportable segments: (i) Franchise; (ii) Corporate-owned stores; and (iii) Equipment.

The Company’s operations are organized and managed by type of products and services and segment information is reported accordingly. The Company’s chief operating decision maker (the “CODM”) is its Chief Executive Officer. The CODM reviews financial performance and allocates resources by reportable segment. There have been no operating segments aggregated to arrive at the Company’s reportable segments.

The Franchise segment includes operations related to the Company’s franchising business in the United States, Puerto Rico, and Canada. The Corporate-owned stores segment includes operations with respect to all Corporate-owned stores throughout the United States and Canada. The Equipment segment includes the sale of equipment to franchisee-owned stores.

The accounting policies of the reportable segments are the same as those described in note 2. The Company evaluates the performance of its segments and allocates resources to them based on revenue and earnings before

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interest, taxes, depreciation, and amortization, referred to as Segment EBITDA. Revenues for all operating segments include only transactions with unaffiliated customers and include no intersegment revenues.

The tables below summarize the financial information for the Company’s reportable segments for the quarters ended March 31, 2014 and 2015. The “Corporate and other” column as it relates to Segment EBITDA primarily includes corporate overhead costs, such as payroll and related benefit costs and professional services which are not directly attributable to any individual segment.



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Quarter ended March 31,** | | | | |
|  |  | **2014** | |  | **2015** |  |
| Revenue |  |  |  |  |  |  |
| Franchise | $ | 16,500 | | $ | 21,757 |  |
| Corporate-owned stores |  | 17,703 | | $ | 23,546 |  |
| Equipment |  | 23,391 | | $ | 31,619 |  |
|  |  |  |  |  |  |  |
| Total revenue | $ | 57,594 | | $ | 76,922 |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

Franchise revenue includes $77 and $100 generated from franchisee-owned stores in Puerto Rico for the quarters ended March 31, 2014 and 2015, respectively. The Company’s Canadian corporate-owned stores generated $0 and $276 in revenue for the quarters ended March 31, 2014 and 2015, respectively. All other revenue for the periods presented was generated from corporate-owned and franchisee-owned stores within the United States. Franchise revenue includes $1,590 and $1,974 generated from placement services for the quarters ended March 31, 2014 and 2015. Costs related to placement services of $497 and $755 were included in selling, general and administrative expenses for the quarters ended March 31, 2014 and 2015, respectively.



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Quarter ended March 31,** | | | | |
|  |  |  | **2014** | |  | **2015** |  |
|  |  |  |  |  |  |  |  |
| Segment EBITDA |  |  |  |  |  |  |  |
| Franchise | $ | | 12,853 | | $ | 13,578 |  |
| Corporate-owned stores |  |  | 6,442 |  |  | 7,798 |  |
| Equipment |  |  | 5,018 |  |  | 6,763 |  |
| Corporate and other |  |  | (4,618) | |  | (6,372) | |
| Total Segment EBITDA |  | $ | 19,695 |  | $ | 21,767 |  |
|  |  |  |  |  |  |  |  |
|  |  | |  |  |  |  |  |
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The following table reconciles total Segment EBITDA to income before taxes:



|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Quarter ended March 31,** | | | | | | |
|  |  |  | **2014** | |  |  | **2015** | |  |
| Total Segment EBITDA | $ | | 19,695 | |  | $ | 21,767 | |  |
| Less: |  |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  |  | 6,536 |  |  |  | 8,201 | |  |
| Other expense |  |  | (379) | |  |  | (736) | | |
| Income from operations |  |  | 13,538 |  |  |  | 14,302 | |  |
| Interest expense, net |  |  | (6,562) | |  |  | (4,756) | | |
| Other expense |  |  | (379) | |  |  | (736) | | |
| Income before income taxes |  | $ | 6,597 |  |  | $ | 8,810 | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| The following table summarizes the Company’s assets by reportable segment: |  |  |  |  |  |  |  |  |  |
|  |  |  | | | |  |  |  | |
|  |  | **December 31,** | | | |  |  | **March 31,** | |
|  |  |  | **2014** | | |  | **2015** | |  |
| Franchise | $ | | 183,964 | | |  | $ 135,191 | |  |
| Corporate-owned stores |  |  | 161,183 | | |  | 174,991 | |  |
| Equipment |  |  | 250,578 | | |  | 254,700 | |  |
| Unallocated |  |  | 13,551 | | |  | 14,685 | |  |
|  |  |  |  |  |  |  |  |  |  |
| Total consolidated assets | $ | | 609,276 | | |  | $ 579,567 | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

The table above includes $2,011 and $3,342 of long-lived assets located in the Company’s corporate-owned stores in Canada as of December 31, 2014 and March 31, 2015, respectively.

The following table summarizes the Company’s goodwill by reportable segment:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **December 31,** | | |  | **March 31,** | | |
|  |  |  | **2014** | |  |  | **2015** | |
| Franchise | $ | | 16,938 | | $ | | 16,938 | |
| Corporate-owned stores |  |  | 67,377 | |  |  | 67,377 | |
| Equipment |  |  | 92,666 | |  |  | 92,666 | |
|  |  |  |  |  |  |  |  |  |
| Consolidated goodwill | $ | | 176,981 | | $ | | 176,981 |  |
|  |  |  |  |  |  |  |  |  |
|  |  | |  |  |  |  |  |  |
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**(15) Corporate-owned and franchisee-owned stores**

The following table shows changes in our corporate-owned and franchisee-owned stores for the quarters ended March 31, 2014 and 2015:



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Quarter ended March 31,** | | | |  |
|  |  | **2014** | | **2015** |  |  |
|  |  |  |  |  |  |  |
| **Franchisee-owned stores:** |  |  |  |  |  |
| Stores operated at beginning of period | | 704 |  | 863 |  |  |
|  | New stores opened | 36 |  | 59 |  |  |
| Stores acquired from corporate | | — | | — | |  |
|  | Stores debranded, sold or consolidated | (8) | | (3) | |  |
| Stores operated at end of period | | 732 |  | 919 |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Corporate-owned stores:** |  |  |  |  |  |
| Stores operated at beginning of period | | 45 |  | 55 |  |  |
|  | New stores opened | — | | 2 |  |  |
| Stores acquired from franchisees | | 8 | | — | |  |
|  | Stores sold |  |  | — | |  |
| Stores operated at end of period | | 53 |  | 57 |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Total stores:** |  |  |  |  |  |
| Stores operated at beginning of period | | 749 |  | 918 |  |  |
|  | New stores opened | 36 |  | 61 |  |  |
| Stores debranded, sold or consolidated | | — | | (3) | |  |
|  | Stores operated at end of period | 785 |  | 976 |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**(16) Pro forma financial information**

Unaudited pro forma financial information has been presented to disclose the pro forma income tax expense and net income attributable to Planet Fitness, Inc., the registrant in the accompanying Form S-1 to register shares of Class A common stock of Planet Fitness, Inc. The unaudited pro

forma financial information reflects an adjustment to the provision for income taxes to reflect an effective tax rate of %, which was calculated using the U.S. federal income tax rate and the highest statutory rates applied to income apportioned to each state and local jurisdiction. This tax

rate has been applied to the % portion of income before taxes that represents the economic interest in Pla-Fit Holdings, LLC that will be held by Planet Fitness Inc. upon completion of the Conversion and Reclassification disclosed in the Form S-1, but before application of the proceeds of

the offering. In addition, pro forma provision for income taxes includes the historical provision for income taxes of $ related to Pla-Fit Holdings, LLC. The sum of these amounts represents total pro forma provision for income taxes of $ .

The unaudited pro forma financial information also reflects the effects of the Conversion and Reclassification on the allocation of pro forma net income between noncontrolling interests and Planet Fitness, Inc. After the

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Conversion and Reclassification, but prior to the completion of the offering, the noncontrolling interests of Planet Fitness, Inc. held by the

continuing owners of Pla-Fit Holdings, LLC will have a % economic ownership of Pla-Fit Holdings, LLC, and as such, % of pro forma net income will be attributable to the noncontrolling interests.

Unaudited pro forma net income per share has been computed to give effect to the number of shares whose proceeds would be necessary to pay the distributions to its members totaling $173,900 during the year ended December 31, 2014 and $140,000 during the quarter ended March 31,

2015 as if such distributions occurred on January 1, 2015, to the extent they are in excess of the pro forma net income of $ attributable to Planet Fitness, Inc. for the twelve months ended March 31, 2015, calculated as the sum of pro forma net income of $ for the period from April 1, 2014 through December 31, 2014, and pro forma net income of $ for the period from January 1, 2015 through March 31, 2015. The

pro forma unaudited net income per share has been prepared using pro forma net income, as set forth above, which reflects the pro forma effects on provision for income taxes and the allocation of pro forma net income between noncontrolling interests and Planet Fitness, Inc., resulting from the Conversion and Reclassification, but before application of the proceeds of the offering. In addition, pro forma weighted average shares outstanding includes Class A common stock of Planet Fitness, Inc. that will be outstanding after the Conversion and Reclassification, but before the offering, as well as shares issued in the offering whose proceeds would be necessary to pay the distributions to members as set forth above.

The supplemental pro forma information has been computed, assuming an initial public offering price of $ per share, the midpoint in the estimated price range set forth on the cover of the prospectus included in the Company’s Form S-1 Registration Statement. The computations assume there will be no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



**Twelve months ended**

**March 31, 2015**

|  |  |  |
| --- | --- | --- |
| Pro forma net income attributable to Planet Fitness, Inc.—basic and diluted | $ |  |
| Pro forma weighted average shares of Class A common stock—basic and diluted |  |  |
| Weighted average shares outstanding during the period |  |  |
| Shares issued in the offering necessary to pay member distributions |  |  |
| Pro forma weighted average shares of Class A common stock |  |  |
| Pro forma net income per share—basic and diluted | $ |  |
|  |  |  |

**(17) Subsequent events**

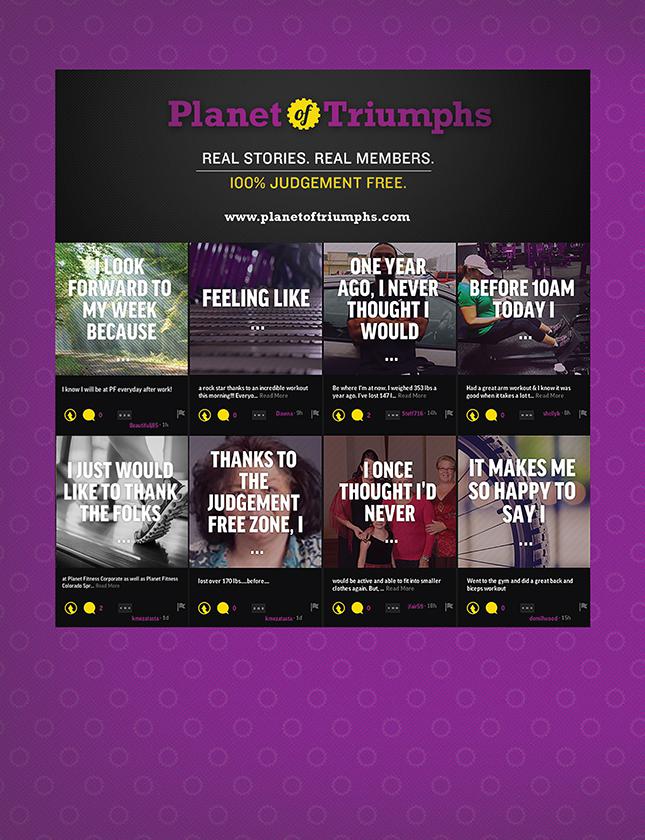
The Company has evaluated events that have occurred subsequent to March 31, 2015 through May 5, 2015, the date these consolidated financial statements were available to be issued.

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***shares***

**Planet Fitness, Inc.**

***Class A common stock***



**Prospectus**

**J.P. Morgan**

**BofA Merrill Lynch**

**Jefferies**

**Credit Suisse**

**Guggenheim Securities**

**Baird**

**William Blair**

**Piper Jaffray**

**Cowen and Company**

, 2015

**Through and including** **, 2015 (25 days after the commencement of this offering), all dealers that effect transactions in shares**

**of our Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery is in addition to a dealer’s obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.**

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**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 the underwriting discounts and commissions, payable by the registrant in connection with the sale of Class A common stock being registered. All amounts are estimates except for the SEC registration fee, the FINRA filing fee and NYSE listing fee.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Amount to be** | | | |
| **Item** |  |  |  | **paid** | |
| SEC registration fee | $ | |  | [11,620]\* | |
| FINRA filing fee | $ | | [ | ]\* | |
| NYSE listing fee |  |  |  | \* | |
| Blue sky fees and expenses |  |  |  | \* | |
| Printing and engraving expenses |  |  |  | \* | |
| Legal fees and expenses |  |  |  | \* | |
| Accounting fees and expenses |  |  |  | \* | |
| Transfer agent and registrar fees and expenses |  |  |  | \* | |
| Miscellaneous expenses |  |  |  | \* |  |
| **Total** | $ | |  | \* | |



* To be completed by amendment.

**Item 14. Indemnification of directors and officers**

Section 145(a) of the General Corporation Law of the State of Delaware (the “DGCL”) grants each corporation organized thereunder the power to indemnify any person who was or is a party or is threatened to be made a party to 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, 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 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 such person did not act in good faith and in a manner which 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.

Section 145(b) of the DGCL grants each corporation organized thereunder the power to indemnify any person who was or is a party or is threatened to be made a party to 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 the person 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 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 the person acted in good faith and in a

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manner the person reasonably believed to be in or not opposed to the best interests of the corporation and 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 Delaware Court of Chancery 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 which the Court of Chancery or such other court shall deem proper.

Section 102(b)(7) of the DGCL enables a corporation in its certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director to the corporation or its stockholders of monetary damages for violations of the director’s fiduciary duty, except (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 that involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit. Our certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL.

We have also entered into indemnification agreements with certain of our directors. Such agreements generally provide for indemnification by reason of being our director, as the case may be. These agreements are in addition to the indemnification provided by our certificate of incorporation and bylaws. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

The underwriting agreement provides that the underwriters are obligated, under certain circumstances, to indemnify our directors, officers and controlling persons against certain liabilities, including liabilities under the Securities Act. Please see the form of underwriting agreement filed as Exhibit 1.1 hereto.

Our amended and restated bylaws indemnify the directors and officers to the full extent of the DGCL and also allow the board of directors to indemnify all other employees. Such right of indemnification is not exclusive of any right to which such officer or director may be entitled as a matter of law and shall extend and apply to the estates of deceased officers and directors. Section 145(f) of the DGCL further provides that a right to indemnification or to advancement of expenses arising under a provision of the bylaws shall not be eliminated or impaired by an amendment to such provision after the occurrence of the act or omission which is the subject of the civil, criminal, administrative or investigative action, suit or proceeding for which indemnification or advancement of expenses is sought.

We also maintain a directors’ and officers’ insurance policy, The policy insures directors and officers against unindemnified losses arising from certain wrongful acts in their capacities as directors and officers and reimburses us for those losses for which we have lawfully indemnified the directors and officers. The policy contains various exclusions that are normal and customary for policies of this type. Section 145(g) of the DGCL provides that a corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust 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 to indemnify such person against such liability under that section.

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**Item 15. Recent sales of unregistered securities**

In March 2015, the registrant issued 100 shares of common stock to Christopher Rondeau for aggregate consideration of $1. The shares were issued in reliance on the exemption contained in Section 4(a)(2) of the Securities Act of 1933 on the basis that the transaction did not involve a public offering.

In connection with the recapitalization transactions described in the accompanying prospectus, the registrant will issue shares of Class B common stock to investment funds affiliated with TSG Consumer Partners, LLC, and certain members of our management and our board of directors. The shares of Class B common stock described above will be issued in reliance on the exemption contained in Section 4(a)(2) of the Securities Act of 1933 on the basis that the transaction will not involve a public offering. No underwriters will be involved in the transaction.

**Item 16. Exhibits and financial statement schedules**

***(a) Exhibits***

See Exhibit Index following the signature page.

***(b) Financial statement schedules***

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

**Item 17. Undertakings**

The undersigned Registrant hereby undertakes:

1. That 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
2. or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.
3. That 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.
4. For the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.
5. The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the

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purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

* 1. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
  2. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
  3. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
  4. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

1. Insofar as indemnification for liabilities arising under the Securities Act of 1933 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 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 Act and will be governed by the final adjudication of such issue.
2. 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.

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**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 Newington, State of New Hampshire, on | , 2015. |

**PLANET FITNESS, INC.**

By:



Name: Christopher Rondeau

Title: Chief Executive Officer

**Power of attorney**

We, the undersigned officers and directors of Planet Fitness, Inc., do hereby constitute and appoint each of Christopher Rondeau, Dorvin Lively and Richard Moore to be our true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for each of us and in our name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) and exhibits to this registration statement on Form S-1 (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933) and any and all applications and other documents to be filed with the Securities and Exchange Commission pertaining to the registration of the securities covered hereby, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as each of us might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

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** |
|  | Chief Executive Officer and Director | , 2015 |
| Christopher Rondeau | (Principal Executive Officer) |  |
|  | Chief Financial Officer | , 2015 |
| Dorvin Lively | (Principal Financial Officer and Principal Accounting |  |
|  | Officer) |  |
|  | Director | , 2015 |
| Charles Esserman |  |  |
|  | Director | , 2015 |
| Marc Grondahl |  |  |
|  | Director | , 2015 |
| Michael Layman |  |  |

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|  |  |  |
| --- | --- | --- |
| **Signature** | **Title** | **Date** |
|  | Director | , 2015 |
| Pierre LeComte |  |  |
|  | Director | , 2015 |
| Stephen Spinelli, Jr. |  |  |
|  | Director | , 2015 |
| Edward Wong |  |  |

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|  |  | **Exhibit index** |
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|  | **Exhibit** |  |
| **number** | | **Description of exhibit** |
|  | 1.1\* | Form of Underwriting Agreement |
| 3.1\* | | Restated Certificate of Incorporation of Planet Fitness, Inc. |
| 3.2\* | | Amended and Restated Bylaws of Planet Fitness, Inc. |
| 4.1\* | | Form of Class A Common Stock Certificate |
| 5.1\* | | Opinion of Ropes & Gray LLP |
| 10.1† | | Amended and Restated Credit Agreement dated as of March 31, 2014 among Planet Intermediate, LLC, as Holdings, Planet Fitness |
|  |  | Holdings, LLC, as Borrower, the other loan parties thereto, and the lenders party thereto |
| 10.2 | | Amendment No. 1 to Amended and Restated Credit Agreement, dated as of March 31, 2015 among Planet Intermediate, LLC, |
|  |  | Planet Fitness Holdings, LLC, the lenders party thereto and JP Morgan Chase Bank, N.A. |
| 10.3† | | Amended and Restated Pledge and Security Agreement dated as of March 31, 2014 by and between Planet Intermediate, LLC, |
|  |  | Planet Fitness Holdings, LLC, as Borrower, and Borrower Grantors from time to time party thereto, and JPMorgan Chase Bank, |
|  |  | N.A., as administrative agent for the lenders party thereto |
| 10.4\* | | Form of Amended and Restated Pla-Fit Holdings, LLC Operating Agreement |
| 10.5\* | | Form of Tax Receivable Agreement with the Continuing LLC Owners |
| 10.6\* | | Form of Tax Receivable Agreement with the Direct TSG Investors |
| 10.7\* | | Form of Registration Rights Agreement |
| 10.8\* | | Form of Stockholders Agreement |
| 10.9\* | | Form of Exchange Agreement |
| 10.10† | | Employment Agreement with Christopher Rondeau |
| 10.11† | | Amendment to Employment Agreement with Christopher Rondeau |
| 10.12† | | Employment Agreement with Dorvin Lively |
| 10.13† | | Employment Agreement with Richard Moore |
| 10.14† | | Pla-Fit Holdings, LLC 2013 Equity Incentive Plan |
| 10.15† | | Form of Class M Unit Award under Pla-Fit Holdings, LLC 2013 Equity Incentive Plan |
| 10.16 | | Form of Planet Fitness, Inc. 2015 Omnibus Incentive Plan |
| 10.17 | | Form of Planet Fitness, Inc. Cash Incentive Plan |
| 10.18\* | | Form of Recapitalization Agreement |
| 21.1 | | Subsidiaries of the Registrant |
| 23.1 | | Consent of KPMG LLP |
| 23.2\* | | Consent of Ropes & Gray LLP (included in Exhibit 5.1) |
| 24.1 | | Power of Attorney (included in the signature pages to this Registration Statement) |

* To be filed by amendment.

† Previously filed.

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**Exhibit 10.2**



AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

March 31, 2014

and amended as of March 31, 2015

among

PLANET INTERMEDIATE, LLC,

as Holdings,

PLANET FITNESS HOLDINGS, LLC,

as Borrower,

The Lenders Party Hereto

- and-

JPMORGAN CHASE BANK, N.A.,

as Administrative Agent



J.P. MORGAN SECURITIES LLC, BMO CAPITAL MARKETS CORP., GUGGENHEIM SECURITIES HOLDINGS, LLC, JEFFERIES FINANCE LLC

and U.S. BANK NATIONAL ASSOCIATION,

as Joint Bookrunners and Joint Lead Arrangers



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AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 31, 2015 (this “First Amendment”), among PLANET INTERMEDIATE, LLC, a Delaware limited liability company (“Holdings”), PLANET FITNESS HOLDINGS, LLC, a New Hampshire limited liability company (the “Borrower”), the Lenders party hereto and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the “Administrative Agent”).

WHEREAS, Holdings, the Borrower, the other Loan Parties, the Lenders and the Administrative Agent are party to that certain Credit Agreement dated as of March 31, 2014 (the “Credit Agreement”) (unless otherwise specified, all other capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement);

WHEREAS, the Borrower and the Lenders party hereto have agreed to amend the Credit Agreement, but only on the terms and conditions herein set

forth;

NOW, THEREFORE, in consideration of the premises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. Credit Agreement Amendments. Subject to the terms and conditions set forth in this First Amendment, effective on the First Amendment Effective Date (as defined below):

Section 1.1. Each of the undersigned Lenders irrevocably agrees to amend the Credit Agreement as provided in Section 2 hereof to provide for

1. the New Term Commitments in the aggregate principal amount of $120,000,000 (the “Additional Term Commitments”, the loans provided thereunder, the “Additional Term Loans” and the Lenders providing such Additional Term Commitments, the “Additional Term Lenders”) and (b) the other changes set forth on Exhibit A hereto (each such change, together with the modification set forth in the preceding clause (a), each an “Amendment” and collectively, the “Amendments”).

Section 1.2. The Additional Term Loans shall constitute “Term Loans” for all purposes under the Credit Agreement and except as modified pursuant to Section 1.1 hereof, the Term Loans issued and outstanding immediately prior to First Amendment Effective Date shall remain outstanding and shall be continued.

Section 2. Amendments.

Section 2.1. The Credit Agreement is, from and after the First Amendment Effective Date, hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Credit Agreement attached as Exhibit A hereto, except that any Schedule or Exhibit to the Credit Agreement not amended pursuant to the terms of this First Amendment or otherwise included as part of said Exhibit A shall remain in effect without any amendment or other modification thereto.



Section 2.2. The Credit Agreement is, effective as of the First Amendment Effective Date, hereby further amended by amending the Commitment Schedule thereto to reflect the amount of Additional Term Commitments on Annex 1 hereto.

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Section 3. Use of Proceeds. The Borrower shall use the proceeds of the Additional Term Loans to effect the 2015 Special Distribution and pay fees and expenses incurred in connection therewith.

Section 4. Taxes. For purposes of determining withholding Taxes imposed under FATCA, from and after the First Amendment Effective Date, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) the Additional Term Loans as not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

Section 5. Conditions to Effectiveness of Amendments. This First Amendment and the Amendments set forth in Section 2 shall become effective on the date (the “First Amendment Effective Date”) on which each of the following conditions are satisfied or waived by each applicable party:

1. the Administrative Agent shall have received a solvency certificate signed by a Financial Officer dated the First Amendment Effective Date in form and substance reasonably satisfactory to the Administrative Agent;
2. the Administrative Agent shall have received (1) a certificate of each Loan Party, dated the First Amendment Effective Date and executed by a responsible officer of such Loan Party, which shall (a) certify the resolutions of its Board of Directors, members or other body authorizing the execution, delivery and performance of this First Amendment and the Acknowledgment and Agreement to which it is a party, (B) identify by name and title and bear the signatures of the Financial Officers and any other officers of such Loan Party authorized to sign this First Amendment and the Acknowledgment and Agreement to which it is a party, and (C) contain appropriate attachments, including the certificate or articles of incorporation or organization of each Loan Party certified by the relevant authority of the jurisdiction of organization of such Loan Party and a true and correct copy of each Loan Party’s by-laws or operating, management or partnership agreement, or a certification by an authorized officer of such Loan Party that the applicable organizational documents delivered in connection with the initial funding on the Effective Date, remain in full force and effect and have not been amended, modified, revoked or rescinded since the Effective Date, as applicable and (ii) a long form good standing certificate for each Loan Party from its jurisdiction of organization;
3. no Default or Event of Default has occurred and is continuing or shall result upon the First Amendment Effective Date;
4. the Administrative Agent shall have received an executed written opinion of Ropes & Gray LLP, New York counsel to the Loan Parties and an executed written opinion of Pierce Atwood LLP, New Hampshire counsel to the Loan Parties organized in New Hampshire, which shall be customary for transactions of this type in form and substance reasonably satisfactory to the Administrative Agent;
5. the Administrative Agent shall have received a certificate signed by a responsible officer of the Borrower certifying that (1) the conditions precedent set forth in Section 4.02 of the Credit Agreement have been satisfied both before and after giving effect to this First Amendment and the Additional Term Loans provided hereby and (2) the Additional Term Loans have been made on the terms and conditions provided for in the Credit Agreement;
6. the Administrative Agent shall have received executed signature pages to this First Amendment from Holdings and the Borrower;

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1. the Administrative Agent shall have received (i) with respect to the effectiveness of the Amendment to Section 6.12 of the Credit Agreement, the consent of the Required Revolving Lenders and (ii) with respect to the effectiveness of any other Amendment, the consent of the Required Lenders, in each case as is required pursuant to Section 9.02 of the Credit Agreement in respect of each such Amendment; and
2. the Administrative Agent shall have received executed signature pages to the Acknowledgment and Agreement (the “Acknowledgment and Agreement”) attached hereto as Exhibit B, from each of the Persons (other than the Borrower and Holdings) who are or are required by the Loan Documents to be Loan Guarantors.

Section 6. Representations and Warranties. Each of Holdings and the Borrower hereby represents and warrants to the Lenders as of the date hereof that the representations and warranties set forth in the Credit Agreement and in the other Loan Documents are true and correct in all material respects on and as of First Amendment Effective Date with the same effect as though such representations and warranties had been made on and as of the First Amendment Effective Date, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date.

Section 7. Counterparts. This First Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which when taken together shall constitute a single instrument. Delivery of an executed counterpart of a signature page of this First Amendment by facsimile or other electronic transmission (i.e. a “PDF” or “TIF”) shall be effective as delivery of a manually executed counterpart hereof.

Section 8. Applicable Law. **THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER** **SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

Section 9. Headings. The headings of this First Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 10. Notices. All communications and notices hereunder shall be given as provided in the Credit Agreement or, as the case may be, the Guarantee and Collateral Agreement.

Section 11. Severability. The fact that any term or provision of this First Amendment is held invalid, illegal or unenforceable as to any person in any situation in any jurisdiction shall not affect the validity, enforceability or legality of the remaining terms or provisions hereof or the validity, enforceability or legality of such offending term or provision in any other situation, or jurisdiction or as applied to any person.

Section 12. Successors. The terms of this First Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 13. Effect of Amendments. Except as expressly set forth herein, this First Amendment and the Amendments set forth herein shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any

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other provision of either such agreement or any other Loan Document, and each of Holdings and the Borrower acknowledges and agrees that, other than as expressly amended, each of the Loan Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this First Amendment or the Amendments set forth herein. Each and every term, condition, obligation, covenant and agreement contained in the Credit Agreement or any other Loan Document is hereby ratified and reaffirmed in all respects and shall continue in full force and effect. Each of Holdings and the Borrower ratifies and reaffirms its obligations under the Loan Documents to which it is party, the Liens granted by it pursuant to the Security Agreement, which continue to secure the Obligations, and with respect to Holdings, its Guaranteed Obligations pursuant to Section 10.01 of the Credit Agreement. From and after the effective date of this First Amendment, all references to the Credit Agreement in any Loan Document shall, unless expressly provided otherwise, refer to the Credit Agreement as amended by this First Amendment. In entering into this First Amendment, each Lender has undertaken its own analysis and has not relied on any other Lender in making its decision to enter into this First Amendment. This First Amendment constitutes a Loan Document. The Borrower agrees to pay all reasonable and documented out-of-pocket costs and expenses of the Administrative Agent and the Arrangers in connection with the preparation, execution, delivery and administration of this First Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent) in accordance with the terms of Section 9.03 of the Credit Agreement.

[Remainder of page intentionally left blank]

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IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the date first above written.

**PLANET INTERMEDIATE, LLC**

By: /s/ Pierre LeComte



Name: Pierre LeComte

Title: President

**PLANET FITNESS HOLDINGS, LLC**

By: /s/ Christopher Rondeau



Name: Christopher Rondeau

Title: Chief Executive Officer

[Planet Fitness – Signature Page to Amendment No. 1 to A&R Credit Agreement]

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**JPMORGAN CHASE BANK, N.A.**, as an Additional Term

Lender and as a Lender

By: /s/ Peter M. Killea



Name: Peter M. Killea

Title: Vice President

[Planet Fitness – Signature Page to Amendment No. 1 to A&R Credit Agreement]

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Acknowledged and Accepted:

**JPMORGAN CHASE BANK, N.A.**, as Administrative Agent

By: /s/ Peter M. Killea



Name: Peter M. Killea

Title: Vice President

[Planet Fitness – Signature Page to Amendment No. 1 to A&R Credit Agreement]

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**Exhibit A**

**Amended Credit Agreement**

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**MARKED VERSION REFLECTING CHANGES**

**PURSUANT TO AMENDMENT NO. 1**

**DATED AS OF MARCH 31, 2015**

**ADDED TEXT SHOWN DOUBLE-UNDERLINED**

**DELETED TEXT SHOWN ~~STRIKETHROUGH~~**



AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

March 31, 2014

and amended as of March 31, 2015

among

PLANET INTERMEDIATE, LLC,

as Holdings

PLANET FITNESS HOLDINGS, LLC,

as Borrower

The Other Loan Parties Party Hereto

The Lenders Party Hereto

- and-

JPMORGAN CHASE BANK, N.A.,

as Administrative Agent



J.P. MORGAN SECURITIES LLC, BMO CAPITAL MARKETS CORP., GUGGENHEIM SECURITIES HOLDINGS, LLC, JEFFERIES FINANCE LLC and U.S. BANK NATIONAL ASSOCIATION, as Joint Bookrunners and Joint Lead Arrangers



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AMENDED AND RESTATED CREDIT AGREEMENT dated as of March 31, 2014 (as it may be amended or modified from time to time, this

“Agreement”), among PLANET INTERMEDIATE, LLC, a Delaware limited liability company (“Holdings”), PLANET FITNESS HOLDINGS, LLC, a New

Hampshire limited liability company (the “Borrower”), the other Loan Parties party hereto, the Lenders party hereto, and JPMORGAN CHASE BANK, N.A.,

as administrative agent (in such capacity, the “Administrative Agent”). The parties hereto agree as follows:

WHEREAS, the Borrower, Holdings, the Loan Guarantors, the Administrative Agent and the Lenders (as defined in the Existing Credit Agreement (as defined below)) are party to the Existing Credit Agreement;

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders amend and restate the Existing Credit Agreement to, among other things, provide for (a) $430,000,000 senior secured credit facilities and (b) permit the Effective Date Transactions, in each case, on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Borrower, Holdings and the other Loan Guarantor have agreed to secure all of their Obligations under the Loan Documents by granting to the Administrative Agent, for the benefit of the Administrative Agent, the Lenders and the other Secured Parties, a first priority security interest in the Collateral;

WHEREAS, the Lenders are willing to make certain loans and other extensions of credit to the Borrower of up to such amounts upon the terms and conditions set forth herein; and

WHEREAS, all Schedules, Exhibits and other attachments hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together with this Agreement, shall constitute but a single agreement. These Recitals shall be construed as part of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“ABR”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, is bearing interest at a rate determined by reference to the Alternate Base Rate.

“Account” has the meaning assigned to such term in the Security Agreement.

“Account Debtor” means any Person obligated on an Account.

“Acquisition” means the acquisition of the Borrower by Holdings pursuant to the Acquisition Agreement, including related transactions and any transactions consummated prior to December 14, 2012.

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“Acquisition Agreement” means the Membership Interest Purchase Agreement, dated as of October 23, 2012, among TSG PF Investment L.L.C., Holdings and the sellers and the other parties party thereto.

“Additional Lender” has the meaning assigned to such term in Section 2.23.

“Adjusted LIBO Rate” means, with respect to any Eurodollar Borrowing for any Interest Period an interest rate per annum equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate; provided that in respect of the Term Loans only, Adjusted LIBO Rate shall not be less than 1.00% per annum.

“Administrative Agent” shall have the meaning provided in the first paragraph hereof.

“Administrative Questionnaire” means an administrative questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the specified Person.

“Affiliated Lender” has the meaning assigned to the term in Section 9.04.

“Aggregate Credit Exposure” means, at any time, the aggregate Credit Exposure of all the Lenders at such time.

“Aggregate Revolving Exposure” means, at any time, the aggregate Revolving Exposure of all the Lenders at such time.

“All-In Yield” shall mean, as to any Indebtedness, the yield thereof, whether in the form of interest rate, margin, original issue discount, upfront fees, a Adjusted LIBO Rate floor or Alternate Base Rate floor, or otherwise, in each case, incurred or payable by the Borrower or another Loan Party generally to all lenders of such Indebtedness; provided that original issue discount and upfront fees shall be equated to interest rate assuming a 4-year life to maturity on a straight-line basis (e.g. 100 basis points of original issue discount equals 25 basis points of interest rate margin for a four year average life to maturity); and provided, further*,* that “All-In Yield” shall not include arrangement fees, structuring fees, commitment fees, underwriting fees and similar fees not generally shared with all lenders in the primary syndication of such Indebtedness.

“Alternate Base Rate” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1⁄2 of 1% and (c) the Adjusted LIBO Rate for a one-month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate appearing on the Reuters Screen LIBOR01 Page (or on any successor or substitute page) at approximately 11:00 a.m. London time on such day (without any rounding). Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

“Applicable Percentage” means, at any time with respect to any Revolving Lender, a percentage equal to a fraction, the numerator of which is such Lender’s Revolving Commitment and the denominator of which is the aggregate Revolving Commitments, in each case at such time; provided that for purposes of

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Section 2.21 when a Defaulting Lender shall exist, “Applicable Percentage” shall mean the percentage of the aggregate Revolving Commitments (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment. If, however, the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“Applicable Rate” means a percentage per annum equal to: (a) (i) until delivery of financial statements and a related Compliance Certificate for the fiscal quarter ending December 31, 2014 pursuant to Section 5.01, in respect of Term Loans that are (A) Eurodollar Loans, 3.75% and (B) ABR Loans, 2.75% (each of clauses (A) or (B), as applicable the “Term Loan Initial Margin”) and (ii) thereafter, in connection with Term Loans (A) the Term Loan Initial Margin or (B) so long as the Total Leverage Ratio is less than 3.75 to 1.00, (1) that are Eurodollar Loans, 3.50% and (2) that are ABR Loans, 2.50% and (b) in respect of Revolving Loans and Revolving Commitments means, for any day, the applicable rate per annum set forth below under the caption “Revolving Commitment ABR Spread”, “Revolving Commitment Eurodollar Spread” or “Commitment Fee Rate”, as the case may be, based upon the Borrower’s Total Net Leverage Ratio as of the most recent determination date, provided that until the delivery to the Administrative Agent, pursuant to Section 5.01, of the Borrower’s consolidated financial information for the Borrower’s first fiscal quarter ending after the Effective Date, the “Applicable Rate” in respect of Revolving Loans and Revolving Commitments shall be the applicable rates per annum set forth below in Category 1:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Revolving | | Revolving | |  |  |  |
| Total Net Leverage | |  | Commitment | | Commitment | |  |  |  |
|  | ABR | | Eurodollar | |  |  |  |
| Ratio | |  | Spread | | Spread | | Commitment Fee Rate | |  |
|  |  |  |  |  |  |  |  |  |  |
| Category 1 | |  |  |  |  |  |  |  |  |
|  |  |  | | |  | |  | |  |
| > 4.00 to 1.00 | | 2.25% | | | 3.25% | | 0.45% | |  |
| Category 2 | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

* 4.00 to 1.00 but

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| > 3.00 to 1.00 | | | 2.0% | 3.00% | 0.40% |
| Category 3 | | |  |  |  |
|  |  |  |  |  |  |
| < 3.00 to 1.00 | | | 1.75% | 2.75% | 0.35% |
|  |  |  |  |  |  |

For purposes of the foregoing clauses (a) and (b), (i) the Applicable Rate shall be determined as of the end of each fiscal quarter of the Borrower, based upon the Borrower’s annual or quarterly consolidated financial statements delivered pursuant to Section 5.01 and (ii) each change in the Applicable Rate resulting from a change in the Total Leverage Ratio or Total Net Leverage Ratio, as applicable, shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change, provided that (x) at any time that an Event of Default under Section 7.01(a), (b), (h) or (i) has occurred and is continuing or (y) at the option of the Administrative Agent or at the request of the Required Lenders, if the Borrower fails to deliver the annual or quarterly consolidated financial statements required to be delivered by it pursuant to Section 5.01, (x) the Total Leverage Ratio shall with respect to Term Loans be deemed to be equal to or greater than 3.75:1.00 and (y) the Total Net Leverage Ratio shall with respect to Revolving Loans and Revolving Commitments be deemed to be in Category 1, in each case, during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered; provided, further, that any increase or decrease to the Applicable Rate with respect to Term Loans resulting from a pro forma change in the Total Leverage Ratio as a result of the incurrence of the New Term Loans shall become effective as of the first Business Day immediately following the First Amendment Effective Date.

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If at any time the Administrative Agent reasonably determines that the financial statements upon which the Applicable Rate was determined were incorrect (whether based on a restatement, fraud or otherwise), the Borrower shall be required to retroactively pay any additional amount that the Borrower would have been required to pay if such financial statements had been accurate at the time they were delivered.

“Approved Fund” has the meaning assigned to the term in Section 9.04.

“Assignment and Assumption” means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

“Availability” means, at any time, an amount equal to (a) the aggregate Revolving Commitments minus (b) the Aggregate Revolving Exposure.

“Availability Period” means the period from and including the Effective Date to but excluding the earlier of the Revolving Credit Maturity Date and the date of termination of the Revolving Commitments.

“Available Amount”, shall mean, on any date (the “Determination Date”), an amount equal to (a) the sum of, without duplication, cumulative amount equal to (which shall not be less than zero) (i) 50% of the Net Income of Holdings for the period (taken as one accounting period) from and after April 1, 2014 to the end of Holdings’ most recently ended fiscal quarter for which financial statements are required to be delivered under Section 5.01, or, in the case such Net Income for such period is a deficit, minus 100% of such deficit, plus (ii) the cash proceeds of new public or private equity issuances of any parent of the Borrower or the Borrower (other than (x) the proceeds of Disqualified Capital Stock and (y) any contribution as a Cure Amount) to the extent the proceeds thereof are contributed to the Borrower as Qualified Capital Stock, plus, (iii) 100% of the aggregate amount of contributions to the common capital of the Borrower in respect of Qualified Capital Stock received in cash after the Effective Date (other than (x) the proceeds of Disqualified Capital Stock and

1. any contribution as a Cure Amount), (iv) the net cash proceeds to the Borrower and its Restricted Subsidiaries of sales of Investments made using the Available Amount, plus (v) returns, profits, distributions and similar amounts received in cash or cash equivalents by the Borrower and its Restricted Subsidiaries on Investments made using the Available Amount plus (vi) the aggregate amount of any Retained Declined Proceeds since the Effective Date minus (b) the sum of, without duplication: (i) the aggregate amount of Restricted Payments made by Holdings pursuant to Section 6.08(a)(vi) and Section 6.08(b)(v) on or prior to the Determination Date, plus (ii) the aggregate amount of any Investments made by the Borrower or any of its Restricted Subsidiaries pursuant to Section 6.04(m) on or prior to the Determination Date. For the avoidance of doubt, the Available Amount shall be permitted to be used as provided in this Agreement subject to compliance with Available Amount Usage Conditions for each such usage.

“Available Amount Usage Conditions” means, collectively, the satisfaction of each of the following conditions: (a) (i) with respect to the making of any Restricted Payments, the absence of any continuing Event of Default and (ii) with respect to the making of any Investments, (A) at the option of the Borrower in connection with an acquisition, both (x) the absence of any continuing Event of Default at the time of execution of the applicable contract or agreement for such Investment and (y) the absence of any continuing Event of Default under Sections 7.01(a), (b), (h) or (i) at the time of making such acquisition or

1. otherwise, the absence of any continuing Event of Default at the time of making such Investment; (b) at the time of and after giving effect to the usage of any portion of Available Amount for any Investments, pro forma compliance with the Total Net Leverage Ratio test set forth in Section 6.12; and (c) at the time of any Investment or Restricted Payment in excess of $2,000,000, delivery by the Borrower to the Administrative Agent, of a certificate of a responsible officer demonstrating the calculation of the Available Amount both before and after giving effect to the usage of Available Amount.

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“Banking Services” means each and any of the following bank services provided to any Loan Party or any Restricted Subsidiary by any Lender or any of its Affiliates: (a) credit cards for commercial customers (including, without limitation, “commercial credit cards” and purchasing cards), (b) stored value cards, (c) merchant processing services, and (d) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

“Banking Services Obligations” means any and all obligations of the Loan Parties, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Banking Services.

“Bankruptcy Event” means, with respect to any Person, when such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“Beneficial Owner” means, with respect to any U.S. Federal withholding Tax, the beneficial owner, for U.S. Federal income tax purposes, to whom such Tax relates.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Board of Directors” means, for any Person, the board of directors or other governing body of such Person or, if such Person does not have such a board of directors or other governing body and is owned or managed by a single entity, the Board of Directors of such entity, or, in either case, any committee thereof duly authorized to act on behalf of such Board of Directors.

“Borrower” shall have the meaning provided in the first paragraph hereof.

“Borrowing” means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, and (b) a Term Loan made on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, and (c) a Swingline Loan.

“Borrowing Request” means a request by the Borrower for a Borrowing in accordance with Section 2.03 and substantially in the form of Exhibit B or such other form approved by the Administrative Agent.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

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“Capital Lease Obligations” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“Change in Control” means (a) at any time prior to a Qualifying IPO (i) Holdings shall cease to own 100% of the outstanding voting Equity Interests of the Borrower on a fully diluted basis; (ii) Permitted Holders shall cease to beneficially own, directly or indirectly (and retain the right to vote), free and clear of all Liens or other encumbrances, at least a majority of the outstanding voting Equity Interests of Holdings on a fully diluted basis; or (iii) the acquisition of the power to elect a majority of the Board of Directors of Holdings by any Person or group other than Permitted Holders and (b) at any time after a Qualifying IPO, (x) any Person (other than the Permitted Holders) or (y) Persons (other than the Permitted Holders) constituting a “group” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), but excluding any employee benefit plan of such Person and its Subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan, except that for purposes of this clause such Person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), becomes the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 of the Exchange Act), directly or indirectly, of outstanding Equity Interests of the Borrower and the percentage of aggregate ordinary voting power so held is greater than the percentage of the aggregate ordinary voting power represented by the Equity Interests of the Borrower beneficially owned, directly or indirectly, in the aggregate by the Permitted Holders, or (iii) Holdings shall cease to own 100% of the outstanding voting Equity Interests of the Borrower on a fully diluted basis.

“Change in Law” means the occurrence after the date of this Agreement (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rules, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; provided however, that notwithstanding anything herein to the contrary (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case arising under clauses (i) or (ii) be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Charges” has the meaning assigned to such term in Section 9.17.

“Class”, when used in reference to (a) with respect to Commitments or Loans, those of such Commitments or Loans that have the same terms and conditions (without regard to differences in the Type of Loan, Interest Period, upfront fees, OID or similar fees paid or payable in connection with such Commitments or Loans, or differences in tax treatment (e.g., “fungibility”)) and (b) any Lender, refers to whether such Lender has a Loan or Commitment of a particular Class.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

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“Collateral” means any and all “Collateral”, as defined in any Collateral Document and any and all other property of any Loan Party, now existing or hereafter acquired, that may at any time be, become or purported to be, subject to a security interest or Lien in favor of the Administrative Agent, on behalf of itself and the Lenders and other holders of the Secured Obligations, to secure the Secured Obligations.

“Collateral Access Agreement” has the meaning assigned to such term in the Security Agreement.

“Collateral Documents” means, collectively, the Security Agreement, the Mortgages (if any) and any other documents pursuant to which a Person grants a Lien upon any real or personal property as security for payment of the Secured Obligations.

“Commitment” means, with respect to each Lender, the sum of such Lender’s Revolving Commitment and Term Commitment. The initial amount of each Lender’s Commitment is set forth on the Commitment Schedule, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable.

“Commitment Schedule” means the Schedule attached hereto identified as such.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated Total Assets” means, as of any date, the assets and properties of the Borrower and its Restricted Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP as set forth on the most recent consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 (and in the case of any determination relating to the permissibility of any proposed transaction hereunder, shall be calculated on a pro forma basis for any (i) acquisitions, (ii) dispositions and (iii) designations of a Subsidiary pursuant to Section 5.13 since such balance sheet date, including the proposed transaction (if applicable)).

“Control” means the possession, directly or indirectly, of the power to appoint the Board of Directors of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Controlled Affiliate” has the meaning assigned to such term in Section 3.18.

“Credit Exposure” means, as to any Lender at any time, the sum of (a) such Lender’s Revolving Exposure at such time plus (b) an amount equal to the aggregate principal amount of its Term Loans outstanding at such time.

“Credit Party” means the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender.

“Cure Amount” has the meaning ascribed to it in Section 7.02.

“Cure Right” has the meaning ascribed to it in Section 7.02.

“Default” means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

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“Defaulting Lender” means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s reasonable determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender’s reasonable determination that a condition precedent (specifically identified and including the particular default, if any) to funding a Loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after written request by a Credit Party, acting in good faith, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such receipt of such written confirmation by the Administrative Agent and the Borrower, or (d) has, or has a direct or indirect parent company that has, become the subject of a Bankruptcy Event, unless, in the case of this clause (d), the Borrower and the Administrative Agent are reasonably satisfied that such Lender will remain capable of performing its obligations hereunder; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority. If the Swingline Lender or the Issuing Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless the Swingline Lender or the Issuing Bank, as the case may be, shall have entered into arrangements with the Borrower or such Lender, satisfactory to the Swingline Lender or the Issuing Bank, as the case may be, to defease any risk to it in respect of such Lender hereunder.

“Disclosed Matters” means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

“Disqualified Capital Stock” means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder thereof), or upon the happening of any event, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part within ninety one (91) days of the Term Maturity Date, (b) is secured by any assets of Holdings, the Borrower or any of its respective Restricted Subsidiaries, (c) is exchangeable or convertible at the option of the holder into debt securities or any other form of Indebtedness of Holdings, the Borrower or any of its respective Restricted Subsidiaries or (d) provides for the mandatory payment of dividends regardless of whether or not the board of directors has declared any dividends.

“Disqualified Institutions” means (i) those banks, financial institutions and other institutional lenders and persons (or related funds of any such persons) identified in writing by the Borrower prior to March 7, 2014 and (ii) any competitor of the Borrower and its subsidiaries and any controlled affiliate of such competitor identified in writing by the Borrower from time to time (other than their financial investors that are not operating companies or affiliates of operating companies and other than any affiliate that is a bona fide diversified debt fund that invests in newly issued syndicated loans and not in distressed debt or “opportunities”); provided that a Person that is identified in writing pursuant to clause (ii) shall only be deemed a Disqualified Institution from and after the date it has been identified in writing as a Disqualified Institution and any assignments and/or participations made to such Person prior to such time shall not be

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invalidated as a result of such designation; provided further that, a Person shall only be deemed to be a Disqualified Institution if a list of Disqualified Institution has been made available to all Lenders by the Borrower.

“Disregarded Domestic Subsidiary” means any domestic Restricted Subsidiary that either (A) is a direct or indirect Restricted Subsidiary of a foreign Restricted Subsidiary or (B) substantially all of the assets of which consist directly or indirectly of interests in one or more foreign Restricted Subsidiaries.

“Document” has the meaning set forth in the Security Agreement.

“dollars” or “$” refers to lawful money of the United States of America.

“EBITDA” means, for any period, Net Income for such period plus (a) without duplication and solely to the extent deducted (and not added back or excluded) in determining Net Income for such period (other than clause (vi) and (vii)), the sum of (i) Interest Expense for such period, (ii) income tax expense for such period, including, without limitation, franchise or similar taxes, net of tax benefits (other than benefits payable to the sellers pursuant to the Acquisition Agreement), (iii) all amounts attributable to depreciation and amortization expense for such period, (iv) any other non-cash losses, expenses or charges for such period (provided that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to add back such non-cash charge in the current period and (2) to the extent the Borrower does decide to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from EBITDA to such extent, (v) fees (including termination fees) and expenses paid or accrued pursuant to the Management Agreement, (vi) cash received in respect of a non-cash gain deducted from EBITDA pursuant to clause (b)(ii) below in a prior period, (vii) the amount of “run rate” net cost savings, operating expense reductions and revenue increases projected by the Borrower in good faith to result from actions taken prior to the date of determination of EBITDA (and which revenue increases must result from written contractual agreements entered into by the Borrower and its Subsidiaries with franchisees, vendors and other third parties prior to the date of determination of EBITDA) (calculated on a pro forma basis as though such cost savings, operating expense reductions and revenue increases, as applicable, had been realized on the first day of the period for which EBITDA is being determined and if such cost savings, operating expense reductions and revenue increases, as applicable, were realized during the entirety of such period), net of the amount of actual benefits realized during such period from such agreements that, a Financial Officer of the Borrower shall have certified to the Administrative Agent that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable (it being understood that any such adjustments shall be without duplication of cost savings or additional costs already deducted from net income, or included as an addback to EBITDA, for such period, including any Pro Forma Adjustments), (viii) the amount of any other extraordinary or non-recurring fees or cash charges, losses or expenses for such period, (ix) the amount of any severance costs, restructuring costs and business optimization expenses for such period, (x) any fees, charges and other expenses (including severance costs) made or incurred during such period, or any amortization thereof for such period, in connection with any acquisition or Investment, the Transactions, the Acquisition, the Effective Date Transactions, the issuance, repayment or amendment of Indebtedness (whether or not consummated), any disposition, or issuance of capital stock, including the capital stock of any parent company, and including, in each case, permitted to be incurred by this Agreement and whether or not successful or completed (that are paid or otherwise accounted for within 365 days of such transactions (or the proposed transactions to the extent not consummated), (xi) pre-opening and opening costs and expenses (including related consulting fees) not to exceed the greater of (A) $5.0 million and (B) 6.25% of EBITDA for such period (giving pro forma effect to a Specified Transaction to the extent required or permitted pursuant to Section 1.05 and determined prior to giving effect to any adjustments pursuant to this clause (xi)), (xii) cash losses realized upon the sale, disposition or discontinuance of assets that are not sold or otherwise disposed of in the ordinary course of business, (xiii) cash payments in respect of earn outs

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and contingent consideration obligations (including to the extent accounted for as bonus or otherwise), minus (b) without duplication and to the extent included in Net Income (other than clause (i)), (i) any cash payments made during such period in respect of non-cash charges described in clause (a) taken in a prior period, (ii) non-cash items increasing such Net Income for such period (other than any items which represent the reversal of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required) and (iii) cash gains realized upon the sale, disposition or discontinuance of assets that are not sold or otherwise disposed of in the ordinary course of business, all calculated for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP. Notwithstanding anything to the contrary herein, (x) for any period, the aggregate amount of adjustments pursuant to clauses (a)(vii), (ix) and (xi) of the definition of EBITDA, shall not exceed 15% of EBITDA for such period (giving pro forma effect to a Specified Transaction to the extent required or permitted pursuant to Section 1.05 and determined prior to giving effect to any adjustments pursuant to clauses (a)(vii), (ix) and (xi) of the definition of EBITDA).

“Effective Date” means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

“Effective Date Dividend” has the meaning assigned to such term in the definition of “Effective Date Transactions”.

“Effective Date Purchase” has the meaning assigned to such term in the definition of “Effective Date Transactions”

“Effective Date Transactions” means each of the following: (a) on or after the Effective Date (but not later than 20 Business Days after the Effective Date (subject to extension at the Administrative Agent’s reasonable discretion, but not to exceed an additional 20 Business Days)), the making of a one-time cash dividend to Holdings’ equity holders in the amount of approximately (i) $171,000,000 plus (ii) in the event the Effective Date Purchase is for a purchase price that is less than $40,000,000 but greater than $36,000,000, an amount equal to $40,000,000 minus the actual purchase price for the Effective Date Purchase (for the avoidance of doubt, if the amount paid for the Effective Date Purchase is equal to or less than $36,000,000, clause (ii) shall be zero) (the “Effective Date Dividend”) and (b) the consummation of the acquisition of certain clubs (and related assets) from existing franchisees, on or after the Effective Date (but not later than 20 Business Days after the Effective Date (subject to extension at the Administrative Agent’s reasonable discretion, but not to exceed an additional 20 Business Days)), for an amount not to exceed $40,250,000 (the “Effective Date Purchase”).

“Embargoed Person” has the meaning assigned to such term in Section 3.19.

“Environmental Laws” means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to the extent relating to exposure to Hazardous Materials and human health.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Restricted Subsidiary directly or indirectly resulting from or based upon (a) any violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) any exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

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“Equipment” has the meaning assigned to such term in the Security Agreement.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests (or other ownership or profit interests or units) in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest (including through convertible securities); provided that any instrument evidencing Indebtedness convertible or exchangeable for Equity Interests shall not be deemed to be Equity Interests unless and until such instrument is so converted or exchanged, except, solely for purposes of a pledge of Equity Interests in connection with this Agreement, to the extent such instrument could be treated as “stock” of a “Controlled Foreign Subsidiary” (as defined in the Code) for purposes of Treasury Regulation Section 1.956-2(c)(2).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with a Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) the existence with respect to any Plan of an “accumulated funding deficiency” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“Eurodollar”, when used in reference to any Loan or Borrowing (other than an ABR Loan or Borrowing), refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

“Event of Default” has the meaning assigned to such term in ARTICLE VII.

“Excluded Property” has the meaning assigned to it in the Security Agreement.

“Excluded Subsidiary” means (a) any Disregarded Domestic Subsidiary, (b) any Restricted Subsidiary, to the extent a guarantee by any such Restricted Subsidiary is not permitted by law, regulation or contract (including any requirement to obtain governmental (including regulatory) authority or third party consent) or would result in any material and adverse tax consequence as reasonably determined by the Borrower, in consultation with the Administrative Agent, (c) to the extent that the burden or cost of obtaining a guaranty outweighs the benefit afforded thereby as reasonably determined by the Administrative Agent (as defined below) and the Borrower, (d) Immaterial Subsidiaries and (e) Unrestricted Subsidiaries.

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“Excluded Swap Obligation” means, with respect to any Loan Guarantor, any Loan Guarantor Swap Obligation if, and to the extent that, all or a portion of the Guaranteed Obligations of such Loan Guarantor of, or the grant by such Loan Guarantor of a security interest to secure, such Loan Guarantor Swap Obligation (or any Guarantee Obligations thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Loan Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the Loan Guarantor Swap Obligation of such Loan Guarantor or the grant of such security interest becomes effective with respect to such Loan Guarantor Swap Obligation. If a Loan Guarantor Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Loan Guarantor Swap Obligation that is attributable to swaps for which such Guaranteed Obligation or security interest is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof).

“Excluded Taxes” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. Federal Taxes required to be withheld and imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.19(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender acquired the applicable interest in such Loan or Commitment or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 2.17(f), (d) any Other Connection Taxes and (e) any U.S. Federal withholding Taxes imposed under FATCA.

“Executive Order” has the meaning assigned to it in Section 3.19.

“Existing Credit Agreement” means the Borrower’s existing $230,000,000 credit facility dated as of December 14, 2012, with lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

“Existing Loan Tranche” has the meaning assigned to such term in Section 2.25(a).

“Extended Loans” has the meaning assigned to such term in Section 2.25(a).

“Extending Lender” has the meaning assigned to such term in Section 2.25(b).

“Extension” shall mean the establishment of an Extension Series by amending a Loan pursuant to Section 2.25 and the applicable Extension Amendment.

“Extension Amendment” has the meaning assigned to such term in Section 2.25(b)(i).

“Extension Election” has the meaning assigned to such term in Section 2.25(b).

“Extension Facility Closing Date” has the meaning assigned to such term in Section 2.25(b)(i).

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“Extension Minimum Condition” shall mean a condition to consummating any Extension that a minimum amount (to be determined and specified in the relevant Extension Request, in the Borrower’s sole discretion) of any or all applicable Classes be submitted for Extension.

“Extension Request” shall mean any Loan Extension Request.

“Extension Series” means any Loan Extension Series.

“FATCA” means Sections 1471 through 1474 of the Code as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Financial Officer” means the chief financial officer, principal accounting officer, treasurer or controller or other similar officer performing similar functions of the Borrower, in each case in his or her capacity as such.

“Financial Statements” has the meaning assigned to such term in Section 5.01.

“First Amendment” means that certain Amendment No. 1 dated as of March 31, 2015 among Holdings, the Borrower, the Administrative Agent and the Lenders party thereto.

“First Amendment Effective Date” means March 31, 2015.

“First Lien Net Leverage Ratio” means, on any date, the ratio of (i) the difference between (i) Total Indebtedness secured on by a first priority Lien on the Collateral on such date less (ii) the amount of Unrestricted Cash and Unrestricted Cash Equivalents of the Loan Parties not at any time to exceed $20,000,000 on such date to (b) EBITDA for the period of four consecutive fiscal quarters ended on or most recently prior to such date.

“Fixtures” has the meaning assigned to such term in the Security Agreement.

“Foreign Assets Control Regulations” has the meaning assigned to such term in Section 3.19.

“Foreign Lender” means a Lender that is not a U.S. Person.

“Foreign Subsidiary” shall mean a Restricted Subsidiary that is organized under the laws of a jurisdiction other than the United States, any state thereof or the District of Columbia.

“Funding Account” has the meaning assigned to such term in Section 4.01(h).

“GAAP” means generally accepted accounting principles in the United States of America.

“Global Intercompany Note” means a note substantially in the form of Exhibit F attached hereto.

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“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Guarantee” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which the Guarantee is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee.

“Guaranteed Obligations” has the meaning assigned to such term in Section 10.01.

“Hazardous Materials” means: (a) any substance, material, or waste that is included within the definitions of “hazardous substances,” “hazardous materials,” “hazardous waste,” “toxic substances,” “toxic materials,” “toxic waste,” or words of similar import in any Environmental Law; (b) those substances listed as hazardous substances by the United States Department of Transportation (or any successor agency) (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) (40 C.F.R. Part 302 and amendments thereto); and (c) any substance, material, or waste that is petroleum, petroleum-related, or a petroleum by-product, asbestos or asbestos-containing material, polychlorinated biphenyls, flammable, explosive, radioactive, freon gas, radon, or a pesticide, herbicide, or any other agricultural chemical.

“Holdings” shall have the meaning provided in the first paragraph hereof.

“Immaterial Subsidiary” means, as of any date, any Restricted Subsidiary of Borrower (designated in writing by the Borrower to the Administrative Agent as an Immaterial Subsidiary) contributing less than 2.50% (excluding intra-group items) of the consolidated EBITDA of Borrower and its Restricted Subsidiaries for the most recently ended period of four fiscal quarters for which financial statements have been delivered pursuant to Section 5.1; provided that the consolidated EBITDA of all Immaterial Subsidiaries shall not exceed 5.00% (excluding intra-group items) of the consolidated EBITDA of Borrower and its Restricted Subsidiaries for the relevant period. The Immaterial Subsidiaries as of the Effective Date are listed on Schedule 1.01.

“Immediate Family Members” means with respect to any individual, such individual’s child, grandchild, parent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including formally adopted relationships) and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

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“Impacted Interest Period” has the meaning assigned to it in the definition of “LIBO Rate”.

“Incremental Cap” has the meaning assigned to it in Section 2.23(a).

“Incremental Equivalent Debt” has the meaning assigned to it in Section 2.23(f).

“Incremental Facility” has the meaning assigned to it in Section 2.23.

“Incremental Facility Agreement” has the meaning assigned to it in Section 2.23.

“Incremental Facility Effective Date” has the meaning assigned to it in Section 2.23.

“Incremental Loan Commitment Requirements” shall mean, the satisfaction of each of the following conditions: (i) the delivery by the Borrower to the Administrative Agent on or prior to such date of an acknowledgement in form and substance reasonably satisfactory to the Administrative Agent and executed by each Guarantor, acknowledging that such Incremental Facility and all Loans to be incurred pursuant thereto shall constitute (and be included in the definition of) “Obligations” under any Guaranty and Collateral Agreement; (ii) the delivery by the Borrower to the Administrative Agent of an opinion or opinions, in form and substance reasonably satisfactory to the Administrative Agent, from counsel to the Loan Parties, dated such date, covering such of the matters consistent with those set forth in the opinions of counsel delivered to the Administrative Agent on the Effective Date pursuant to Section 4.01 as may be reasonably requested by the Administrative Agent (other than changes to such legal opinions resulting from a change in law, change in fact or change to counsel’s form of opinion reasonably satisfactory to the Administrative Agent); and (iv) the delivery by the Borrower and the other Loan Parties to the Administrative Agent on or prior to such date of such other officers’ certificates, board of director resolutions and evidence of good standing consistent with those required to be delivered to the Administrative Agent on the Effective Date pursuant to Section 4.01 as the Administrative Agent shall reasonably request.

“Incremental Term Loans” has the meaning assigned to it in Section 2.23.

“Indebtedness” of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services, including earn outs in respect of acquisitions (excluding (i) current accounts payable or accrued expenses incurred in the ordinary course of business, and (ii) all contingent unliquidated obligations of such Person in respect of earn outs and other contingent payments in respect of acquisitions, (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, but, solely in case of Indebtedness which is non-recourse to such person, limited to the fair market value of such property, (f) all Guarantees by such Person of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (i) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances, (j) any other Off-Balance Sheet Liability and (l) obligations, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Swap Agreements, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement transaction. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the

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extent such Person is liable therefor as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. For the avoidance of doubt, Indebtedness of the Loan Parties shall include all guarantees (whether obligations thereunder is contingent or otherwise) of operating leases of franchisees (existing or prior) to the extent the Borrower is not indemnified for any such guaranty by a binding agreement.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnitee” has the meaning assigned to it in Section 9.03(b).

“Ineligible Institution” has the meaning assigned to it in Section 9.04(b).

“Information” has the meaning assigned to it in Section 9.12.

“Interest Election Request” means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

“Interest Expense” means, with reference to any period, total interest expense (including that attributable to Capital Lease Obligations) of the Borrower and its Restricted Subsidiaries for such period with respect to all outstanding Indebtedness of the Borrower and its Restricted Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptances and net costs under Swap Agreements in respect of interest rates, to the extent paid or required to be paid in cash for such period, to the extent such net costs are allocable to such period in accordance with GAAP), calculated for the Borrower and its Restricted Subsidiaries on a consolidated basis for such period in accordance with GAAP.

“Interest Payment Date” means (a) with respect to any ABR Loan (other than a Swingline Loan), the first day of each calendar quarter and the Revolving Credit Maturity Date or the Term Maturity Date, as applicable, and (b) with respect to any Eurodollar Loan, the last day of each Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months’ duration, each day (and if such day is not a Business Day, the next succeeding Business Day unless, such next succeeding Business Day would fall in the next calendar month, in which case the next preceding Business Day) prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period and the Revolving Credit Maturity Date or the Term Maturity Date, as applicable, and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid and the Revolving Credit Maturity Date.

“Interest Period” means (A) with respect to any Eurodollar Borrowing, the period commencing on the date of such Eurodollar Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or, with the consent of each Lender participating therein, twelve months) thereafter, as the Borrower may elect; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

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“Interpolated Rate” means, at any time, for any Interest Period, the rate *per annum* (rounded to the same number of decimal places as the LIBO Screen Rate) determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBO Screen Rate for the longest period for which the LIBO Screen Rate is available) that is shorter than the Impacted Interest Period; and (b) the LIBO Screen Rate for the shortest period (for which that Screen Rate is available) that exceeds the Impacted Interest Period, in each case, at such time.

“Investment” means, with respect to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase, or other acquisition (including pursuant to any merger with any Person that was not a Loan Party and a wholly owned Restricted Subsidiary prior to such merger) of any Equity Interests, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing)

1. a loan, advances or capital contribution to, Guarantee of any obligations of, or purchase or other acquisition of any other interest in, any other Person, or
2. the purchase or other acquisition (in one transaction or a series of transactions) all or substantially all of the assets of any other Person constituting a business unit, units or line of business (whether through purchase of assets, merger or otherwise). For purposes of this Agreement, the amount of any Investment at any time shall be the amount actually invested (measured at the time made), without adjustment for subsequent changes in the value of such Investment, net of any return with respect to such Investment.

“IRS” means the United States Internal Revenue Service.

“Issuing Bank” means JPMorgan Chase Bank, N.A., in its capacity as the issuer of Letters of Credit hereunder and its successors in such capacity as provided in Section 2.06(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by its Affiliates, in which case the term “Issuing Bank” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate (it being agreed that such Issuing Bank shall, or shall cause such Affiliate to, comply with the requirements of Section 2.06 with respect to such Letters of Credit).

“Joinder Agreement” means a Joinder Agreement in substantially the form of Exhibit E.

“Latest Maturity Date” shall mean, at any date of determination and with respect to the specified Loans or Commitments (or in the absence of any such specification, all outstanding Loans and Commitments hereunder), the latest Maturity Date, as applicable, applicable to any such Loans or Commitments hereunder at such time, including the latest maturity date of any Extended Loan, Refinanced Loan or any Incremental Facility, in each case as extended in accordance with this Agreement from time to time.

“LC Collateral Account” has the meaning assigned to such term in Section 2.06(j).

“LC Disbursements” means any payment made by an Issuing Bank pursuant to a Letter of Credit.

“LC Exposure” means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements relating to Letters of Credit that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the aggregate LC Exposure.

“Lenders” means the Persons listed on the Commitment Schedule and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto. Unless the context otherwise requires, the term “Lenders” includes the Swingline Lender.

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“Lenders’ Presentation” means the Lenders’ Presentation dated as of November 19, 2012 relating to the Borrower and the Transactions.

“Letters of Credit” means the standby letters of credit issued pursuant to this Agreement, and the term “Letter of Credit” means any one of them or each of them singularly, as the context may require.

“LIBO Rate” means, with respect to any Eurodollar Borrowing for any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case the “LIBO Screen Rate”) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period; provided that, if the LIBO Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement and provided, further, if the LIBO Screen Rate shall not be available at such time for such Interest Period (an “Impacted Interest Period”) then the LIBO Rate shall be the Interpolated Rate, provided, that, if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“LIBO Screen Rate” has the meaning assigned to it in the definition of “LIBO Rate”.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan” means a loan or advance made by the Lenders pursuant to this Agreement, including Swingline Loans.

“Loan Documents” means, collectively, this Agreement, any promissory notes issued pursuant to the Agreement, any Letter of Credit applications, the Collateral Documents, the Perfection Certificate, the Loan Guaranty, the Reaffirmation Agreement, any guaranty, any Incremental Facility Agreement and any Joinder Agreement. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

“Loan Extension Request” has the meaning assigned to such term in Section 2.25(a).

“Loan Extension Series” has the meaning assigned to such term in Section 2.25(a).

“Loan Guarantor” means each Loan Party (other than the Borrower).

“Loan Guarantor Swap Obligation” means, with respect to any Loan Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“Loan Guaranty” means ARTICLE X of this Agreement.

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“Loan Parties” means Holdings, the Borrower, the Borrower’s domestic Restricted Subsidiaries (other than Excluded Subsidiaries) and any other Person who becomes a party to this Agreement pursuant to a Joinder Agreement and their successors and assigns.

“Loan Party” means any one of the Loan Parties.

“Management Agreement” means the Management Services Agreement dated as of December 14, 2012 by and among Pla-Fit Holdings, LLC, Planet Intermediate, LLC, Planet Fitness Holdings, LLC and TSG6 Management L.L.C.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Borrower and its Restricted Subsidiaries taken as a whole, (b) the ability of any Loan Party to perform any of its obligations under the Loan Documents to which it is a party, (c) the Collateral, or the Administrative Agent’s Liens (on behalf of itself and the Lenders and other holders of the Secured Obligations) on the Collateral or the priority of such Liens, or (d) the rights of or benefits available to the Administrative Agent, the Issuing Bank or the Lenders under any of the Loan Documents.

“Material Indebtedness” means Indebtedness (other than the Loans and Letters of Credit), or net obligations in respect of one or more Swap Agreements, of any one or more of the Loan Parties and their respective Restricted Subsidiaries in an aggregate outstanding principal amount exceeding $15,000,000. For purposes of determining Material Indebtedness, the “obligations” of the Borrower or any Restricted Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Loan Party would be required to pay if such Swap Agreement were terminated at such time.

“Maturity Date” means, the Revolving Credit Maturity Date and/or the Term Maturity Date, as applicable.

“Maximum Liability” has the meaning assigned to such term in Section 10.10.

“Maximum Rate” has the meaning assigned to such term in Section 9.17.

“MNPI” has the meaning assigned to the term in Section 9.04.

“Moody’s” means Moody’s Investors Service, Inc.

“Mortgages” means any mortgage, deed of trust or other agreement which conveys or evidences a Lien in favor of the Administrative Agent, for the benefit of the Administrative Agent and the Lenders and other holders of the Secured Obligations, on fee owned real property of a Loan Party, including any amendment, modification or supplement thereto.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“New Holdings” has the meaning assigned to it in Section 6.03(c).

“Net Income” means, for any period, the consolidated net income (or loss) determined for the Borrower and its Restricted Subsidiaries, on a consolidated basis in accordance with GAAP; provided, however, that, without duplication:

1. any non-cash extraordinary, non-recurring or unusual gains, losses, charges or expenses for such period shall be excluded; 19

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1. the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies during such period whether effected through a cumulative effect adjustment or a retroactive application, in each case in accordance with GAAP, shall be excluded;
2. any non-cash gains or losses realized upon the sale, disposition or discontinuance of assets that are not sold or otherwise disposed of in the ordinary course of business shall be excluded;
3. the Net Income for such period of any Person that is an Unrestricted Subsidiary shall be excluded, and the Net Income for such period of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting shall be excluded; provided that Net Income of a Person shall be increased by the amount of dividends or distributions or other payments that are actually paid in cash (or to the extent subsequently converted into cash) to such Person or a Restricted Subsidiary thereof in respect of such period;
4. effects of adjustments (including the effects of such adjustments pushed down to Borrower and the Restricted Subsidiaries) in any line item in the Borrower’s consolidated financial statements required or permitted by Financial Accounting Standards Codification No. 805 – Business Combinations and No. 350 – Intangibles-Goodwill and Other (ASC 805 and ASC 350) (formerly Financial Accounting Standards Board Statement Nos. 141 and 142, respectively) resulting from the application of purchase accounting, including in relation to any acquisition that is consummated on or after the Effective Date or the amortization or write-off of any amounts thereof, net of taxes, shall be excluded;
5. any non-cash compensation charge or expense, including any such charge or expense arising from grants of stock appreciation rights, equity incentive programs or similar rights, stock options, restricted stock or other rights to Equity Interests, shall be excluded;
6. any expenses, charges or losses to the extent covered by insurance or indemnity and actually reimbursed, or, so long as the Borrower has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is (i) not denied by the applicable carrier or indemnifying party in writing within 180 days and (ii) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days);
7. any non-cash impairment charge or asset write-off or write-down in each case, pursuant to GAAP, and from the amortization of intangibles arising pursuant to GAAP shall be excluded;
8. solely for the purpose of determining the Available Amount, the Net Income for such period of any Restricted Subsidiary (other than any Loan Guarantor) shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Restricted Subsidiary or its stockholders (other than restrictions that have been legally waived or otherwise released); provided that the Net Income of the Borrower will be increased by the amount of dividends or other distributions or other payments actually paid in cash (or to the extent converted into cash), to the Borrower or a Restricted Subsidiary thereof in respect of such period, to the extent not already included therein;

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1. any non-cash compensation expense resulting from the application of Accounting Standards Codification Topic No. 718, *Compensation—Stock* *Compensation* or Accounting Standards Codification Topic No. 505-50, *Equity-Based Payments to Non-Employees*, shall be excluded; and
2. the following items shall be excluded:
   1. any net unrealized gain or loss (after any offset) resulting in such period from Swap Agreements and from the application of Accounting Standards Codification Topic No. 815, *Derivatives and Hedging*;
   2. any non-cash net gain or loss (after any offset) resulting in such period from currency transaction or translation gains or losses (including those related to currency remeasurements of Indebtedness (including any net loss or gain resulting from (A) Swap Agreements for currency exchange risk and (B) resulting from intercompany indebtedness among such Person and its Restricted Subsidiaries));
   3. any non-cash adjustments resulting from the application of Accounting Standards Codification Topic No. 460, *Guarantees*, or any comparable regulation; and
   4. non-cash gains and losses from the early extinguishment of debt and Swap Contracts.

In addition, notwithstanding anything to the contrary in the foregoing, to the extent not already included in the Net Income of the Borrower in any period and so long as the expenses, charges and losses with respect to which such amounts relate have not been excluded from Net Income of the Borrower in any period, Net Income shall include (x) the amount of proceeds received from business interruption insurance and (y) reimbursements of any expenses and charges that are covered by indemnification or other reimbursement provisions in connection with any acquisition, Investment or any sale, conveyance, transfer or other disposition of assets permitted under this Agreement.

“Net Proceeds” means, with respect to any event, (a) the cash proceeds received by any Loan Party in respect of such event including (i) any cash received in respect of any non-cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but excluding any interest payments), but only as and when received, (ii) in the case of a casualty, insurance proceeds and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, net of (b) the sum of (i) all reasonable fees and out-of-pocket expenses paid to third parties (other than Affiliates) in connection with such event, (ii) in the case of a sale, transfer or other disposition of an asset (including pursuant to a sale and leaseback transaction or a casualty or a condemnation or similar proceeding), the amount of all payments required to be made as a result of such event to repay Indebtedness (other than Loans) secured by such asset or otherwise subject to mandatory prepayment as a result of such event and (iii) the amount of all taxes, including taxes payable upon the transfer or repatriation of proceeds, paid (or reasonably estimated to be payable), including the amount of any Permitted Tax Distribution Amount attributable to such event and any Taxes imposed on the distribution or deemed distribution of the amounts described in clause (a) hereof, and the amount of any reserves established to fund liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are attributable to such event (as determined reasonably and in good faith by a Financial Officer).

“New Term Commitment” means, with respect to each Lender, the commitment, if any, of such Lender to make New Term Loans, expressed as an amount representing the maximum principal amount of the New Term Loans to be made by such Lender. The initial amount of each Lender’s New Term Commitment is set forth on the Commitment Schedule, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its New Term Commitment, as applicable. The initial aggregate amount of the Lenders’ New Term Commitment is $120,000,000.

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“New Term Lender” means a Lender having a New Term Commitment or an outstanding New Term Loan.

“New Term Loan” means a Loan made pursuant to Section 2.01(c).

“Non-Consenting Lender” has the meaning assigned to such term in Section 9.02(d).

“Non-Paying Guarantor” has the meaning assigned to such term in Section 10.09.

“Obligated Party” has the meaning assigned to such term in Section 10.02.

“Obligations” means all unpaid principal of and accrued and unpaid interest on the Loans, all LC Exposure, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Loan Parties to the Lenders or to any Lender, the Administrative Agent, the Issuing Bank or any indemnified party arising under the Loan Documents.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Off-Balance Sheet Liability” of a Person means (a) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (b) any indebtedness, liability or obligation under any so-called “synthetic lease” transaction entered into by such Person, or (c) any indebtedness, liability or obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheet of such Person (other than operating leases).

“Original Term Commitment” means, with respect to each Lender, the commitment, if any, of such Lender to make Original Term Loans, expressed as an amount representing the maximum principal amount of the Original Term Loans to be made by such Lender. The initial amount of each Lender’s Original Term Commitment is set forth on the Commitment Schedule, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Original Term Commitment, as applicable. The initial aggregate amount of the Lenders’ Original Term Commitment is $390,000,000.

“Original Term Lender” means a Lender having an Original Term Commitment or an outstanding Original Term Loan.

“Original Term Loan” means a Loan made pursuant to Section 2.01(b).

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document), or sold or assigned an interest in any Loan Document.

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.19).

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“Parent” means, with respect to any Person, the Person as to which such Person is, directly or indirectly, a subsidiary.

“Participant” has the meaning assigned to such term in Section 9.04(c).

“Participant Register” has the meaning assigned to such term in Section 9.04(c).

“Paying Guarantor” has the meaning assigned to such term in Section 10.11.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Perfection Certificate” means that certain Perfection Certificate, dated as of the date hereof, delivered by the Loan Parties to the Administrative Agent and any amendment and supplement thereto delivered in compliance with the terms of the Security Agreement.

“Permitted Encumbrances” means any Lien or encumbrance permitted by Section 6.02.

“Permitted Junior Secured Refinancing Debt” has the meaning assigned to such term in Section 2.24(g)(i).

“Permitted Holders” means (i) the Sponsor, (ii) the members of management of Holdings, any direct or indirect parent of Holdings, the Borrower or any of its Restricted Subsidiaries who are investors in Holdings or any direct or indirect parent thereof and (iii) Marc Grondahl, Christopher J. Rondeau, the Marc Grondahl Revocable Trust of 2006 and the Christopher J. Rondeau Revocable Trust of 2006 or any successor or assign of Marc Grondahl, Christopher J. Rondeau, the Marc Grondahl Revocable Trust of 2006 and the Christopher J. Rondeau Revocable Trust of 2006; provided that under no circumstances shall the Sponsor hold less than a majority, directly or indirectly, of the voting Equity Interests of Holdings held by the “Permitted Holders”.

“Permitted Investments” or “Cash Equivalents” means:

1. direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;
2. investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody’s;
3. investments in certificates of deposit, bankers’ acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $250,000,000;

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1. fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and
2. money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody’s and (iii) have portfolio assets of at least $1,000,000,000.

“Permitted Pari Passu Secured Refinancing Debt” has the meaning assigned to such term in 2.24(g)(i).

“Permitted Payments to Parent” means, without duplication as to amounts:

1. payments to any Parent to permit any Parent to pay reasonable accounting, legal and administrative expenses of any Parent when due, to the extent such expenses are attributable to the ownership and operation of the Borrower and its Subsidiaries;
2. distributions to pay the tax liabilities of the direct and indirect parents of Borrower and (y) pro rata “tax distributions” to the direct and indirect equityholders of Borrower’s direct and indirect parent, in each case, determined based on the net income and gain realized by Borrower and its Subsidiaries (and to discharge the tax liabilities of Borrower, its Subsidiaries and their direct and indirect equityholders);
3. payments to any Parent to pay reasonable expenses in connection with any debt or equity offering of any Parent (whether or not successful);
4. payments to any Parent to pay customary salary, bonus, severance and other benefits payable to, and indemnities provided on behalf of, employees, directors, officers, members of management and consultants of any direct or indirect parent company of the Borrower and any payroll, social security or similar taxes thereof, to the extent such salaries, bonus and other benefits are attributable to the ownership or operation of the Borrower and its Subsidiaries; and
5. any Restricted Payment by the Borrower or any other direct or indirect parent of the Borrower to pay listing fees and other costs and expenses attributable to being a publicly traded company which are reasonable and customary.

“Permitted Refinancing” means, with respect to any Person, any modification, refinancing, refunding, renewal, replacement or extension of any Indebtedness of such Person; provided that (a) the principal amount (or accreted value, if applicable) thereof does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness so modified, refinanced, refunded, renewed, replaced or extended except by an amount equal to unpaid accrued interest and premium (including tender premiums) thereon, plus reasonable original issue discount and upfront fees plus other fees and expenses reasonably incurred, in connection with such modification, refinancing, refunding, renewal, replacement or extension and by an amount equal to any existing commitments unutilized thereunder, (b) such modification, refinancing, refunding, renewal, replacement or extension has a final maturity date equal to or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, (c) at the time thereof, no Event of Default shall have occurred and be continuing, (d) if such Indebtedness being modified, refinanced, refunded, renewed, replaced or extended is Subordinated Indebtedness, to the extent such Indebtedness being modified, refinanced, refunded, renewed, replaced or extended is subordinated in right of payment to the Obligations, such modification, refinancing, refunding,

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renewal, replacement or extension is subordinated in right of payment to the Obligations on terms at least as favorable to the Lenders as those contained in the documentation governing the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, and such modification, refinancing, refunding, renewal, replacement, (e) to the extent such Indebtedness being modified, refinanced, refunded, renewed, replaced or extended is secured by the Collateral and/or subject to intercreditor arrangements for the benefit of the Lenders, such modification, refinancing, refunding, renewal, replacement or extension is either (1) unsecured or (2) secured and, if secured, subject to intercreditor arrangements on terms at least as favorable to the Lenders as those contained in the documentation governing the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, and such modification, refinancing, refunding, renewal, replacement or extension is incurred by one or more Persons who is an obligor of the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended and (f) any such modification, refinancing, renewal, replacement or extension has the same primary obligor and the same (or fewer) guarantors as the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended.

“Permitted Tax Distribution Amount” means, with respect to any taxable year or portion thereof for which the Borrower is classified as a disregarded entity of partnership for US federal income tax purposes, an aggregate amount of cash distributions to be made by the Borrower to its equity holders in order to provide its direct and indirect equity holders with funds sufficient to pay their tax liabilities, including estimated tax liabilities, associated with their direct or indirect allocable shares of income and gain of the Borrower and its Subsidiaries classified as partnerships or disregarded entities for US federal income tax purposes during their period of direct or indirect ownership in the Borrower with respect to such taxable year, subject to the following modifications: (i) the aggregate Permitted Tax Distribution Amount with respect to a taxable year or portion thereof shall not exceed the product of (a) the Borrower’s reasonable good faith determination of the taxable income, gain, loss and deduction of the Borrower and its Subsidiaries classified as partnerships or disregarded entities for US federal income tax purposes with respect to such period and by (b) the applicable Assumed Tax Rate; (ii) the Borrower shall assume that the sole source of income, gain, loss, deduction and credit for its direct and indirect equity holders is a direct or indirect interest in the Borrower and its Subsidiaries classified as partnerships or disregarded entities for US federal income tax purposes; (iii) for clarity, any tax deductions or basis adjustments arising under Code Section 743 shall not be taken into account; and (iv) the aggregate Permitted Tax Distribution Amount with respect to the taxable income and gain of the Unrestricted Subsidiaries for all taxable years or portions thereof shall not exceed the aggregate amount of cash or other property received by the Borrower or any Restricted Subsidiary from the Unrestricted Subsidiaries.

The applicable “Assumed Tax Rate” equals the single highest combined federal, state and local tax rates (taking into account self-employment tax rates and the Medicare Contribution tax on net investment income) then applicable to capital gains or ordinary income (as applicable), whether an individual or corporate rate in any jurisdiction in which any direct or indirect equity holder of the Borrower is resident (with the state of residence of an equity holder that is a “flow through” entity for tax purposes determined to be the state or states of residence of any direct or indirect owner of the entity who is responsible for paying taxes on such income) or the Borrower directly or indirectly does business (whichever is higher) on income or gain of the category represented by such applicable allocation (assuming that state and local taxes are not deductible).

“Permitted Unsecured Refinancing Debt” has the meaning assigned to such term in Section 2.24(g)(i).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

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“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Platform” has the meaning assigned to such term in Section 9.01(d).

“Prepayment Event” means:

1. any sale, transfer or other disposition (including pursuant to a sale and leaseback transaction) of any property or asset of any Loan Party or any of its Restricted Subsidiaries, other than dispositions (i) described in Sections 6.05 (a), (b), (c), (d), (h), (i), (j)(i), (l), (m), (n) and (o) and (ii) any other sale, transfer or disposition (for such purpose, treating any series of related sales, transfers or dispositions as a single such transaction) that generates Net Proceeds of less than $1,000,000; provided that no asset sales shall be excluded from this definition by operation of this clause (a)(ii) at any time during any fiscal year of the Borrower after the aggregate amount Net Proceeds generated from asset sales that have been excluded from this definition by operation of this clause (a) (ii) during such fiscal year equals or exceeds $5,000,000; or
2. any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of any Loan Party or any of its Restricted Subsidiaries with a fair value immediately prior to such event equal to or greater than $1,000,000; or
3. the incurrence by any Loan Party or any of its Restricted Subsidiaries of any Indebtedness, other than Indebtedness permitted under

Section 6.01 (other than Refinancing Debt).

“Previous Holdings” has the meaning assigned to it in Section 6.03(c).

“Previously Absent Financial Covenant” means, at any time (a) any financial covenant that is not included in this Agreement at such time and (b) with regard to a financial covenant that is included in this Agreement at such time but with covenant levels and component definitions (to the extent relating to such financial covenant) in this Agreement that are less restrictive on the Borrower and its Restricted Subsidiaries than those in the more restrictive financial covenant included in the applicable Extended Loan, Refinanced Loan or any Incremental Facility, such more restrictive financial covenant.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal offices in New York City. Each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

“Pro Forma Adjustment” means, for any period, the pro forma increase or decrease in EBITDA, as certified and reasonably acceptable to the Administrative Agent by the chief financial officer or other equivalent officer of the Borrower, which pro forma increase or decrease shall be based on the Borrower’s good faith projections and reasonable assumptions as a result of actions taken prior to the date of determination of EBITDA, and which are expected to result in reasonably identifiable and factually supportable (in the good faith determination of the Borrower) operating expense reductions and other operating improvements, restructurings and cost savings that are reasonably expected to be realized within 12 months following such action); provided that (A) so long as such actions are taken prior to the date of determination of EBITDA it may be assumed, for purposes of projecting such pro forma increase or decrease to EBITDA, that such cost savings will be realizable during the entirety of such period, and (B) any such pro forma increase or decrease to EBITDA shall be without duplication of cost savings or additional costs already deducted from net income, or included as an addback to EBITDA, for such period.

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“pro forma basis” and “pro forma effect” mean, with respect to compliance with any test or covenant or calculation of any ratio hereunder, the determination or calculation of such test, covenant or ratio in accordance with Section 1.05.

“Prohibited Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the or by the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

“Projections” has the meaning assigned to such term in Section 5.01.

“Public-Sider” means any representative of a Lender that does not want to receive material non-public information with the meaning of federal and state securities laws.

“Qualified Capital Stock” means Equity Interests of Holdings, the Borrower and its Restricted Subsidiaries other than Disqualified Capital Stock.

“Qualified ECP Guarantor” means, in respect of any Loan Guarantor Swap Obligation, each Loan Guarantor that at the time the relevant Guaranteed Obligation or grant of the relevant security interest becomes effective with respect to such Loan Guarantor Swap Obligation constitutes an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an “eligible contract participant” at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“Qualifying IPO” means the issuance by Holdings or any direct or indirect parent of Holdings of its common Equity Interests in an underwritten primary public offering (other than a public offering pursuant to a registration statement on Form S-8) pursuant to an effective registration statement filed with the SEC in accordance with the Securities Act (whether alone or in connection with a secondary public offering).

“Real Property” means, collectively, all right, title and interest (including any leasehold, mineral or other estate) in and to any and all parcels of or interests in real property owned or leased by any Person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto and all improvements and appurtenant fixtures.

“Recipient” means, as applicable, (a) the Administrative Agent, (b) any Lender and (c) any Issuing Bank, or any combination thereof (as the context requires).

“Reaffirmation Agreement” means that certain Reaffirmation Agreement, dated as of the date hereof, between the Loan Parties and the Administrative Agent, for the benefit of the Administrative Agent and the Lenders and the other holders of the Secured Obligations.

“Refinancing Amendment” has the meaning assigned to such term in Section 2.24(f).

“Refinanced Debt” has the meaning assigned to such term in Section 2.24(a).

“Refinancing Amendment” has the meaning assigned to such term in Section 2.24(f).

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“Refinancing Commitments” has the meaning assigned to such term in Section 2.24(a).

“Refinancing Debt” means Refinancing Loans (and/or Refinancing Commitments, as the context may require) and Refinancing Equivalent Debt.

“Refinancing Equivalent Debt” has the meaning assigned to such term in Section 2.24(g)(i).

“Refinancing Facility Closing Date” has the meaning assigned to such term in Section 2.24(d).

“Refinancing Lender” has the meaning assigned to such term in Section 2.24(c).

“Refinancing Loan” has the meaning assigned to such term in Section 2.24(b).

“Refinanced Loans” has the meaning assigned to such term in Section 2.24(g).

“Refinancing Loan Request” has the meaning assigned to such term in Section 2.24(a).

“Refinancing Commitments” has the meaning assigned to such term in Section 2.24(a).

“Refinancing Lender” has the meaning assigned to such term in Section 2.24(c).

“Refranchising Transaction” means any acquisition of one or more franchises (including stores, area development (or similar) agreements, real estate and other related assets and rights) and the subsequent sale or other disposition of such franchises to one or more franchisees to the extent such franchises are classified as “assets held for sale” on the balance sheet of the Borrower and its Restricted Subsidiaries in accordance with GAAP or are expected to be, and are actually, sold or otherwise disposed of within two years of such acquisition; provided that any such purchase shall be deemed an Investment other than a “Refranchising Transaction” if such sale or disposition is not consummated within two years of such acquisition.

“Register” has the meaning assigned to such term in Section 9.04.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, partners, members, trustees, employees, agents, administrators, managers, representatives and advisors of such Person and such Person’s Affiliates.

“Repricing Transaction” shall mean (a) any prepayment or repayment of Term Loans with the proceeds of, or any conversion of Loans into, any new or replacement Class of Term Loans or other Indebtedness the primary purpose of which is to reduce the interest rate payable thereon to be lower than the Adjusted LIBO Rate on the date of such prepayment plus the Applicable Rate with respect to the Term Loans on the date of such prepayment or (b) any amendment, amendment and restatement or other modification to this Agreement, the primary purpose of which is to reduce the interest rate payable thereon to be lower than the Adjusted LIBO Rate on the date of such prepayment plus the Applicable Rate with respect to the Term Loans on the date of such prepayment.

“Required Class Lenders” means, at any time, as to any Class, Lenders having Credit Exposure (with respect to only such Class) and unused Commitments of such Class representing more than 50.0% of the sum of the Aggregate Credit Exposure (with respect to only such Class) and unused Commitments of such Class at such time.

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“Required Lenders” means, at any time, Lenders having Credit Exposure and unused Commitments representing more than 50.0% of the sum of the Aggregate Credit Exposure and unused Commitments at such time.

“Required Revolving Lenders” means, as of any date of determination, Lenders having Revolving Exposure and unused Revolving Commitments representing more than 50.0% of the sum of the total Revolving Exposure and unused Revolving Commitments at such time.

“Requirement of Law” means, as to any Person, any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Restricted” shall mean, when referring to cash or Cash Equivalents of the Borrower or any of its Restricted Subsidiaries, that such cash or Cash Equivalents (i) appears (or would be required to appear) as “restricted” on a consolidated balance sheet of the Borrower or of any such Restricted Subsidiary (unless such appearance is related to the Loan Documents or Liens created thereunder), (ii) are subject to any Lien in favor of any Person other than the Administrative Agent for the benefit of the Secured Parties or (iii) are not otherwise generally available for use by the Borrower or such Restricted Subsidiary.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Borrower or any Restricted Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Borrower or any option, warrant or other right to acquire any such Equity Interests in the Borrower and distributions and the payment, prepayment, redemption or repurchases of unsecured or junior debt (including, for the avoidance of doubt, any debt permitted under Section 6.01(c)(ii)).

“Restricted Subsidiary” means any Subsidiary of Holdings that is not an Unrestricted Subsidiary.

“Retained Declined Proceeds” has the meaning assigned to such term in Section 2.11(h).

“Revolving Commitment” means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate permitted amount of such Lender’s Revolving Exposure hereunder. The initial amount of each Lender’s Revolving Commitment is set forth on the Commitment Schedule, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable. The initial aggregate amount of the Lenders’ Revolving Commitments is $40,000,000.

“Revolving Commitment Increase” has the meaning assigned to such term in Section 2.23.

“Revolving Commitment Increase Lender” has the meaning assigned to such term in Section 2.23.

“Revolving Credit Maturity Date” means March 31, 2019 (if the same is a Business Day, or if not then the immediately next succeeding Business Day), or any earlier date on which the Revolving Commitments are reduced to zero or otherwise terminated pursuant to the terms hereof.

“Revolving Exposure” means, with respect to any Lender, at any time, the sum of the aggregate outstanding principal amount of such Lender’s Revolving Loans and its LC Exposure and Swingline Exposure at such time.

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“Revolving Lender” means, as of any date of determination, a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Revolving Exposure.

“Revolving Loan” means a Loan made pursuant to Section 2.01(a).

“Sale and Leaseback Transaction” has the meaning assigned to it in Section 6.06.

“Sanctioned Country” means, at any time, a country or territory which is the subject or target of any Sanctions.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or

1. the United Nations Security Council, the European Union or Her Majesty’s Treasury of the United Kingdom. “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc. “SEC” means the U.S. Securities and Exchange Commission.

“Secured Obligations” means all Obligations, together with all (i) Banking Services Obligations and (ii) Swap Obligations owing to one or more Lenders or their respective Affiliates.

“Secured Parties” means (a) the Lenders, (b) the Administrative Agent, (c) the Issuing Bank, (d) each provider of Banking Services Obligations the obligations under which constitute Secured Obligations, (e) each counterparty to any Swap Agreement the obligations under which constitute Secured Obligations and (f) the successors and assigns of each of the foregoing.

“Security Agreement” means that certain Amended and Restated Pledge and Security Agreement, dated as of the date hereof, between the Loan Parties and the Administrative Agent, for the benefit of the Administrative Agent and the Lenders and the other holders of the Secured Obligations, and any other pledge or security agreement securing the Secured Obligations entered into after the date of this Agreement by any other Loan Party (as required by this Agreement or any other Loan Document) or any other Person, as the same may be amended, restated or otherwise modified from time to time.

“Specified Transactions” means (a) dispositions of an operating unit, business or Restricted Subsidiary, (b) an Investment (by merger or otherwise) in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary), (c) an acquisition of property which constitutes all or substantially all of an operating unit of a business, in each case, to the extent permitted hereunder, (d) any designation of a Person as a Restricted Subsidiary or as an Unrestricted Subsidiary, (e) any Restricted Payment that by the terms of this Agreement requires pro forma compliance with a test or covenant hereunder or requires such test or covenant to be calculated on a pro forma basis or (f) the taking of any action which would result in a pro forma adjustment to EBITDA pursuant to clause (a)(vii) of the definition thereof.

“Sponsor” means TSG Consumer Partners, LLC.

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the

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Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Subordinated Indebtedness” of a Person means any Indebtedness of such Person, the payment of which is subordinated to payment of the Secured Obligations.

“subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity, the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by the parent and/or one or more subsidiaries of the parent, or (b) that is, as of such date, otherwise Controlled by the parent and/or one or more subsidiaries of the parent.

“Subsidiary” means any direct or indirect subsidiary of the Borrower or of any other Loan Party.

“Swap Agreement” means any agreement with respect to any swap, forward, spot, future, credit default or derivative transaction or any option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or the Restricted Subsidiaries shall be a Swap Agreement.

“Swap Obligations” of a Loan Party means any and all obligations of such Loan Party, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Swap Agreements, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement transaction.

“Swingline Exposure” means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the aggregate Swingline Exposure at such time.

“Swingline Lender” means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder. Any consent required of the Administrative Agent or the Issuing Bank shall be deemed to be required of the Swingline Lender and any consent given by JPMorgan Chase Bank, N.A. in its capacity as Administrative Agent or Issuing Bank shall be deemed given by JPMorgan Chase Bank, N.A. in its capacity as Swingline Lender as well.

“Swingline Loan” means a Loan made pursuant to Section 2.05.

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

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“Term Commitment” means~~, with respect to each Lender, the commitment, if any, of such Lender to make Term Loans, expressed as an amount~~ ~~representing the maximum principal amount of the Term Loans to be made by such Lender. The initial amount of each Lender’s Term Commitment is set forth on the Commitment Schedule, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its an Original Term Commitment and/or a New Term Commitment, as applicable. The initial aggregate amount of the Lenders’ Term Commitment is $390,000,000.~~



~~“Term Lender” means a Lender having a Term Commitment or an outstanding Term Loan.~~

~~“Term Loan” means a Loan made pursuant to Section 2.01(b).~~

“Term Lender” means an Original Term Lender and/or a New Term Lender, as applicable.

“Term Loan” means an Original Term Loan and/or a New Term Loan, as applicable.

“Term Loan Initial Margin” has the meaning assigned to it in the definition of “Applicable Rate”.

“Term Maturity Date” means March 31, 2021.

“Total Indebtedness” means the sum of, without duplication, at any date, outstanding on such date, prepared as of such date on a consolidated basis in accordance with GAAP for the Borrower and its Restricted Subsidiaries (but excluding the effects of any discounting of Indebtedness resulting from the application of purchase accounting in connection with transactions pursuant to the Acquisition Agreement and any Investment or any other acquisition permitted hereunder), (i) total funded Indebtedness for borrowed money, (ii) the principal portion of Capital Lease Obligations, (iii) any drawings on Letters of Credit (which have not been reimbursed within two (2) Business Days after such amount is drawn (it being understood that any borrowing, whether automatic or otherwise, to fund such reimbursement shall be counted)), (iv) all obligations for the deferred purchase price of property or services, including earn outs in respect of acquisitions (excluding (x) current accounts payable or accrued expenses incurred in the ordinary course of business and (y) all contingent unliquidated obligations of such Person in respect of earn outs and other contingent payments in respect of acquisitions) and (v) all guarantee obligations in respect of any of the foregoing. For the avoidance of doubt, Total Indebtedness shall not include any Indebtedness in respect of obligations under Swap Agreements (but including unpaid termination payments under Swap Agreements).

“Total Leverage Ratio” means, on any date, the ratio of (a) the difference between (i) Total Indebtedness on such date to (b) EBITDA for the period of four consecutive fiscal quarters ended on or most recently prior to such date.

“Total Net Leverage Ratio” means, on any date, the ratio of (a) the difference between (i) Total Indebtedness on such date less (ii) the amount of Unrestricted Cash and Unrestricted Cash Equivalents of the Loan Parties not at any time to exceed $20,000,000 on such date to (b) EBITDA for the period of four consecutive fiscal quarters ended on or most recently prior to such date.

“Trading with the Enemy Act” has the meaning assigned to such term in Section 3.19.

“Transformative Acquisition” shall mean any material acquisition by Holdings or any Restricted Subsidiary which requires an amendment, modification or waiver of the terms of this Agreement in order to consummate such acquisition.

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“Transactions” means the execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents, the borrowing of Loans and other credit extensions, the use of the proceeds thereof, the issuance of Letters of Credit hereunder and the payment of expenses and fees in connection with the Transactions.

“2015 Special Distribution” means an aggregate cash distribution of $140,000,000 from Holdings to any direct or indirect parent thereof, to be paid from the proceeds of an aggregate cash distribution of $140,000,000 from the Borrower to Holdings.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York or in any other state, the laws of which are required to be applied in connection with the issue of perfection of security interests.

“Unliquidated Obligations” means, at any time, any Secured Obligations (or portion thereof) that are contingent in nature or unliquidated at such time, including any Secured Obligation that is: (i) an obligation to reimburse a bank for drawings not yet made under a letter of credit issued by it; (ii) any other obligation (including any Guarantee) that is contingent in nature at such time; or (iii) an obligation to provide collateral to secure any of the foregoing types of obligations.

“Unrestricted” shall mean, when referring to cash or Cash Equivalents of the Borrower or any of its Restricted Subsidiaries, that such cash or Cash Equivalents are not Restricted.

“Unrestricted Subsidiary” means (a) any Subsidiary of the Borrower designated by the Borrower as an Unrestricted Subsidiary hereunder by written notice to the Administrative Agent; provided that the Borrower shall only be permitted to so designate a Subsidiary as an Unrestricted Subsidiary after the Effective Date and so long as (i) such Subsidiary was not an Unrestricted Subsidiary that was redesignated as a Restricted Subsidiary, (ii) immediately after giving effect to such designation, Holdings, the Borrower and its Restricted Subsidiaries shall be in compliance, on a pro forma basis, with the financial covenant in Section 6.12, (iii) such Unrestricted Subsidiary shall be capitalized (to the extent capitalized by Holdings, the Borrower or any of its Restricted Subsidiaries) through Investments as permitted by, and in compliance with Section 6.04, (iv) without duplication of clause (iii), the fair market value of the net assets owned by such Unrestricted Subsidiary at the time of the initial designation thereof attributable to Holdings’, the Borrower or its Restricted Subsidiaries’ Equity Interests therein shall be treated as Investments pursuant to Section 6.04, (v) each of (x) the Subsidiary to be so designated and (y) its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee, or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of Holdings, the Borrower or any Restricted Subsidiary and (vi) no Unrestricted Subsidiary shall own any Equity Interests or Indebtedness of, or owns or holds any Lien on, any property of, Holdings or any Subsidiary of Holdings (other than any Subsidiary of the Subsidiary to be so designated or an Unrestricted Subsidiary), (b) any Subsidiary of an Unrestricted Subsidiary. Any such designation by the board of directors of the Borrower shall be notified by the Borrower to the Administrative Agent by promptly delivering to the Administrative Agent a copy of the board resolution giving effect to such designation and a certificate of an authorized officer of the Borrower certifying that such designation complied with the foregoing provisions.

“U.S.” means the United States of America.

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“U.S. Person” means a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning assigned to such term in Section 2.17(f)(ii)(B)(3).

“USA PATRIOT Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

“Weighted Average Life to Maturity” shall mean, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the then outstanding principal amount of such Indebtedness into (ii) the product obtained by multiplying (x) the amount of each then remaining installment or other required scheduled payments of principal, including payment at final maturity, in respect thereof, by (y) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; provided that for purposes of determining the Weighted Average Life to Maturity of any Refinanced Debt, any Refinanced Debt (as defined in the definition of Refinancing Indebtedness) or any other Indebtedness that is being modified, refinanced, refunded, renewed, replaced or extended (the “Applicable Indebtedness”), the effects of any amortization or prepayments made on such Applicable Indebtedness prior to the date of the applicable modification, refinancing, refunding, renewal, replacement or extension shall be disregarded.

“wholly owned” means, with respect to a Subsidiary of a Person, a Subsidiary of such Person all of the outstanding Equity Interests of which (other than (x) director’s qualifying shares and (y) nominal shares issued to foreign nationals to the extent required by applicable Law) are owned by such Person and/or by one or more wholly owned Subsidiaries of such Person.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a “Revolving Loan”) or by Type (e.g., a “Eurodollar Loan”) or by Class and Type (e.g., a “Eurodollar Revolving Loan”). Borrowings also may be classified and referred to by Class (e.g., a “Revolving Borrowing”) or by Type (e.g., a “Eurodollar Borrowing”) or by Class and Type (e.g., a “Eurodollar Revolving Borrowing”).

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference in any definition to the phrase “at any time” or “for any period” shall refer to the same time or period for all calculations or determinations within such definition, as applicable, and (f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

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SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if after the date hereof there occurs any change in GAAP or in the application thereof on the operation of any provision hereof and the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of such change occurring after the Effective Date in GAAP or in the application thereof on the operation of such provision; provided, the Borrower and the Administrative Agent shall negotiate in good faith to amend the financial definitions and related covenants to preserve the original intent thereof in light of such change (and such amendments to be subject to the approval of the Required Lenders); (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith (provided, that in the case of any amendment that is solely for such an accounting change described in the Proposed Accounting Standards Update to Leases (Topic 840) dated August 17, 2010, and the Proposed Accounting Standards Update (Revised) to Revenue Recognition (Topic

1. dated November 14, 2011 and January 4, 2012, there shall be no amendment fees paid to the Lenders (but the Borrower shall be responsible for costs and expenses in accordance with the terms of this Agreement). Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Financial Accounting Standards Board Accounting Standards Codification 825 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of any Loan Party at “fair value”, as defined therein.

SECTION 1.05. Pro Forma Adjustments for Acquisitions and Dispositions. Notwithstanding anything to the contrary contained herein, financial ratios and tests (including the Total Leverage Ratio, Total Net Leverage Ratio and First Lien Net Leverage Ratio (including component definitions thereof)) pursuant to this Agreement shall be calculated on a “pro forma basis.” “**pro forma basis**” or “**pro forma effect**” shall mean that (A) to the extent applicable, the Pro Forma Adjustment shall have been made and (B) all Specified Transactions and the transactions described in clause (ii) below (1) shall be deemed to have occurred as of the first day of the applicable period of measurement with respect to any test or covenant for which such calculation is being made and

1. the proceeds (if any) from the incurrence of Indebtedness shall not be used for purposes of cash netting in the calculation of Total Net Leverage Ratio and First Lien Net Leverage Ratio to the extent compliance with such ratio is required to incur such Indebtedness (i) income statement items (whether positive or negative) attributable to the property or Person subject to such Specified Transaction (x) in the case of a Specified Transaction described in clauses (a) and

(d) (in the case of a designation of an Unrestricted Subsidiary) of the definition thereof, shall be excluded and (y) in the case of a Specified Transaction described in clause (b), (c) or (d) (in the case of the designation of a Restricted Subsidiary) of the definition thereof (including the Effective Date Purchase), shall be included, (ii) in the case of any incurrence, retirement or repayment by the Borrower or any of its Restricted Subsidiaries of Indebtedness, (x) the discharge of any other Indebtedness retired or repaid with the proceeds of such incurred Indebtedness shall be calculated as if such discharge had occurred on the first day of the applicable period of measurement and (y) in the event the Equity Interests of any Restricted Subsidiary is sold during the period, the Borrower shall be deemed, to have repaid during such period the Indebtedness of such Restricted Subsidiary to the extent the Borrower and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale); provided that, in the case of this clause (ii), if such Indebtedness has a floating or formula rate, such Indebtedness shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate that is or

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would be in effect with respect to such Indebtedness at the relevant date of determination (taking into account any interest hedging arrangements applicable to such Indebtedness); provided that, without limiting the application of the Pro Forma Adjustment pursuant to clause (i) above (but without duplication thereof or in addition thereto), the foregoing pro forma adjustments described in clause (i) above may be applied to a test or covenant solely to the extent that such adjustments are consistent with the definition of “EBITDA” and give effect to events (including operating expense reductions) that are consistent with the definition of the term “Pro Forma Adjustment”.

Notwithstanding anything to the contrary herein, when calculating the Total Leverage Ratio or Total Net Leverage Ratio solely for the purposes of

1. Section 6.12 (as opposed to any test of the Total Net Leverage Ratio (including pro forma compliance with Section 6.12) as a condition or qualification to any permitted activity), (ii) Section 2.11(c) and the definition of Applicable Rate, the events described in this Section 1.05 that occurred subsequent to the end of the applicable four quarter period for which such ratio is being tested shall not be given pro forma effect.

In addition, when calculating the Total Net Leverage Ratio or First Lien Net Leverage Ratio for purposes of determining whether a condition or qualification to any permitted activity is satisfied (including pro forma compliance with Section 6.12), the applicable ratio will be calculated with reference to, and shall be based on, the most recently ended four-quarter period for which internal financial statements of the Borrower are available. Further, subject to the limitation described in clause (B)(2) of this Section 1.05, when determining the amount of Unrestricted Cash of the Loan Parties on a pro forma basis when calculating the Total Net Leverage Ratio or First Lien Net Leverage Ratio for purposes of determining whether a condition or qualification to any permitted activity is satisfied (including pro forma compliance with Section 6.12), the amount of Unrestricted Cash shall be the actual cash balance as of the applicable date of determination, giving pro forma effect to such Unrestricted Cash balance only as a result of the activity(ies) in respect of which such pro forma determination is being made.

Notwithstanding anything to the contrary herein, solely for the purposes of calculating the Available Amount, Net Income shall not be calculated on a pro forma basis.

SECTION 1.06. Currency Generally. For purposes of determining compliance with Article VI with respect to any amount of Indebtedness, Lien or Investment in a currency other than Dollars, no Default shall be deemed to have occurred solely as a result of changes in rates of currency exchange occurring after the time such Indebtedness or Investment is incurred (so long as such Indebtedness or Investment, at the time incurred, made or acquired, was permitted hereunder). For purposes of determining the Total Leverage Ratio, Total Net Leverage Ratio and First Lien Net Leverage Ratio, amounts in currencies other than Dollars shall be translated into Dollars at the currency exchange rates used in preparing the most recently delivered financials statements.

ARTICLE II

The Credits

SECTION 2.01. Commitments. (a) Subject to the terms and conditions set forth herein, each Lender severally agrees to make Revolving Loans in dollars to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender’s Revolving Exposure exceeding such Lender’s Revolving Commitment or (ii) the Aggregate Revolving Exposure exceeding the aggregate Revolving Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

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1. Subject to the terms and conditions set forth herein, each Original Term Lender severally agrees to make ~~a~~an Original Term Loan in dollars to the Borrower, on the Effective Date, in a principal amount not to exceed such Lender’s Original Term Commitment. Amounts prepaid or repaid in respect of Original Term Loans may not be reborrowed.
2. Subject to the terms and conditions set forth herein, each New Term Lender severally agrees to make a New Term Loan in dollars to the Borrower, on the First Amendment Effective Date, in a principal amount not to exceed such Lender’s New Term Commitment. Amounts prepaid or repaid in respect of New Term Loans may not be reborrowed.

SECTION 2.02. Loans and Borrowings.

1. Each Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. Any Swingline Loan shall be made in accordance with the procedures set forth in Section 2.05. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder.
2. Subject to Section 2.14, each Revolving Borrowing and Term Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, provided that all Revolving Borrowings and Term Borrowings made on the Effective Date must be made as ABR Borrowings but may be converted into Eurodollar Borrowings in accordance with Section 2.08. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement and such Lender shall not be entitled to any amounts payable under Section 2.15 or 2.17 in respect of increased costs resulting from such exercise and existing at the time of such exercise.
3. At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $1,000,000; provided that a Eurodollar Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments of the applicable Class. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $1,000,000; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments of the applicable Class or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of five Eurodollar Borrowings with different Interest Periods outstanding; provided that after the establishment of any new Class of Loans pursuant to an Incremental Facility Agreement (including for Revolving Commitment Increases), Refinancing Amendment or an Extension Amendment, the number of Interest Periods otherwise permitted by this Section 2.02(c) shall increase by three (3) Interest Periods for each applicable Class so established.
4. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Credit Maturity Date or the Term Maturity Date, as applicable.

SECTION 2.03. Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request either in writing (delivered by hand or fax) in the form attached

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hereto as Exhibit B and signed by the Borrower or by telephone (a) in the case of a Eurodollar Borrowing of Revolving Loans, not later than 1:00 p.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing of Revolving Loans, not later than noon, New York City time, on the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or fax to the Administrative Agent of a written Borrowing Request and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.01:

1. the Class of Borrowing, the aggregate amount of the requested Borrowing and a breakdown of the separate wires comprising such Borrowing;
2. the date of such Borrowing, which shall be a Business Day;
3. whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and
4. in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “Interest Period.”

If no election as to the Type of Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month’s duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender’s Loan to be made as part of the requested Borrowing.

SECTION 2.04. [Reserved].

SECTION 2.05. Swingline Loans.

1. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower, from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $5,000,000 or (ii) the Aggregate Revolving Exposures exceeding the aggregate Revolving Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Each Swingline Loan shall be in an amount that is an integral multiple of $500,000 and not less than $1,000,000; provided that a Swingline Loan may be in an aggregate amount that is equal to the entire unused balance of the total Revolving Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans. To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by fax), not later than 2:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the Funding Account(s) or such other account as may be specified in a Borrowing Request (or, in

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the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank, and in the case of repayment of another Loan or fees or expenses as provided by Section 2.18(c), by remittance to the Administrative Agent to be distributed to the Lenders) by 4:00 p.m., New York City time, on the requested date of such Swingline Loan.

1. The Swingline Lender may by written notice given to the Administrative Agent not later than 11:00 a.m., New York City time, on any Business Day require the Revolving Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which the Revolving Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Revolving Lender, specifying in such notice such Lender’s Applicable Percentage of such Swingline Loan or Loans. Each Revolving Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender’s Applicable Percentage of such Swingline Loan or Loans. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Revolving Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Revolving Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Revolving Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.06. Letters of Credit.

1. General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit as the applicant thereof for its own account or for the account of any Restricted Subsidiary, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, and the Issuing Bank shall issue such Letters of Credit, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.
2. Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or fax (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or

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extension, but in any event no less than three Business Days) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. It is understood that the reinstatement of all or a portion of a Letter of Credit in accordance with the terms thereof following a drawing thereunder shall not constitute an amendment, renewal or extension of such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank’s standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $5,000,000 and (ii) the Aggregate Revolving Exposure shall not exceed the aggregate Revolving Commitments.

* 1. Expiration Date. Each Letter of Credit shall expire (or be subject to termination or non-renewal by notice from the Issuing Bank to the beneficiary thereof) at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after the then-current expiration date of such Letter of Credit, so long as such renewal or extension occurs within three months of such then-current expiration date) or (ii) the date that is five Business Days prior to the Revolving Credit Maturity Date; provided that

1. any Letter of Credit with a one year tenor may provide for the renewal thereof for additional one year periods (which shall in no event extend beyond the date referred to in clause (ii) above) under customary “evergreen” provisions and (y) if acceptable to the Issuing Bank, Letters of Credit may have expiration dates after the date the Revolving Credit Maturity Date so long as on the Revolving Credit Maturity Date any such Letter of Credit is cash collateralized in a manner reasonably satisfactory to the Issuing Bank or such other arrangements as may be acceptable to the Issuing Bank have been put in place.
   1. Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Revolving Lenders, the Issuing Bank hereby grants to each Revolving Lender, and each Revolving Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender’s Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender’s Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.
   2. Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than noon, New York City time, on (i) the Business Day immediately after the Business Day that the Borrower receives notice of such LC Disbursement, if such notice is received prior to 5:00 p.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that the Borrower may, subject to the

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conditions to borrowing set forth herein, request in accordance with Section 2.03 or Section 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower’s obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof, and such Lender’s Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Revolving Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Revolving Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank, as their interests may appear. Any payment made by a Revolving Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

* 1. Obligations Absolute. The Borrower’s obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein or herein,

1. any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower’s obligations hereunder. None of the Administrative Agent, the Revolving Lenders or the Issuing Bank, or any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit, any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank’s failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

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1. Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by fax) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement.
2. Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section 2.06, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to paragraph (e) of this Section 2.06 to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.
3. Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Revolving Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term “Issuing Bank” shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to any outstanding Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.
4. Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposure representing greater than 50% of the aggregate LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Revolving Lenders (the “LC Collateral Account”), an amount in cash equal to 103% of the LC Exposure as of such date plus accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Section 7.01. The Borrower also shall deposit cash collateral in accordance with this paragraph as and to the extent required by Section 2.11(b) or 2.20. Each such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Secured Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over the LC Collateral Account and the Borrower hereby grants the Administrative Agent a security interest for the benefit of the Secured Parties in the LC Collateral Account and all moneys or other assets on deposit therein or credited thereto. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower’s risk and expense, such

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deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in the LC Collateral Account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposure representing greater than 50% of the aggregate LC Exposure), be applied to satisfy other Secured Obligations. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all such Events of Defaults have been cured or waived.

SECTION 2.07. Funding of Borrowings.

1. Each Lender shall make each Loan to be made by such Lender hereunder on the proposed date thereof by wire transfer of immediately available funds by 2:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders in an amount equal to such Lender’s Applicable Percentage; provided that Term Loans shall be made as provided in Sections 2.01(b) and 2.02(b) and Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to the Funding Account(s) or such other account as may be specified in a Borrowing Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank.
2. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender’s share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Revolving Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender’s Loan included in such Borrowing.

SECTION 2.08. Interest Elections.

1. Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

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1. To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or fax to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.
2. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:
   1. the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);
   2. the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;
   3. whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and
   4. if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period”.

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month’s duration.

1. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the applicable Class of the details thereof and of such Lender’s portion of each resulting Borrowing.
2. If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be continued as a Eurodollar Borrowing with an Interest Period of one month. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing, (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. Termination and Reduction of Commitments.

* 1. Unless previously terminated, (i) the Original Term Commitments shall terminate at 5:00 p.m., New York City time, on the Effective Date,

1. the New Term Commitments shall terminate at 5:00 p.m., New York City time, on the First Amendment Effective Date and (~~ii~~iii) all the Revolving Commitments shall terminate on the Revolving Credit Maturity Date.
   1. The Borrower may at any time terminate the Revolving Commitments upon (i) the payment in full of all outstanding Revolving Loans and LC Disbursements, together with accrued and

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unpaid interest thereon, (ii) the cancellation and return of all outstanding Letters of Credit (or alternatively, with respect to each such Letter of Credit, the furnishing to the Administrative Agent of a cash deposit (or at the discretion of the Administrative Agent a backup standby letter of credit reasonably satisfactory to the Administrative Agent) equal to 100% of the LC Exposure as of such date), (iii) the payment in full of the accrued and unpaid fees, and

1. the payment in full of all reimbursable expenses and other Obligations together with accrued and unpaid interest thereon.
   1. The Borrower may from time to time reduce the Revolving Commitments; provided that (i) each reduction of the Revolving Commitments shall be in an amount that is an integral multiple of $1,000,000 and not less than $5,000,000 and (ii) the Borrower shall not reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.10, the Aggregate Revolving Exposure would exceed the aggregate Revolving Commitments.
   2. The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Revolving Commitments under paragraph

(b) or (c) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Revolving Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities or other funding sources, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Revolving Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Revolving Commitments.

SECTION 2.10. Repayment and Amortization of Loans; Evidence of Debt.

* 1. The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Revolving Lender the then unpaid principal amount of each Revolving Loan on the Revolving Credit Maturity Date, and (ii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Credit Maturity Date and the first date after such Swingline Loan is made that is the 10th day (or if such day is not a Business Day, the next succeeding Business Day) of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Borrowing is made, the Borrower shall repay all Swingline Loans that were outstanding on the date such Borrowing was requested.
  2. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the ratable account of each Term Lender (i) on the last Business Day of each March, June, September and December, (1) commencing with the first full fiscal quarter after the Effective Date until the First Amendment Effective Date, an amount equal to 0.25% of the aggregate principal amount of the Term Loans advanced on the Effective Date and

1. commencing with the first fiscal quarter ended after the First Amendment Effective Date, an amount equal to 0.25% of the sum of (A) the aggregate principal amount of the Term Loans advanced on the Effective Date plus (B) the aggregate principal amount of the New Term Loans advanced on the First Amendment Effective Date (as adjusted from time to time pursuant to Section 2.18(b)), which payments shall be reduced as a result of the application of prepayments in accordance with Section 2.11(f) solely to the extent of any such amounts applied to the prepayment of the Term Loans) and (ii) on the Term Maturity Date, the aggregate principal amount of all Term Loans outstanding on such date; *provided* that the amount of any such payment set forth above shall be adjusted to account for the addition of any Extended Loans or Incremental Term Loans to contemplate (A) the reduction in the aggregate principal amount of any Term Loans that were converted in connection with the incurrence of such Extended Loans, and (B) any increase to payments to the extent and as required pursuant to the terms of any applicable Incremental Facility Agreement involving a Term Loan Increase to the Term Loans.

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1. The Administrative Agent shall maintain accounts in accordance with its usual practices in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, if any, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender’s share thereof.
2. The entries made in the accounts maintained pursuant to paragraph (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.
3. Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans.

* 1. The Borrower shall have the right at any time and from time to time to prepay any Borrowing, without premium or penalty (subject to clause

1. of this Section 2.11 and Section 2.16), in whole or in part, subject to prior notice in accordance with paragraph (f) of this Section.
   1. In the event and on such occasion that the Aggregate Revolving Exposure exceeds the aggregate Revolving Commitments, the Borrower shall prepay the Revolving Loans, LC Exposure and/or Swingline Loans (or, if no such Borrowings are outstanding, deposit cash collateral in the LC Collateral Account in accordance with Section 2.06(j)), in an aggregate amount equal to such excess.
   2. In the event and on each occasion that any Net Proceeds are received by or on behalf of any Loan Party or any of its Restricted Subsidiaries (and Holdings may make Restricted Payments to any direct or indirect parent thereof) in respect of any Prepayment Event, the Borrower shall, promptly after such Net Proceeds are received by such Loan Party or Restricted Subsidiary (and in any case within five Business Days), prepay the Term Loans as set forth in Section 2.11(f) below in an aggregate amount equal to 100% of such Net Proceeds, provided that, in the case of any event described in clause (a) or (b) of the definition of the term “Prepayment Event”, if the Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer to the effect that the Loan Parties intend to apply the Net Proceeds from such event (or a portion thereof specified in such certificate), within 360 days after receipt of such Net Proceeds; provided that if a binding commitment to reinvest is entered into within such period, the reinvestment period shall be extended an additional one hundred eighty (180) days from the end of such 360-day period, to acquire, maintain, develop, construct, improve, upgrade or repair assets useful in the business of the Loan Parties or to make any acquisition or investments permitted under Section 6.04, and certifying that no Default has occurred and is continuing, then no prepayment shall be required pursuant to this paragraph in respect of the Net Proceeds specified in such certificate, provided that to the extent of any such Net Proceeds that have not been so applied by the end of such reinvestment period, a prepayment shall be required in an amount equal to such Net Proceeds that have not been so applied.

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1. If at the time that any prepayment would be required pursuant to clause (c) of this Section 2.11, the Borrower (or any Subsidiary) is required to offer to repurchase Permitted Pari Passu Secured Refinancing Debt or any Incremental Equivalent secured on a *pari passu* basis with the Obligations (or, in each case, any Permitted Refinancing thereof that is secured on a *pari passu* basis with the Obligations under Loans required to be secured on a *pari passu* basis) pursuant to the terms of the documentation governing such Indebtedness with the Net Proceeds of such Prepayment Event (such Permitted Pari Passu Secured Refinancing Debt (or Permitted Refinancing thereof) or Incremental Equivalent secured on a *pari passu* basis with the Obligations (or Permitted Refinancing thereof) required to be offered to be so repurchased, “Other Applicable Indebtedness”), then the Borrower may apply such Net Proceeds on a pro rata basis (determined on the basis of the aggregate outstanding principal amount of the Term Loan and Other Applicable Indebtedness at such time; provided that the portion of such Net Proceeds allocated to the Other Applicable Indebtedness shall not exceed the amount of such net proceeds required to be allocated to the Other Applicable Indebtedness pursuant to the terms thereof, and the remaining amount, if any, of such net proceeds shall be allocated to the Loans in accordance with the terms hereof) to the prepayment of the Loans and to the repurchase or prepayment of Other Applicable Indebtedness, and the amount of prepayment of the Loans that would have otherwise been required pursuant to Section 2.11(c) shall be reduced accordingly; provided, further, that to the extent the holders of Other Applicable Indebtedness decline to have such indebtedness repurchased or prepaid, the declined amount shall promptly (and in any event within ten (10) Business Days after the date of such rejection) be applied to prepay the Loans in accordance with the terms hereof.
2. In the event (i) the Borrower fails to make the Effective Date Purchase within the time period described in the definition thereof (including any extensions) or (ii) the actual purchase price of clubs (and related assets) in connection with the Effective Date Purchase is less than $36,000,000, then, if the scenario described in clause (i) occurs, $40,000,000 or if the scenario described in clause (ii) occurs an amount equal to $40,000,000 less the actual purchase price paid (but not less than zero) shall, promptly but no later than 1 Business Day after such deadline, be applied to prepay the Term Loans as set forth in Section 2.11(f) below in an aggregate amount equal to 100% of the amounts so designated for the Effective Date Purchase, as the case may be.
3. All prepayments required to be made pursuant to Sections 2.11(c) and (e) shall be applied, first to prepay the Term Loans (and in the event Term Loans of more than one Class shall be outstanding at the time, shall be allocated among the Term Loans pro rata based on the aggregate principal amounts of outstanding Term Loans of each such Class) as so allocated, which prepayments shall be applied to the remaining installments thereof as directed by the Borrower (it being understood and agreed that if the Borrower does not so direct at the time of such prepayment, such prepayment shall be applied against the scheduled repayments of Term Loans under Section 2.10(b) in direct order of maturity) and second to prepay the Revolving Loans (including Swingline Loans) without a corresponding reduction in the Revolving Commitments and third to cash collateralize outstanding LC Exposure.
4. The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by fax) of any prepayment under this Section: (i) in the case of prepayment of a Eurodollar Borrowing, not later than 12:00 p.m., New York City time, three Business Days before the date of prepayment, or (ii) in the case of prepayment of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 p.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that a notice of

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optional prepayment (other than any such notice delivered on the date of the proposed prepayment) may state that such notice is conditioned upon the effectiveness of other credit facilities or the receipt of the proceeds from the issuance of other Indebtedness or any other event, in which case such notice of prepayment may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified prepayment date) if such condition is not satisfied. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing or Term Loan shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02, except as necessary to apply fully the required amount of a mandatory prepayment. Each prepayment of a Borrowing shall be applied (i) if applied to Revolving Loans, ratably among each Class of Revolving Loans and (ii) if applied to Term Loans, ratably to each Class of Term Loans (except with respect to any Incremental Term Loans, Refinancing Loans and/or Extending Loans that has agreed to accept less than ratable treatment to any other Class of Term Loans), and to the extent applied to any remaining scheduled installments of principal of any Term Loan pursuant to Section 2.10, in a manner determined at the discretion of the Borrower and specified in the notice of prepayment (and absent such direction, in direct order of maturity). Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

1. Any Term Lender may elect, by notice to the Administrative Agent by telephone (confirmed by facsimile) at least one Business Days prior to the prepayment date, to decline all or any portion of any prepayment of its Term Loans to be made pursuant to Section 2.11(c), in which case the aggregate amount of the prepayment that would have been applied to prepay Term Loans was so declined shall be retained by the Borrower (“Retained Declined Proceeds”).
2. In the event that, on or prior to the date that is six (6) months after the First Amendment Effective Date, the Borrower (x) prepays, refinances, substitutes or replaces any Term Loans pursuant to a Repricing Transaction (including, for avoidance of doubt, any prepayment made pursuant to

Section 2.11(c) that constitutes a Repricing Transaction), or (y) effects any amendment of this Agreement resulting in a Repricing Transaction, the Borrower shall pay to the Administrative Agent, for the ratable account of each of the applicable Lenders, (i) in the case of clause (x), a prepayment premium of 1.00% of the aggregate principal amount of the Loans so prepaid, refinanced, substituted or replaced and (ii) in the case of clause (y), a fee equal to 1.00% of the aggregate principal amount of the applicable Term Loans outstanding immediately prior to such amendment; provided that no such premium or fee shall apply in the case of any prepayment, refinancings, substitution or replacement of any Term Loans in connection with any Change in Control, Transformative Acquisition or a Qualifying IPO. Such amounts shall be due and payable on the date of effectiveness of such Repricing Transaction.

Notwithstanding any other provisions of this Section 2.11, to the extent that the Borrower has determined in good faith that repatriation of any of or all the Net Proceeds of any disposition by a foreign Restricted Subsidiary, the Net Proceeds of any casualty event from a foreign Restricted Subsidiary would have material adverse tax consequences with respect to such Net Proceeds, such Net Proceeds so affected will not be required to be applied to repay Term Loans at the times provided in this Section 2.11 but may be retained by the applicable foreign Restricted Subsidiary until such time as such Net Proceeds may be up-streamed or transferred without incurring such tax liability.

SECTION 2.12. Fees.

1. The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee, which shall accrue at the Applicable Rate on the daily amount of the undrawn portion of the Revolving Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which the Lenders’ Revolving Commitments terminate. Accrued commitment fees shall be payable in arrears on the last Business Day of March, June, September

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and December of each year and on the date on which the Revolving Commitments terminate, commencing on the last Business Day of June, 2014. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing commitment fees with respect to Commitments, a Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender (and the Swingline Exposure of such Lender shall be disregarded for such purpose).

1. The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurodollar Revolving Loans on the daily amount of such Lender’s LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender’s Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum (or such lesser fee as shall be acceptable to the Issuing Bank) on the daily amount of the LC Exposure attributable to Letters of Credit issued by the Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank’s standard fees and commissions with respect to the issuance, amendment, cancellation, negotiation, transfer, presentment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the last Business Day of March, 2013; provided that all such fees shall be payable on the date on which the Revolving Commitments terminate and any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).
2. The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.
3. All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest.

1. The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.
2. The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.
3. Notwithstanding the foregoing, during the occurrence and continuance of an Event of Default under clauses (a), (b), (h) and (i) of

Section 7.01, (i) all Loans shall bear interest at 2% plus the rate otherwise applicable to such Loans as provided in the preceding paragraphs of this Section or

1. in the case of any other amount outstanding hereunder, such amount shall accrue at 2% plus the rate applicable to such fee or other obligation as provided hereunder.

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* 1. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Revolving Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand,

1. in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.
   1. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed. The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

1. the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate, for such Interest Period; or
2. the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or fax as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

1. impose, modify or deem applicable any reserve, special deposit or similar requirement (including any compulsory loan requirement, insurance charge or other assessment) against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or
2. impose on any Lender or the Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein; or

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1. subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b), (c) and (e) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making or maintaining any Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender, the Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender, the Issuing Bank or such other Recipient hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender, the Issuing Bank or such other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, the Issuing Bank or such other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

1. If any Lender or the Issuing Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender’s or the Issuing Bank’s capital or on the capital of such Lender’s or the Issuing Bank’s holding company, if any, as a consequence of this Agreement, the Commitments of or the Loans made by, or participations in Letters of Credit or Swingline Loans held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender’s or the Issuing Bank’s holding company could have achieved but for such Change in Law (taking into consideration such Lender’s or the Issuing Bank’s policies and the policies of such Lender’s or the Issuing Bank’s holding company with respect to capital adequacy and liquidity), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender’s or the Issuing Bank’s holding company for any such reduction suffered.
2. A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.
3. Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender’s or the Issuing Bank’s right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender’s or the Issuing Bank’s intention to claim compensation therefor; provided, further, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.09(d) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower to replace a Lender pursuant to Section 2.19(b), then, in any such event, the Borrower shall

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compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Eurodollar Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Eurodollar Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes.

* 1. Withholding Taxes; Gross-Up; Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.17), the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.
  2. Payment of Other Taxes by Loan Parties. The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for, Other Taxes.
  3. Evidence of Payment. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.17, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment, or other evidence of such payment reasonably satisfactory to the Administrative Agent.
  4. Indemnification by the Borrower. The Loan Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Loan Party by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.
  5. Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for

1. any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative

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Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender’s failure to comply with the provisions of Section 9.04(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to such Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

1. Status of Lenders.
   1. Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(f)(ii)(A), 2.17(f)(ii)(B), and 2.17(f)(ii)(D) below) shall not be required if in the Lender’s reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.
   2. Without limiting the generality of the foregoing,
      1. any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9(or any successor thereto) certifying that such Lender is exempt from or otherwise not subject to U.S. Federal backup withholding tax;
      2. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:
         1. in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

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* 1. executed originals of IRS Form W-8ECI;
  2. in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 871(h) or Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit C-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 871(h)(3)(B) or Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “***U.S. Tax Compliance Certificate***”) and (y) executed originals of IRS Form W-8BEN; or
  3. to the extent a Foreign Lender is not the Beneficial Owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit C-2 or Exhibit C-3, IRS Form W-9, and/or other certification documents from each Beneficial Owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit C-4 on behalf of each such direct and indirect partner;

1. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. Federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and
2. if a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

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1. Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including by the payment of additional amounts pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.17 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph

(g), the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

1. Survival. Each party’s obligations under this Section 2.17 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.
2. Defined Terms. For purposes of this Section 2.17, the term “Lender” includes any Issuing Bank and the term “applicable law” includes

FATCA.

SECTION 2.18. Payments Generally; Allocation of Proceeds; Sharing of Set-offs.

1. The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 3:00 p.m., New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Ave, 43rd Floor New York, New York 10017, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.
2. Any proceeds of Collateral received by the Administrative Agent (i) not constituting either (A) a specific payment of principal, interest, fees or other sum payable under the Loan Documents (which shall be applied as specified by the Borrower), (B) a mandatory prepayment (which shall be applied in accordance with Section 2.11) or (C) amounts used to cash collateralize LC Exposure or (ii) after an Event of Default has occurred and is continuing and the Administrative Agent so elects or the Required Lenders so direct, shall be applied ratably first, to pay any fees, indemnities, or expense

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reimbursements including amounts then due to the Administrative Agent, the Swingline Lender and the Issuing Bank from the Borrower (other than in connection with Banking Services or Swap Obligations), second, to pay any fees or expense reimbursements then due to the Lenders from the Borrower (other than in connection with Banking Services or Swap Obligations), third, to pay interest then due and payable on the Loans ratably, fourth, to prepay principal on the Loans and unreimbursed LC Disbursements and to pay any amounts owing with respect to Swap Obligations and Banking Services Obligations up to and including the amount most recently provided to the Administrative Agent pursuant to Section 2.22, ratably (with amounts allocated to the Term Loans of any Class applied to reduce the subsequent scheduled repayments of the Term Loans of such Class to be made pursuant to Section 2.10 ratably based on the amount of such scheduled repayments), fifth, to pay an amount to the Administrative Agent equal to one hundred percent (100%) of the aggregate LC Exposure, to be held as cash collateral for such Obligations, and sixth, to the payment of any other Secured Obligation due to the Administrative Agent or any Lender from the Borrower or any other Loan Party*.* Notwithstanding anything to the contrary contained in this Agreement, unless so directed by the Borrower, or unless a Default is in existence, neither the Administrative Agent nor any Lender shall apply any payment which it receives to any Eurodollar Loan of a Class, except (i) on the expiration date of the Interest Period applicable thereto, or (ii) in the event, and only to the extent, that there are no outstanding ABR Loans of the same Class and, in any such event, the Borrower shall pay the break funding payment required in accordance with Section 2.16. The Administrative Agent and the Lenders shall have the continuing and exclusive right to apply and reverse and reapply any and all such proceeds and payments to any portion of the Secured Obligations.

Notwithstanding the foregoing, Secured Obligations arising under Banking Services Obligations or Swap Obligations shall be excluded from the application in clause fourth described above and paid in clause sixth if the Administrative Agent has not received written notice thereof, together with such supporting documentation as the Administrative Agent may have reasonably requested from the applicable provider of such Banking Services or Swap Obligations.

1. At the election of the Administrative Agent, all payments of principal, interest, LC Disbursements, fees, premiums, reimbursable expenses (including, without limitation, all reimbursement for fees and expenses pursuant to Section 9.03), and other sums payable under the Loan Documents that are not paid when due (after any applicable grace period) in accordance with the Loan Documents, subject to five Business Days prior written notice to the Borrower, may be paid from the proceeds of Borrowings made hereunder, whether made following a request by the Borrower pursuant to Section 2.03 or 2.05 or a deemed request as provided in this Section 2.18 or may be deducted from any deposit account of the Borrower maintained with the Administrative Agent. The Borrower hereby irrevocably authorizes, solely to the extent a payment is not paid by a Loan Party by the required time set forth in the Loan Documents (after any applicable grace period) (i) the Administrative Agent to make a Borrowing for the purpose of paying each payment of principal, interest and fees due hereunder or any other amount due under the Loan Documents and agrees that all such amounts charged shall constitute Loans (including Swingline Loans), and that all such Borrowings shall be deemed to have been requested pursuant to Sections 2.03 or 2.05, as applicable, and (ii) the Administrative Agent to charge any deposit account of the Borrower maintained with the Administrative Agent for each payment of principal, interest and fees due hereunder or any other amount due under the Loan Documents.
2. If, except as otherwise expressly provided herein, any Lender shall, by exercising any right of set off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans, Commitments or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements or Swingline Loans and accrued interest thereon than the proportion received by any other similarly situated Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements or Swingline Loans of

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other Lenders to the extent necessary so that the benefit of all such payments shall be shared by all such Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans, Commitments and participations in LC Disbursements or Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment or sale of a participation in any of its Loans, Commitments or participations in LC Disbursements and Swingline Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

1. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.
2. If any Lender shall fail to make any payment required to be made by it pursuant to Sections 2.05, 2.06(d) or (e), 2.07(b), 2.18(e) or 9.03(c) hereunder, then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender for the benefit of the Administrative Agent, the Swingline Lender or the Issuing Bank to satisfy such Lender’s obligations under such Sections until all such unsatisfied obligations are fully paid and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under such Sections. Application of amounts pursuant to (i) and (ii) above shall be made in such order as may be determined by the Administrative Agent in its discretion.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders.

1. If any Lender or the Issuing Bank requests compensation under Section 2.15, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender, the Issuing Bank or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender or the Issuing Bank, as applicable, shall use reasonable efforts to designate a different lending office for funding or booking its Loans, LC Disbursements or participations in LC Disbursements (as applicable) hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender or the Issuing Bank, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to

Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender or the Issuing Bank to any unreimbursed cost or expense and would not otherwise be materially disadvantageous to such Lender or the Issuing Bank. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender or the Issuing Bank in connection with any such designation or assignment.

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1. If any Lender or the Issuing Bank requests compensation under Section 2.15, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender, the Issuing Bank or any Governmental Authority for the account of any Lender or the Issuing Bank) pursuant to Section 2.17, or if any Lender or the Issuing Bank becomes a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender or the Issuing Bank and the Administrative Agent, require such Lender or the Issuing Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement and the other Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender or another Issuing Bank, if a Lender or the Issuing Bank accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and in circumstances where its consent would be required under Section 9.04, the Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and funded participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

* 1. fees shall cease to accrue on the unfunded portion of the Term Loans and Revolving Commitment of such Defaulting Lender pursuant to Section 2.12(a);
  2. to the extent permitted by applicable law, (i) any voluntary prepayment of Revolving Loans shall, if the Borrower so directs at the time of making such voluntary prepayment, be applied to the Revolving Loans of other Lenders as if such Defaulting Lender had no Revolving Loans outstanding and the Revolving Exposure of such Defaulting Lender were zero, and (ii) any mandatory prepayment of the Revolving Loans shall, if the Borrower so directs at the time of making such mandatory prepayment, be applied to the Revolving Loans of other Lenders, but not to the Revolving Loans of such Defaulting Lender, it being understood and agreed that the Borrower shall be entitled to retain any portion of any mandatory prepayment of the Revolving Loans that is not paid to such Defaulting Lender solely as a result of the operation of the provisions of this clause (b);
  3. such Defaulting Lender shall not have the right to vote on any issue on which voting is required (other than to the extent expressly provided in Section 9.02(b)) and the Commitment and Revolving Exposure and, if applicable, Term Loans of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder or under any other Loan Document; provided that this clause

1. shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby, except (i) such Defaulting Lender’s Commitment may not be increased or extended without its consent and (ii) the principal

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amount of, or interest or fees payable on, Loans or LC Disbursements may not be reduced or excused or the scheduled date of payment may not be postponed as to such Defaulting Lender without such Defaulting Lender’s consent;

1. if any Swingline Exposure or LC Exposure exists at the time such Lender becomes a Defaulting Lender then:
   * 1. all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent that (x) the conditions set forth in Section 4.02 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), (y) the sum of all non-Defaulting Lenders’ Revolving Exposures plus such Defaulting Lender’s Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders’ Revolving Commitments;
     2. if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one Business Day following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize, for the benefit of the Issuing Bank, the Borrower’s obligations corresponding to such Defaulting Lender’s LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding;
     3. if the Borrower cash collateralizes any portion of such Defaulting Lender’s LC Exposure pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) with respect to such Defaulting Lender’s LC Exposure during the period such Defaulting Lender’s LC Exposure is cash collateralized;
     4. if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Sections 2.12(a) and 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders’ Applicable Percentages; and
     5. if all or any portion of such Defaulting Lender’s LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or
   1. above, then, without prejudice to any rights or remedies of the Issuing Bank or any other Lender hereunder, all letter of credit fees payable

under Section 2.12(b) with respect to such Defaulting Lender’s LC Exposure shall be payable to the Issuing Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

1. so long as such Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and such Defaulting Lender’s then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(d), and participating interests in any such newly made Swingline Loan or newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.20(d)(i) (and such Defaulting Lender shall not participate therein).

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In the event that each of the Administrative Agent, the Borrower, the Swingline Lender and the Issuing Bank agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender’s Revolving Commitment and on the date of such readjustment such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

SECTION 2.21. Returned Payments. If after receipt of any payment which is applied to the payment of all or any part of the Obligations, the Administrative Agent or any Lender is for any reason compelled to surrender such payment or proceeds to any Person because such payment or application of proceeds is invalidated, declared fraudulent, set aside, determined to be void or voidable as a preference, impermissible setoff, or a diversion of trust funds, or for any other reason, then the Obligations or part thereof intended to be satisfied shall be revived and continued and this Agreement shall continue in full force as if such payment or proceeds had not been received by the Administrative Agent or such Lender. The provisions of this Section 2.21 shall be and remain effective notwithstanding any contrary action which may have been taken by the Administrative Agent or any Lender in reliance upon such payment or application of proceeds. The provisions of this Section 2.21 shall survive the termination of this Agreement.

SECTION 2.22. Banking Services and Swap Agreements. Each Lender or Affiliate thereof providing Banking Services for, or having Swap Agreements with, any Loan Party or any of its Restricted Subsidiaries shall deliver to the Administrative Agent, promptly after entering into such Banking Services or Swap Agreements, written notice setting forth the aggregate amount of all Banking Services Obligations and Swap Obligations of such Loan Party to such Lender or Affiliate (whether matured or unmatured, absolute or contingent). In furtherance of that requirement, each such Lender or Affiliate thereof shall furnish the Administrative Agent, upon the reasonable request of the Administrative Agent, a summary of the amounts due or to become due in respect of such Banking Services Obligations and Swap Obligations. The most recent information provided to the Administrative Agent shall be used in determining which tier of the waterfall, contained in Section 2.18(b), in which such Banking Services Obligations and/or Swap Obligations will be placed.

SECTION 2.23. Increase in Commitments.

1. The Borrower may at any time or from time to time after the Effective Date, by notice to the Administrative Agent (whereupon the Administrative Agent shall promptly deliver a copy to each of the Lenders), request (x) one or more new commitments which may be of the same Class as any outstanding Term Loans (a “Term Loan Increase”) or a new Class of Term Loans (collectively with any Term Loan Increase, the “Incremental Term Loans”), or (y) one or more increases in the amount of the Revolving Commitments (each such increase, a “Revolving Commitment Increase”, together with any Incremental Term Loans, referred to herein as an “Incremental Facility”), provided that (i) at the time of each such request and upon the effectiveness of each Incremental Facility, (x) no Default or Event of Default has occurred and is continuing or would result therefrom (except, notwithstanding the requirements of

Section 4.02, at the option of the Borrower in connection with an acquisition, in lieu of such condition, (A) no Event of Default shall be continuing at the time of execution of the applicable contract or agreement for such acquisition and (B) no Event of Default under Sections 7.01(a), (b), (h) or (i) shall be continuing at the time of making such acquisition)) and (y) the condition in Section 4.02(b) shall be satisfied (except, notwithstanding the requirements of Section 4.02, at the option of the Borrower in connection with an acquisition, in lieu of such condition, such representations shall be limited to the Specified Representations (as defined in the Existing Credit Agreement, which shall be conformed as reasonably necessary for such acquisition to provide for certainty of funding in connection with such transaction) ), (ii) no Lender shall be

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obligated to provide an Incremental Facility as a result of any such request by the Borrower, and until such time, if any, as such Lender has agreed in its sole discretion to provide an Incremental Facility and executed and delivered to the Administrative Agent and the Borrower an Incremental Facility Agreement as provided in clause (c) of this Section 2.23, such Lender shall not be obligated to fund any Incremental Facility, (iii) any Lender may so provide an Incremental Facility without the consent of any other Lender, (iv) Incremental Facilities shall be denominated in dollars, (v) the Incremental Loan Commitment Requirements shall have been satisfied, and (vi) the provision of Incremental Facilities pursuant to this Section 2.23 on a given date pursuant to a particular Incremental Facility Agreement shall be in a minimum aggregate amount of $5,000,000 (provided that such amount may be less than $5,000,000 if such amount represents all remaining availability under the limit set forth in the next sentence). Notwithstanding anything to the contrary herein, the aggregate amount of the Incremental Facilities shall not exceed the sum of (the “Incremental Cap”): (i) $75,000,000 plus (ii) an amount so long as, in the case of this clause (ii), the First Lien Net Leverage Ratio would not exceed 0.25:1.00 below the First Lien Net Leverage Ratio on the First Amendment Effective Date, calculated at the time of incurrence on a pro forma basis after giving effect thereto and the application of the proceeds thereof, and assuming any such Incremental Facility is secured on a first lien basis, whether or not so secured (and, in the case of any Revolving Commitment Increase, assuming a full drawing of such Revolving Commitment Increase). The amount of such Incremental Facility together with any Incremental Equivalent Debt shall not exceed the Incremental Cap.

1. The Incremental Term Loans (i) shall rank *pari passu* in right of payment and *pari passu* or junior (subject to an intercreditor agreement reasonably satisfactory in form and substance to the Administrative Agent) with respect to security with the existing Term Loans, shall not be guaranteed by any Person that has not guaranteed the existing Term Loans and shall not be secured by assets other than Collateral; (ii) shall mature on such date and amortize on such schedule as each may be agreed by the Borrower and the Lenders providing such Incremental Term Loan, provided that, as of the date of incurrence, no Incremental Term Loan shall mature earlier than the Term Maturity Date and, as of the date of incurrence, each Incremental Term Loan shall have a Weighted Average Life to Maturity that is no shorter than the then remaining Weighted Average Life to Maturity of the existing Term Loans; (iii) except with respect to the applicable interest rate (subject to clause (e) below) and as set forth in this clause (b), shall be on terms and pursuant to documentation determined by the Borrower and the Additional Lenders providing the Incremental Term Loans, (iv) may participate on a pro rata basis or less than pro rata basis (but not on a greater than pro rata basis (except in respect of any voluntary prepayments of any Class of Loans with an earlier maturity date than any other Class of Loans)) in any voluntary or mandatory prepayments of Loans hereunder; and (v) may include any Previously Absent Financial Covenant so long as the Administrative Agent shall have been given prompt written notice thereof and this Agreement is amended to include such Previously Absent Financial Covenant for the benefit of each Class (provided, however, that if (x) the documentation governing any Incremental Facility that includes a Previously Absent Financial Covenant in respect of and for the benefit of an Incremental Revolving Commitment only and (y) such Previously Absent Financial Covenant is a “springing” financial maintenance covenant solely for the benefit of a Class of Revolving Loans (and not any Class of Term Loans), the Previously Absent Financial Covenant shall only be required to be included in this Agreement for the benefit of Revolving Loans); provided that (x) the terms and conditions applicable to the Incremental Loans may also include any additional or different financial or other covenants or other provisions that are agreed between the Borrower and the Lenders thereof so long as such additional covenants or other provisions are applicable only during periods after the latest Maturity Date for the Term Loans in effect on the date the Incremental Loans are issued, incurred or obtained or the date on which all non-refinanced Obligations are paid in full and (y) to the extent such terms and documentation are not consistent with the existing Term Loans (except with respect to the applicable interest rate, upfront fees, original issue discount or similar fees and as otherwise set forth in this paragraph), such terms and documentation shall be reasonably satisfactory to the Administrative Agent; provided, further, that (x) any Incremental Term Loans that rank *pari passu* in right of security and are issued pursuant to an agreement other than this Agreement shall be in the form of notes

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and not loans and (y) to the extent such Incremental Term Loans rank junior with respect to security with the existing Term Loans, such Incremental Term Loans shall be subject to an intercreditor arrangement reasonably satisfactory to the Administrative Agent.

* 1. Each notice from the Borrower pursuant to this Section 2.23 shall set forth the requested amount and proposed terms of the relevant Incremental Facility. Incremental Term Loans may be made, and Revolving Commitment Increases may be provided, by any existing Lender or by any other bank or other financial institution (any such other bank or other financial institution being called an “Additional Lender”), provided that the Borrower and the Administrative Agent and, in the case of a Revolving Commitment Increase, the Issuing Bank and each Swingline Lender shall have consented (such consents not to be unreasonably withheld, conditioned or delayed) to such Lender’s or Additional Lender’s making such Incremental Term Loans or providing such Revolving Commitment Increases, as applicable. Commitments in respect of Incremental Facilities shall become effective pursuant to an amendment (an “Incremental Facility Agreement”) to this Agreement and, as appropriate, the other Loan Documents, executed by the Borrower, each Lender agreeing to provide such Incremental Facilities, if any, each Additional Lender, if any, and the Administrative Agent (such consent not to be unreasonably withheld, conditioned or delayed). The Incremental Facility Agreement may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower to effect the provisions of this Section 2.22. The effectiveness of any Incremental Facility Agreement shall be subject to the satisfaction on the date thereof (each, an “Incremental Facility Effective Date”) of each of the conditions set forth in Section 4.02 (other than as set forth in clause (a) of this Section 2.23) and such other conditions as the parties thereto shall agree.
  2. The Borrower will use the proceeds of the Incremental Term Loans and Revolving Commitment Increases for any purpose not prohibited by this Agreement. No Lender shall be obligated to provide any Incremental Facility, unless it so agrees in writing. Upon each increase in the Revolving Credit Commitments pursuant to this Section 2.23, each Revolving Lender immediately prior to such increase will automatically and without further act be deemed to have assigned to each Lender providing a portion of the Revolving Commitment Increase (each, a “Revolving Commitment Increase Lender”) in respect of such increase, and each such Revolving Commitment Increase Lender will automatically and without further act be deemed to have assumed, a portion of such Revolving Lender’s participations hereunder in outstanding Letters of Credit and Swingline Loans such that, after giving effect to each such deemed assignment and assumption of participations, the percentage of the aggregate outstanding (i) participations hereunder in Letters of Credit and

1. participations hereunder in Swingline Loans held by each Revolving Lender (including each such Revolving Commitment Increase Lender) will equal the percentage of the aggregate Revolving Commitments of all Revolving Lenders represented by such Revolving Lender’s Revolving Credit Commitment. In addition, (x) each of the Revolving Credit Lenders immediately prior to such increase shall assign to each Revolving Commitment Increase Lender and each of the Incremental Revolving Credit Lenders shall purchase from each of the Revolving Credit Lenders, at the principal amount thereof, such interests in the Incremental Revolving Loans outstanding on such Incremental Facility Agreement closing date as shall be necessary in order that, after giving effect to all such assignments and purchases, such Revolving Loans will be held by existing Revolving Credit Lenders and Revolving Commitment Increase Lender ratably in accordance with their Revolving Credit Commitments after giving effect to the addition of such Revolving Commitment Increases, (y) each Incremental Revolving Credit Commitment shall be deemed for all purposes a Revolving Credit Commitment and each Loan made thereunder shall be deemed, for all purposes, a Revolving Credit Loan and (z) each Incremental Revolving Credit Lender shall become a Lender with respect to the Incremental Revolving Credit Commitments and all matters relating thereto. The Administrative Agent and the Lenders hereby agree that the minimum borrowing, pro rata borrowing and pro rata payment requirements contained elsewhere in this Agreement shall not apply to the transactions effected pursuant to the immediately two preceding sentences so long as the Revolving Lenders and Term Lenders do not receive less than pro rata treatment.

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1. The All-In Yield applicable to the Incremental Facility, that is secured on a *pari passu* basis with the Obligations, shall be determined by the Borrower and the applicable lenders and shall be set forth in each applicable Incremental Facility Agreement; provided, however, that (A) with respect to any Incremental Facility, the All-In Yield applicable to such Incremental Facility shall not be greater than the applicable All-In Yield payable pursuant to the terms of this Agreement as amended through the date of such calculation with respect to Loans existing at such time plus 50 basis points per annum unless the interest rate (together with, as provided in the proviso below, the Adjusted LIBO Rate floor or Alternate Base Rate floor) with respect to such Loans is increased so as to cause the then applicable All-In Yield under this Agreement on such Loans to equal the All-In Yield then applicable to the Incremental Facility minus 50 basis points; provided that any increase in All-In Yield to any Loan due to the application or imposition of a Adjusted LIBO Rate floor or Alternate Base Rate floor on any Incremental Facility shall be effected solely through an increase in (or implementation of, as applicable) of a Adjusted LIBO Rate floor or Alternate Base Rate floor for such Loan. For the avoidance of doubt this clause (e) shall not apply to Incremental Equivalent Debt incurred in compliance with clause (f) below.
2. The Borrower may, upon notice to the Administrative Agent, at any time or from time to time after the Effective Date, issue, incur or otherwise obtain Indebtedness of the Borrower (and any refinancing thereof) in respect of one or more series of senior or subordinated notes (which may be unsecured or secured on a *pari passu* or junior lien basis with the Obligations under the initial Loans), in each case issued in a public offering, Rule 144A or other private placement or bridge in lieu of the foregoing, or senior or subordinated mezzanine Indebtedness (which may be in the form of loans or notes and limited to being unsecured or secured solely on a junior lien basis), in each case, that are issued or made in lieu of Incremental Facility (the “Incremental Equivalent Debt”); provided that (i) if such Incremental Equivalent Debt is secured, the obligations in respect thereof shall not be secured by any Lien on any asset of any Loan Party or any Restricted Subsidiary other than any asset constituting Collateral and such Incremental Equivalent Debt shall not be subject to any guarantee by any Person other than the Loan Guarantors, (ii) if such Incremental Equivalent Debt is (x) secured on a *pari passu* or junior basis with the Obligations under the initial Loans, then such Incremental Equivalent Debt shall be subject to an intercreditor agreement that is reasonably satisfactory, in form and substance, to the Administrative Agent and the Borrower or (y) unsecured and subordinated to the Obligations, then such Incremental Equivalent Debt shall be subject to a lien subordination and intercreditor arrangement reasonably satisfactory, in form and substance, to the Administrative Agent and the Borrower, (iii) such Incremental Equivalent Debt (A) shall have a final maturity date which is no earlier than ninety-one (91) days after the Latest Maturity Date then existing and (B) shall not have a Weighted Average Life to Maturity which is shorter than the Weighted Average Life to Maturity of the then existing Term Loans, (iv) such Incremental Equivalent Debt shall not be subject to any mandatory redemption or prepayment provisions or rights (except to the extent any such mandatory redemption or prepayment is required to be applied first or pro rata to the Loans and any first lien secured incremental notes required to be secured on a first lien basis and except with respect to customary “AHYDO catch-up payments”, customary offers to repurchase and prepayment events upon a change of control and a customary acceleration right after an event of default), (v) except as otherwise set forth in this clause (f), such Incremental Equivalent Debt shall have covenants and defaults no more restrictive (excluding pricing and optional prepayment or redemption terms), when taken as a whole, than those with respect to the initial Loans (except for covenants or other provisions applicable only to periods after the Latest Maturity Date of the Loan) and such terms and conditions shall be current market terms for such type of Incremental Equivalent Debt (as reasonably determined in good faith by the Borrower), (vi) no Event of Default shall have occurred and be continuing or would exist immediately after giving effect to such incurrence (except, notwithstanding at the option of the Borrower in connection with an acquisition, in lieu of such condition, (A) no Event of Default shall be continuing at the time of execution of the applicable

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contract or agreement for such acquisition and (B) no Event of Default under Sections 7.01(a), (b), (h) or (i) shall be continuing at the time of making such acquisition) and (vii) the amount of such Incremental Equivalent Debt together with any Incremental Facility shall not exceed the Incremental Cap.

SECTION 2.24. Refinancing Debt. (a) Refinancing Commitments. The Borrower may at any time or from time to time after the Effective Date, by notice to the Administrative Agent (a “Refinancing Loan Request”), request a new Class of Loans (any such new Class, “Refinancing Commitments”) established in exchange for, or to extend, renew, replace, repurchase, retire or refinance, in whole or in part, existing Loans or Commitments (with respect to a particular Refinancing Commitment or Refinancing Loan, such existing Loans or Commitments, “Refinanced Debt”), whereupon the Administrative Agent shall promptly deliver a copy to each of the Lenders.

1. Refinancing Loans. Any Refinancing Loans made on a Refinancing Facility Closing Date shall be designated a separate Class of Refinancing Loans for all purposes of this Agreement. On any Refinancing Facility Closing Date on which any Refinancing Commitments of any Class are effected, subject to the satisfaction of the terms and conditions in this Section 2.24, each Refinancing Lender of such Class shall make a Loan to the Borrower (a “Refinancing Loan”) in an amount equal to its Refinancing Commitment of such Class.
2. Refinancing Loan Request. Each Refinancing Loan Request from the Borrower pursuant to this Section 2.24 shall set forth the requested amount and proposed terms of the relevant Refinancing Loans. Refinancing Loans may be made, by any existing Lender (but no existing Lender will have an obligation to make any Refinancing Commitment, nor will the Borrower have any obligation to approach any existing Lender to provide any Refinancing Commitment) or by any additional Lender (each such existing Lender or additional Lender providing such Commitment or Loan, a, “Refinancing Lender”); provided that (i) the Administrative Agent shall have consented (not to be unreasonably withheld or delayed) to such additional Lender’s making such Refinancing Loans to the extent such consent, if any, would be required under Section 9.04 for an assignment of Loans to such Lender or additional Lender and (ii) with respect to Refinancing Commitments, any Affiliated Lender providing a Refinancing Commitment shall be subject to the same restrictions set forth in Section 9.04 as they would otherwise be subject to with respect to any purchase by or assignment to such Affiliated Lender of Loans.
3. Effectiveness of Refinancing Amendment. The effectiveness of any Refinancing Amendment, shall be subject to the satisfaction on the date thereof (a “Refinancing Facility Closing Date”) of each of the following conditions, together with any other conditions set forth in the Refinancing Amendment:
   1. after giving effect to such Refinancing commitments, except as otherwise agreed by the Refinancing Lenders, (x) the representations and warranties of each Loan Party set forth in Article III and in each other Loan Document shall be true and correct in all material respects on and as of the Refinancing Facility Closing Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date; provided, further, that, any representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates, and (y) except as otherwise agreed by the Refinancing Lenders, no Default shall exist or would result from the Refinancing Loan or from the application of the proceeds therefrom;

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* + 1. each Refinancing Commitment shall be in an aggregate principal amount that is not less than $10,000,000 and shall be in an increment of $5,000,000 (provided that such amount may be less than $10,000,000 and not in an increment of $5,000,000 if such amount is equal to the entire outstanding principal amount of Refinanced Debt that is in the form of Loans); and
    2. to the extent reasonably requested by the Administrative Agent, receipt by the Administrative Agent of (i) customary legal opinions, board resolutions and officers’ certificates consistent with those delivered on the Effective Date (conformed as appropriate) other than changes to such legal opinions resulting from a change in law, change in fact or change to counsel’s form of opinion reasonably satisfactory to the Administrative Agent and (ii) reaffirmation agreements and/or such amendments to the Loan Documents as may be reasonably requested by the Administrative Agent in order to ensure that such Refinancing Lenders are provided with the benefit of the applicable Loan Documents.
  1. Required Terms. The terms, provisions and documentation of the Refinancing Loans of any Class shall be as agreed between the Borrower and the applicable Refinancing Lenders providing such Refinancing Commitments, and except as otherwise set forth herein, to the extent not identical to any Class of Loans each existing on the Refinancing Facility Closing Date, shall be consistent with clauses (i) and (ii) below, as applicable, and otherwise reasonably satisfactory to the Administrative Agent. In any event:
     1. the Refinancing Loans:
        1. as of the Refinancing Facility Closing Date, shall not have a final scheduled maturity date earlier than the Maturity Date of the

Refinanced Debt;

* + - 1. as of the Refinancing Facility Closing Date, shall not have a Weighted Average Life to Maturity shorter than the remaining Weighted Average Life to Maturity of the Refinanced Debt;
      2. any Permitted Junior Secured Refinancing Debt or Permitted Unsecured Refinancing Debt shall have a final maturity date which is no earlier than ninety-one (91) days after the Latest Maturity Date then existing;
      3. shall have an Applicable Margin and Adjusted LIBO Rate or Base Rate floor (if any), and subject to clauses (A) and

1. above, amortization determined by the Borrower and the applicable Refinancing Lenders;
   * + 1. shall have fees determined by the Borrower and the applicable Refinancing Loan arranger(s);
       2. may participate on a pro rata basis or less than pro rata basis (but not on a greater than pro rata basis (except in respect of any voluntary prepayments of any Class of Loans with an earlier Maturity Date than any other Classes of Loans)) in any voluntary or mandatory prepayments of Loans hereunder, or if junior in right of security, shall be on a junior basis with respect thereto,
       3. shall not have a greater principal amount than the principal amount of the Refinanced Debt plus accrued interest, fees, premiums (if any) and penalties thereon and reasonable fees, expenses, original issue discount and upfront fees associated with the refinancing;

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* + 1. (I) shall rank *pari passu* or junior in right of payment with the Obligations under the initial Loans that are senior in right of payment and (II) shall be secured by the Collateral and shall rank *pari passu* (which may be in the form of notes and loans limited to being unsecured or secured solely on a junior lien basis) or junior in right of security with the Obligations under the initial Loans (and, if applicable, subject to a subordination agreement and/or an intercreditor agreement (or, alternatively, terms in the Refinancing Amendment substantially similar to those in such applicable agreement, as agreed by the Borrower and Administrative Agent) or other lien subordination and intercreditor arrangement reasonably satisfactory to the Borrower and the Administrative Agent); and
    2. may include any Previously Absent Financial Covenant so long as the Administrative Agent shall have been given prompt written notice thereof and this Agreement is amended to include such Previously Absent Financial Covenant for the benefit of each Class (provided, however, that if (x) the documentation governing any Refinancing Amendment that includes a Previously Absent Financial Covenant in respect of and for the benefit of a “Revolving Commitment” only and (y) such Previously Absent Financial Covenant is a “springing” financial maintenance covenant solely for the benefit of a Class of revolving loans (and not any Class of term loans), the Previously Absent Financial Covenant shall only be required to be included in this Agreement for the benefit of Revolving Loans.

1. Refinancing Amendment. Commitments in respect of Refinancing Loans shall become additional Commitments pursuant to an amendment (a “Refinancing Amendment”) to this Agreement and, as appropriate, the other Loan Documents, executed by the Borrower, each Refinancing Lender providing such Commitments and the Administrative Agent. The Refinancing Amendment may, without the consent of any other Loan Party, Agent or Lender, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the provisions of this Section 2.24, including amendments as deemed necessary by the Administrative Agent in its reasonable judgment to effect any lien or payment subordination and associated rights of the applicable Lenders to the extent any Refinancing Loans are to rank junior in right of security or payment or to address technical issues relating to funding and payments. The Borrower will use the proceeds of the Refinancing Loans to extend, renew, replace, repurchase, retire or refinance, substantially concurrently, the applicable Refinanced Debt.
2. Refinancing Equivalent Debt.
   1. In lieu of incurring any Refinancing Loans, the Borrower may, upon notice to the Administrative Agent, at any time or from time to time after the Effective Date issue, incur or otherwise obtain (A) secured Indebtedness in the form of one or more series of senior secured notes (such notes, “Permitted Pari Passu Secured Refinancing Debt”), (B) secured Indebtedness in the form of one or more series of second lien (or other junior lien) secured notes or second lien (or other junior lien) secured loans (such notes or loans, “Permitted Junior Secured Refinancing Debt”) and (C) unsecured or subordinated Indebtedness in the form of one or more series of unsecured or subordinated notes or term loans (such notes or term loans, “Permitted Unsecured Refinancing Debt” and together with Permitted Pari Passu Secured Refinancing Debt and Permitted Junior Secured Refinancing Debt, and, in each case, any Permitted Refinancing thereof, “Refinancing Equivalent Debt”), in each case, in exchange for, or to extend, renew, replace, repurchase, retire or refinance, in whole or in part, any existing Class of Loans (such Loans, “Refinanced Loans”).
   2. Any Refinancing Equivalent Debt:

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* 1. (A) shall not have a Maturity Date prior to the date that is on or after the Maturity Date of the Refinanced Loans (and, in the case of any Permitted Junior Secured Refinancing Debt and Permitted Unsecured Refinancing Debt, such Refinancing Equivalent Debt shall have a final maturity date which is no earlier than ninety-one (91) days after the Latest Maturity Date then existing), (B) if in the form of term loans, shall not have a Weighted Average Life to Maturity shorter than the remaining Weighted Average Life to Maturity of the Refinanced Loans, (C) if in the form of notes, shall not have scheduled amortization or payments of principal and not be subject to mandatory redemption, repurchase, prepayment or sinking fund obligations (other than customary “AHYDO catch-up payments”, offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and a customary acceleration right after an event of default), in each case prior to the Maturity Date of the Refinanced Loans, (D) has the same primary obligor and the same (or fewer) guarantors as the Refinanced Loans, (E) if in the form of subordinated Permitted Unsecured Refinancing Debt, shall be subject to a subordination agreement to which a representative acting on behalf of the holders of such Permitted Unsecured Refinancing Debt shall have become a party or otherwise subject (or, alternatively, terms in the definitive documentation for such Refinancing Equivalent Debt substantially similar to those in such applicable agreement, as agreed by the Borrower and Administrative Agent); provided that if such Permitted Unsecured Refinancing Debt is the initial subordinated Permitted Unsecured Refinancing Debt incurred by the Borrower, then the Loan Parties, the Administrative Agent and a representative for such Permitted Unsecured Refinancing Debt shall have executed and delivered a subordination agreement as reasonably agreed by the Administrative Agent,

1. shall not have a greater principal amount than the principal amount of the Refinanced Term Loans plus accrued interest, fees, premiums (if any) and penalties thereon and reasonable fees, expenses, original issue discount and upfront fees associated with the refinancing, (G) shall not include any Previously Absent Financial Covenant and (H) except as otherwise set forth in this clause (g)(ii), shall have terms and conditions (other than with respect to pricing, fees, rate floors and optional prepayment or redemption terms) substantially similar to, or (taken as a whole) no more favorable (as reasonably determined by the Borrower) to the lenders or holders providing such Refinancing Equivalent Debt, than those applicable to the Refinanced Loans (except for covenants or other provisions applicable only to periods after the Latest Maturity Date at the time of the issuance or incurrence of such Refinancing Equivalent Debt) and such terms and conditions shall be current market terms for such type of Refinancing Equivalent Debt (as reasonably determined in good faith by the Borrower),
   1. (A) if either Permitted Pari Passu Secured Refinancing Debt or Permitted Junior Secured Refinancing Debt, shall be subject to security agreements relating to such Refinancing Equivalent Debt that are substantially the same as or more favorable to the Loan Parties than the Security Documents (with such differences as are reasonably satisfactory to the Administrative Agent), (B) if Permitted Pari Passu Secured Refinancing Debt, (x) shall be secured by the Collateral on a *pari passu* basis with the Obligations under the initial Loans and shall not be secured by any property or assets of Holdings, the Borrower or of its Subsidiary other than the Collateral, and (y) shall be subject to an intercreditor agreement to which a representative acting on behalf of the holders of such Permitted Pari Passu Secured Refinancing Debt shall have become a party or otherwise subject; provided that if such Permitted Pari Passu Secured Refinancing Debt is the initial Permitted Pari Passu Secured Refinancing Debt incurred by the Borrower, then the Loan Parties, the Administrative Agent and a representative for such Permitted Pari Passu Secured Refinancing Debt shall have executed and delivered an intercreditor agreement in form and substance reasonably satisfactory to the Administrative Agent and (C) if Permitted Junior Secured Refinancing Debt, (x) shall be secured by the Collateral on a second priority (or other junior priority) basis to the Liens securing the Obligations under the initial Loans and shall not be secured by any property or assets of Holdings, the Borrower or any of its Subsidiaries other than the Collateral, and (y) shall be subject to an intercreditor or subordination agreement (in each case, in form and substance reasonably satisfactory to the Administrative Agent) to which a representative acting on behalf of the holders of such Permitted Junior Secured Refinancing Debt shall have become a party or otherwise subject, and

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1. shall be incurred solely to repay, repurchase, retire or refinance substantially concurrently the Refinanced Loans (and pay related fees, expenses and premiums).

SECTION 2.25. Extension of Loans. (a) The Borrower may, at any time and from time to time request that all or a portion of the Loans (which shall

include the corresponding Commitments in the case of Revolving Loans for purposes of this paragraph) of a given Class (an “Existing Loan Tranche”) be

amended to extend the scheduled Maturity Date(s) with respect to the Loans of such Existing Loan Tranche (any such Loans which have been so amended,

“Extended Loans”) and to provide for other terms consistent with this Section 2.25. In order to establish any Extended Loans, the Borrower shall provide a

notice to the Administrative Agent (who shall provide a copy of such notice to each of the Lenders under the applicable Existing Loan Tranche) (each, a

“Loan Extension Request”) setting forth the proposed terms of the Extended Loans to be established, which shall (x) be identical as offered to each Lender

under such Existing Loan Tranche (including as to the proposed interest rates and fees payable, but excluding any arrangement, structuring or other similar

fees payable in connection therewith that are not generally shared with all relevant Lenders) and offered pro rata to each Lender under such Existing Loan

Tranche and (y) be identical to the Loans under the Existing Loan Tranche from which such Extended Term Loans are intended to be amended, except that:

1. all or any of the scheduled amortization payments of principal of the Extended Loans may be delayed to later dates than the scheduled amortization payments of principal of the Loans of such Existing Loan Tranche, to the extent provided in the applicable Extension Amendment; provided, however, that at no time shall there be Classes of Extended Loans which have more than three (3) different Maturity Dates (unless a greater number of Maturity Dates is approved by the Administrative Agent in its sole discretion); (ii) the All-In Yield with respect to the Extended Loans (whether in the form of interest rate margin, upfront fees, original issue discount or otherwise) may be different than the All-In Yield for the Loans of such Existing Loan Tranche, in each case, to the extent provided in the applicable Extension Amendment; (iii) the Extension Amendment may provide for other covenants and terms that apply solely to any period after the Latest Maturity Date that is in effect on the effective date of the Extension Amendment (immediately prior to the establishment of such Extended Loans); and (iv) Extended Loans may have call protection as may be agreed by the Borrower and the Lenders thereof; provided that no Extended Loans may be optionally prepaid prior to the Maturity Date of the initial Loans, unless such optional prepayment is accompanied by a pro rata optional prepayment of the initial Loans; provided, however, that (A) no Event of Default shall have occurred and be continuing at the time a Loan Extension Request is delivered to Lenders, (B) in no event shall the Maturity Date of any Extended Loans of a given Loan Extension Series at the time of establishment thereof be earlier than the Maturity Date of the Existing Loan Tranche, (C) the Weighted Average Life to Maturity of any Extended Loans of a given Extension Series at the time of establishment thereof shall be no shorter than the remaining Weighted Average Life to Maturity of the Existing Loan Tranche, (D) all documentation in respect of such Extension Amendment shall be consistent with the foregoing, (E) any Extended Loans may participate on a pro rata basis or less than a pro rata basis, but not on a greater than pro rata basis (except in respect of any voluntary prepayments of any Class of Loans with an earlier Maturity Date than any other Classes of Loans (so long as the initial Loans do not receive less than pro rata treatment)) in any voluntary or any mandatory repayments or prepayments of Loans hereunder, in each case as specified in the respective Loan Extension Request and (F) any Extended Loans may include any Previously Absent Financial Covenant so long as the Administrative Agent shall have been given prompt written notice thereof and this Agreement is amended to include such Previously Absent Financial Covenant for the benefit of each Class (provided, however, that if (x) the documentation governing any Extension Amendment that includes a Previously Absent Financial Covenant in respect of and for the benefit of a “Revolving Commitment” only and
2. such Previously Absent Financial Covenant is a “springing” financial maintenance covenant solely for the benefit of a Class of revolving loans (and not any Class of term loans), the Previously Absent Financial Covenant shall only be required to be included in this Agreement for the benefit of Revolving Loans; provided that Previously Absent Financial Covenant shall not be required to be added to Loans and Commitments under this Agreement if such Previously Absent Financial Covenant in respect to of

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Extended Loans is for the period commencing after the Latest Maturity Date. Any Extended Loans amended pursuant to any Loan Extension Request shall be designated a series (each, a “Loan Extension Series”) of Extended Loans for all purposes of this Agreement; provided that any Extended Loans amended from an Existing Loan Tranche may, to the extent provided in the applicable Extension Amendment, be designated as an increase in any previously established Loan Extension Series with respect to such Existing Loan Tranche (in which case scheduled amortization with respect thereto shall be proportionately increased). Each request for a Loan Extension Series of Extended Loans proposed to be incurred under this Section 2.25 shall be in an aggregate principal amount that is not less than $5,000,000 (it being understood that the actual principal amount thereof provided by the applicable Lenders may be lower than such minimum amount) and the Borrower may impose an Extension Minimum Condition with respect to any Loan Extension Request, which may be waived by the Borrower in its sole discretion.

1. The Borrower shall provide the applicable Extension Request at least five (5) Business Days (or such shorter period as may be agreed by the Administrative Agent) prior to the date on which Lenders under the Existing Loan Tranche are requested to respond, and shall agree to such procedures, if any, as may be established by, or acceptable to, the Administrative Agent, in each case acting reasonably to accomplish the purposes of this Section 2.25. No Lender shall have any obligation to agree to have any of its Loans of any Existing Loan Tranche amended into Extended Loans pursuant to any Extension Request. Any Lender holding a Loan under an Existing Loan Tranche (each, an “Extending Lender”) wishing to have all or a portion of its Loans under the Existing Loan Tranche subject to such Extension Request amended into Extended Loans shall notify the Administrative Agent (each, an “Extension Election”) on or prior to the date specified in such Extension Request of the amount of its Loans under the Existing Loan Tranche, which it has elected to request be amended into Extended Loans (subject to any minimum denomination requirements imposed by the Administrative Agent). In the event that the aggregate principal amount of Loans under the Existing Loan Tranche in respect of which applicable Lenders shall have accepted the relevant Extension Request exceeds the amount of Extended Loans requested to be extended pursuant to the Extension Request, Loans subject to Extension Elections shall be amended to Extended Loans on a pro rata basis (subject to rounding by the Administrative Agent, which shall be conclusive) based on the aggregate principal amount of Loans included in each such Extension Election.
   1. Extended Loans shall be established pursuant to an amendment (each, a “Extension Amendment”) to this Agreement among the Borrower, the Administrative Agent and each Extending Lender, providing an Extended Loan thereunder, which shall be consistent with the provisions set forth in Section 2.25(a) or (b) above, respectively (but which shall not require the consent of any other Lender). The effectiveness of any Extension Amendment shall be subject to the satisfaction on the date thereof (the “Extension Facility Closing Date”) of each of the following conditions: (x) except as otherwise agreed by the Extending Lenders, the representations and warranties of each Loan Party set forth in Article III and in each other Loan Document shall be true and correct in all material respects on and as of the Extension Facility Closing Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date; provided, further, that any representation and warranty that is qualified as to “materiality,” “Material Adverse Effect” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates, (y) except as otherwise agreed by the Extending Lenders, no Default shall exist or would result from the Extended Loan or from the application of the proceeds therefrom and (z) to the extent reasonably requested by the Administrative Agent, receipt by the Administrative Agent of (i) legal opinions, board

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resolutions and officers’ certificates consistent with those delivered on the Effective Date (conformed as appropriate) other than changes to such legal opinions resulting from a change in law, change in fact or change to counsel’s form of opinion reasonably satisfactory to the Administrative Agent and (ii) reaffirmation agreements and/or such amendments to the Loan Documents as may be reasonably requested by the Administrative Agent in order to ensure that the Extended Loans are provided with the benefit of the applicable Loan Documents. The Administrative Agent shall promptly notify each Lender as to the effectiveness of each Extension Amendment. Each of the parties hereto hereby agrees that this Agreement and the other Loan Documents may be amended pursuant to an Extension Amendment, without the consent of any other Lenders, to the extent (but only to the extent) necessary to (i) reflect the existence and terms of the Extended Loans incurred pursuant thereto, (ii) modify the scheduled repayments set forth in Section 2.10 with respect to any Existing Loan Tranche subject to an Extension Election to reflect a reduction in the principal amount of the Loans required to be paid thereunder in an amount equal to the aggregate principal amount of the Extended Loans amended pursuant to the applicable Extension (with such amount to be applied ratably to reduce scheduled repayments of such Loans required pursuant to Section 2.10), (iii) modify the prepayments set forth in Section 2.11 to reflect the existence of the Extended Loans and the application of prepayments with respect thereto, (iv) address technical issues relating to funding and payments and (v) effect such other amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the provisions of this Section 2.25, and the Required Lenders hereby expressly authorize the Administrative Agent to enter into any such Extension Amendment.

1. No conversion of Loans pursuant to any Extension in accordance with this Section 2.25 shall constitute a voluntary or mandatory payment or prepayment for purposes of this Agreement.

ARTICLE III

Representations and Warranties

Each Loan Party represents and warrants to the Lenders that (and where applicable, agrees):

SECTION 3.01. Organization; Powers. Each Loan Party and each of its Restricted Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to carry on its business as now conducted and (c) is qualified to do business in, and is in good standing in, every jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except in the case of each of clauses (b) and (c) above, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.02. Authorization; Enforceability. The Transactions are within each Loan Party’s organizational powers and have been duly authorized by all necessary organizational actions and, if required, actions by equity holders. Each Loan Document to which each Loan Party is a party have been duly executed and delivered by such Loan Party and constitute a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

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SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect and except for filings necessary to perfect Liens created pursuant to the Loan Documents, (b) will not violate any Requirement of Law applicable to any Loan Party or any of their respective Subsidiaries, (c) will not violate the charter, bylaws or other organizational documents of any Loan Party or any of their respective Restricted Subsidiaries,

1. will not violate or result in a default under any indenture, agreement or other instrument binding upon any Loan Party or any of their respective Restricted Subsidiaries, or give rise to a right thereunder to require any payment to be made by any Loan Party or any of their respective Restricted Subsidiaries, and
2. will not result in the creation or imposition of any Lien on any asset of any Loan Party or any of their respective Restricted Subsidiaries, except Liens created pursuant to the Loan Documents and, in the case of each of clauses (a), (b), (d) and (e), except as would not reasonably be expected to have a Material Adverse Effect.

SECTION 3.04. Financial Condition; No Material Adverse Change.

1. The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows as of and for the fiscal years ended 2011, 2012 and 2013, reported on by KPMG LLP, independent public accountants. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Restricted Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to normal year-end audit adjustments.
2. No event, change or condition has occurred that has had, or could reasonably be expected to have, a Material Adverse Effect, since December 31, 2013.

SECTION 3.05. Properties.

1. As of the date of this Agreement, Schedule 3.05 sets forth the address of each parcel of real property that is owned or leased by any Loan Party. Each lease and sublease is valid and enforceable in accordance with its terms and is in full force and effect, and no default by any party to any such lease or sublease exists, except as could not reasonably be expected to have a Material Adverse Effect. Each Loan Party and each of its Restricted Subsidiaries has good and indefeasible title to, or valid leasehold interests in, all of its material real and personal property (except where the failure to have such title or other interest could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect), free of all Liens other than those permitted by Section 6.02.
2. Except, in each case, as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, each Loan Party and each of its Restricted Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property necessary to its business, a correct and complete list of which, as of the date of this Agreement, is set forth on Schedule 3.05, and except as set forth on Schedule 3.05 the use thereof by each Loan Party and each of its Restricted Subsidiaries does not infringe in any material respect upon the rights of any other Person, and each Loan Party’s and each of its Restricted Subsidiaries’ rights thereto are not subject to any licensing agreement or similar arrangement.

SECTION 3.06. Litigation and Environmental Matters.

1. There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Loan Party, threatened against or affecting any Loan Party or any of its Restricted Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve any Loan Document or the Transactions.

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1. Except for the Disclosed Matters, (i) as of the Effective Date, no Loan Party or any of its Restricted Subsidiaries has received notice of any claim with respect to any Environmental Liability or knows of any basis for any Environmental Liability and (ii) and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, no Loan Party or any of its Restricted Subsidiaries (1) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law or (2) has become subject to any Environmental Liability.

SECTION 3.07. Compliance with Laws and Agreements. Except where the failure to do so, individually or in the aggregate could not reasonably be expected to result in a Material Adverse Effect, each Loan Party and each of its Restricted Subsidiaries is in compliance with (i) its charter, by-laws or other organizational documents, (ii) all Requirements of Law applicable to it or its property and (iii) all indentures, agreements and other instruments binding upon it or its property with respect to any Material Indebtedness.

SECTION 3.08. Investment Company Status. No Loan Party or any of its Restricted Subsidiaries is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each Loan Party and each of its Restricted Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Loan Party or such Restricted Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not be expected to result in a Material Adverse Effect. As of the Effective Date, no material tax liens have been filed and no material claims are being asserted with respect to any such taxes.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. Neither the Lenders’ Presentation nor any of the other written reports, financial statements, certificates or other written information furnished by or on behalf of any Loan Party or any of its Restricted Subsidiaries to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or any other Loan Document (as modified or supplemented by other written information so furnished) contains any untrue misstatement of material fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which they were made, not materially misleading; provided that, with respect to projected financial information, the Loan Parties represent represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time delivered, it being understood that

1. such projected financial information is not to be viewed as fact and that actual results during the period or periods covered by any such projections may differ significantly from the projected results and such differences may be material and (b) such projected financial information is subject to significant uncertainties and contingencies and no assurance can be given that the projected results will be realized.

SECTION 3.12. No Default. No Default or Event of Default has occurred and is continuing.

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SECTION 3.13. Solvency. (a) Immediately after the consummation of the Transactions to occur on the Effective Date, (i) the fair value of the assets of the Loan Parties, on a consolidated basis, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise; (ii) the present fair saleable value of the property of the Loan Parties will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (iii) the Loan Parties, on a consolidated basis, will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and

1. the Loan Parties, on a consolidated basis, will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted after the Effective Date.
   1. No Loan Party intends to, or will permit any of its Restricted Subsidiaries to, and no Loan Party believes that it or any of its Restricted Subsidiaries will, on a consolidated basis, incur debts beyond its ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it or any such Restricted Subsidiary and the timing of the amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness of any such Restricted Subsidiary.

SECTION 3.14. Margin Regulations. No Loan Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of “purchasing” or “carrying” any “margin stock” as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as “Margin Stock”). No Loan Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of “purchasing” or “carrying” any “margin stock” as such terms are defined in Regulation U of the Federal Reserve Board, and none of the proceeds of the Term Loans or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any of the Term Loans or other extensions of credit under this Agreement to be considered a “purpose credit” within the meaning of Regulations T, U or X of the Federal Reserve Board. No Loan Party will take or permit to be taken any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

SECTION 3.15. Capitalization and Subsidiaries. Schedule 3.15 sets forth as of the Effective Date (a) a correct and complete list of the name and relationship to the Borrower of each Subsidiary of the Borrower, (b) a true and complete listing of each class of each of the Borrower’s authorized Equity Interests, of which all of such issued shares are validly issued, outstanding, fully paid and non-assessable, and owned beneficially and of record by the Persons identified on Schedule 3.15, and (c) the type of entity of the Borrower and each of its Subsidiaries. All of the issued and outstanding Equity Interests owned by any Loan Party have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and is fully paid and non-assessable.

SECTION 3.16. Security Interest in Collateral. The provisions of the Collateral Documents create legal and valid Liens on all the Collateral in favor of the Administrative Agent, for the benefit of the Secured Parties, and, upon filing of UCC financing statements and the taking of any other actions or making of filings required for perfection under the laws of the relevant Collateral Documents and specified herein or in such Collateral Documents, as, and when necessary and required and, if applicable, the taking of actions or making of filings with respect to intellectual property registrations or applications issued or pending as specified, such Liens constitute perfected and continuing Liens on the Collateral securing the Secured Obligations, enforceable against the applicable Loan Party and all third parties (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in

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equity or at law), and having priority over all other Liens on the Collateral except in the case of (a) Permitted Encumbrances, to the extent any such Permitted Encumbrances would have priority over the Liens in favor of the Administrative Agent pursuant to any applicable law or agreement, and (b) Liens perfected only by possession (including possession of any certificate of title or bond), to the extent the Administrative Agent has not obtained or does not maintain possession of such Collateral.

SECTION 3.17. Employment Matters. As of the Effective Date, there are no strikes, lockouts or slowdowns against any Loan Party or any Restricted Subsidiary pending or, to the knowledge of the Loan Parties, threatened, except as would not reasonably be expected to result in a Material Adverse Effect. The hours worked by and payments made to employees of the Loan Parties and the Restricted Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, except individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. To the knowledge of the Borrower all payments due from any Loan Party or any Restricted Subsidiary, or for which any claim may be made against any Loan Party or any Restricted Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Loan Party or such Restricted Subsidiary, except as would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.18. USA PATRIOT Act, Etc.

1. None of the Loan Parties, any of their Restricted Subsidiaries or, to the knowledge of the Loan Parties, any of their respective Affiliates over which any of the foregoing exercises management control (each, a “Controlled Affiliate”) is a Prohibited Person, and the Loan Parties, their Restricted Subsidiaries and, to the knowledge of the Loan Parties, such Controlled Affiliates are in compliance with all applicable orders, rules and regulations of OFAC.
2. None of the Loan Parties, any of their Restricted Subsidiaries or, to the knowledge of the Loan Parties, any of their respective Affiliates: (i) is targeted by United States or multilateral economic or trade sanctions currently in force; (ii) is owned or controlled by, or acts on behalf of, any Person that is targeted by United States or multilateral economic or trade sanctions currently in force; (iii) is a Prohibited Person; or (iv) is named, identified or described on any list of Persons with whom United States Persons may not conduct business, including any such blocked persons list, designated nationals list, denied persons list, entity list, debarred party list, unverified list, sanctions list or other such lists published or maintained by the United States, including OFAC, the United States Department of Commerce or the United States Department of State.
3. No part of the proceeds of the Loans will be used, directly or, to the knowledge of the Loan Parties, indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

SECTION 3.19. Embargoed Person. (a) No Loan Party’s, nor any of their Subsidiaries’, assets constitute property of, or are beneficially owned, directly or indirectly, by any Person targeted by economic or trade sanctions under U.S. law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., the Trading with the Enemy Act, 50 U.S.C. App. 1 et seq. (the “Trading With the Enemy Act”), any of the foreign assets control regulations of the Treasury (31 C.F.R., Subtitle B, Chapter V, as amended) (the “Foreign Assets Control Regulations”) or any enabling legislation or regulations promulgated thereunder or executive order relating thereto (which includes, without limitation, (i) Executive Order No. 13224, effective as of September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support

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Terrorism (66 Fed. Reg. 49079 (2001)) (the “Executive Order”) and (ii) the USA PATRIOT Act, if the result of such ownership would be that any Loan made by any Lender would be in violation of law (“Embargoed Person”); (b) no Embargoed Person has any interest of any nature whatsoever in any Loan Party if the result of such interest would be that any Loan would be in violation of law; (c) no Loan Party has engaged in business with Embargoed Persons if the result of such business would be that any Loan made by any Lender would be in violation of law; and (d) neither any Loan Party nor any Controlled Affiliate

1. is or take any action that will cause them to become a “blocked person” as described in the Executive Order, the Trading With the Enemy Act or the Foreign Assets Control Regulations or (ii) engages or will engage in any dealings or transactions, or be otherwise associated, with any such “blocked person”. For purposes of determining whether or not a representation is true or a covenant is being complied with under this Section 3.19, the Loan Parties shall not be required to make any investigation into (i) the ownership of publicly traded stock or other publicly traded securities or (ii) the beneficial ownership of any collective investment fund.

SECTION 3.20. [Reserved].

SECTION 3.21. Status as Senior Debt. The Obligations are “senior debt” or “designated senior debt” (or any comparable term) under, and as may be defined in, any indenture or document governing any applicable Indebtedness that is subordinated in right of payment to the Obligations.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

* 1. Credit Agreement and Loan Documents. The Administrative Agent (or its counsel) shall have received (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence reasonably satisfactory to the Administrative Agent (which may include fax or other electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement and (ii) duly executed copies of the Loan Documents and such other certificates, documents, instruments and agreements as the Administrative Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including any promissory notes requested by a Lender at least three (3) Business Days in advance of the Effective Date pursuant to Section 2.10 payable to the order of each such requesting Lender and a written opinion of Ropes & Gray LLP, New York counsel to the Loan Parties, substantially in the form attached hereto as Exhibit G-1 and a written opinion of Pierce Atwood LLP, New Hampshire counsel to the Loan Parties organized in New Hampshire, substantially in the form attached hereto as Exhibit G-2, in each case addressed to the Administrative Agent, the Issuing Bank and the Lenders.
  2. Financial Statements and Projections. The Lenders shall have received (i) audited consolidated financial statements of the Borrower for the 2011, 2012 and 2013 fiscal years, (ii) unaudited interim consolidated financial statements of the Borrower for each fiscal quarter ended after the date of the latest applicable financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available and

1. financial statement projections (including projected consolidated balance sheets, statements of operations and statement of cash flows) on a fiscal year basis through December 31, 2018.

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* 1. Closing Certificates; Certified Certificate of Incorporation; Good Standing Certificates. The Administrative Agent shall have received (i) a certificate of each Loan Party, dated the Effective Date and executed by a responsible officer of such Loan Party, which shall (A) certify the resolutions of its Board of Directors, members or other body authorizing the execution, delivery and performance of the Loan Documents to which it is a party,

1. identify by name and title and bear the signatures of the Financial Officers and any other officers of such Loan Party authorized to sign the Loan Documents to which it is a party, and (C) contain appropriate attachments, including the certificate or articles of incorporation or organization of each Loan Party certified by the relevant authority of the jurisdiction of organization of such Loan Party and a true and correct copy of each Loan Party’s by-laws or operating, management or partnership agreement, and (ii) a long form good standing certificate for each Loan Party from its jurisdiction of organization.
   1. No Material Adverse Effect. The Administrative Agent shall have received a certificate, signed by the chief financial officer of the Borrower stating that since December 31, 2013, no Material Adverse Effect shall have occurred and is continuing.
   2. Fees. The Lenders and the Administrative Agent shall have received all fees required to be paid, and all expenses required to be reimbursed for which invoices have been presented (including the reasonable and documented fees and expenses of legal counsel), at least two (2) Business Days before the Effective Date. All such amounts will be paid with proceeds of Loans made on the Effective Date and will be reflected in the funding instructions given by the Borrower to the Administrative Agent on or before the Effective Date.
   3. Lien Searches. The Administrative Agent shall have received the results of a recent lien search in each of the jurisdictions where assets of the Loan Parties are located, and such search shall reveal no material liens on any of the assets of the Loan Parties except for liens permitted by

Section 6.02 or discharged on or prior to the Effective Date pursuant to a payoff letter or other documentation reasonably satisfactory to the Administrative Agent.

* 1. Payoff Letter. The Administrative Agent shall have received reasonably satisfactory payoff letters for all existing Indebtedness required to be

repaid.

* 1. Funding Account. The Administrative Agent shall have received a notice setting forth the deposit account of the Borrower (the “Funding Account”) to which the Lender is authorized by the Borrower to transfer the proceeds of any Borrowings requested or authorized pursuant to this Agreement.
  2. [Reserved].
  3. Solvency. The Administrative Agent shall have received a solvency certificate signed by a Financial Officer dated the Effective Date in form and substance reasonably satisfactory to the Administrative Agent.
  4. Pledged Stock; Stock Powers; Pledged Notes. The Administrative Agent shall have received (i) the certificates representing the Equity Interests pledged pursuant to the Security Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and (ii) each promissory note (if any) pledged to the Administrative Agent pursuant to the Security Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof.

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1. Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by the Collateral Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 6.02), shall be in proper form for filing, registration or recordation.
2. Insurance. The Administrative Agent shall have received evidence of insurance coverage in form, scope, and substance reasonably satisfactory to the Administrative Agent and otherwise in compliance with the terms of Section 5.09.
3. USA PATRIOT Act, Etc. The Administrative Agent and Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including USA PATRIOT Act, and a properly completed and signed IRS Form W-8 or W-9, as applicable, for each of Holdings, the Borrower, Pla-Fit Franchise, LLC, Pla-Fit Health, L.L.C., Planet Fitness Equipment, LLC and PFIP, LLC and any other Loan Party that the Administrative Agent may request.

For purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Effective Date specifying its objection thereto

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

1. The representations and warranties of the Loan Parties set forth in the Loan Documents shall be true and correct in all material respects with the same effect as though made on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, in each case, except as expressly set forth in Section 2.23(a) (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date, and that any representation or warranty which is subject to any materiality qualifier shall be required to be true and correct in all respects).
2. At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable and except as expressly set forth in Section 2.23(a), no Default shall have occurred and be continuing.

Each Borrowing (provided that a conversion or continuation of a Borrowing shall not constitute a “Borrowing” for purposes of this Section 4.02) and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section 4.02.

Notwithstanding the failure to satisfy the conditions precedent set forth in paragraph (a) or (b) of this Section 4.02, unless otherwise directed by the Required Lenders, the Administrative Agent may, but shall have no obligation to, continue to make Loans and the Issuing Bank may, but shall have no obligation to,

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issue or cause to be issued any Letter of Credit for the ratable account and risk of Lenders from time to time if the Administrative Agent believes that making such Loans or issuing or causing to be issued any such Letter of Credit is in the best interests of the Lenders.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated or have been cash collateralized or backstopped in a manner reasonably satisfactory to the Issuing Bank, in each case without any pending draw, and all LC Disbursements shall have been reimbursed, each Loan Party executing this Agreement, jointly and severally with all of the Loan Parties, covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Borrower will furnish to the Administrative Agent and the Administrative Agent will distribute to each Lender:

1. within 120 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and consolidated statements of operations, stockholders’ equity and cash flows as of the end of and for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing (without a “going concern” or like qualification or exception, and without any qualification or exception as to the scope of such audit (other than any exception, explanatory paragraph or qualification, that is expressly solely with respect to, or expressly resulting solely from, (i) an upcoming maturity date of the Loans occurring within one year from the time such report is delivered or (ii) any potential inability to satisfy a financial maintenance covenant on a future date)) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Restricted Subsidiaries on a consolidated basis in accordance with GAAP consistently applied and a management discussion and analysis that includes a comparison of performance for that fiscal year to the corresponding period in the prior year;
2. within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, its consolidated balance sheet and consolidated statements of operations, stockholders’ equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a Financial Officer of the Borrower as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Restricted Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes and a management discussion and analysis that includes a comparison of performance for that fiscal quarter to the corresponding period in the prior year;
3. promptly upon receipt thereof all management letters and other material correspondence issued by the Loan Parties’ auditors;
4. concurrently with any delivery of financial statements under clause (a) or (b) above (collectively or individually, as the context requires, the

“Financial Statements”), a certificate of a Financial Officer of the Borrower in substantially the form of Exhibit D (i)

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certifying, in the case of the Financial Statements delivered under clause (b) above, as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Restricted Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes and (ii) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, including any intent to exercise a cure right;

* 1. concurrently with any delivery of Financial Statements under clause (a) above, a certificate of the accounting firm that reported on such Financial Statements stating whether they obtained knowledge during the course of their examination of such Financial Statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);
  2. as soon as available, but in any event no later than 90 days following the end of each fiscal year of the Borrower commencing with the fiscal year ending December 31, 2014, a copy of the plan and forecast (including a projected consolidated and consolidating balance sheet, income statement and cash flow statement) of the Borrower for each ~~month~~quarter of the upcoming fiscal year (the “Projections”) in form reasonably satisfactory to the Administrative Agent;
  3. promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Loan Party, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.
  4. promptly after any request therefor by the Administrative Agent or any Lender, copies of (i) any documents described in Section 101(k)(1) of ERISA that the Borrower or any of its ERISA Affiliates may request with respect to any Multiemployer Plan and (ii) any notices described in Section 101(l)(1) of ERISA that the Borrower or any of its ERISA Affiliates may request with respect to any Multiemployer Plan; provided that if the Borrower or any of its ERISA Affiliates has not requested such documents or notices from the administrator or sponsor of the applicable Multiemployer Plan, the Borrower or the applicable ERISA Affiliate shall promptly make a request for such documents and notices from such administrator or sponsor and shall provide copies of such documents and notices promptly after receipt thereof.
  5. promptly after the designation of (x) a Restricted Subsidiary as an Unrestricted Subsidiary, a certificate of an authorized officer of the Borrower certifying compliance with the definition of the term Unrestricted Subsidiary and (y) upon designation of an Unrestricted Subsidiary as a Restricted Subsidiary certifying compliance with the terms (including all Negative Covenants) of this Agreement.
  6. while any Subsidiary is designated as an Unrestricted Subsidiary, financial information required to be delivered pursuant to clauses (a) and

1. of this Section 5.01 accompanied by consolidating information that explains in reasonable detail the differences between the information relating to the Borrower and its Subsidiaries, on the one hand, and the information relating to the Borrower and the Restricted Subsidiaries on a standalone basis, on the other hand (which need not be audited in the case of clause (a) of this Section 5.01).

Notwithstanding the foregoing, the obligations in clauses (a) and (b) of this Section 5.01 may be satisfied with respect to financial information of Holdings, the Borrower and the Restricted Subsidiaries by furnishing (A) the applicable financial statements of any direct or indirect parent of the Borrower or (B) the Borrower’s or such entity’s Form 10-K or 10-Q, as applicable, filed with the SEC; provided that, with respect to each of clauses (A) and (B), (i) to the extent such information relates to a

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parent of the Borrower, such information is accompanied by consolidating information (which need not be audited in the case of clause (a) of this Section 5.01) that explains in reasonable detail the differences between the information relating to the Borrower (or such parent), on the one hand, and the information relating to the Borrower and the Restricted Subsidiaries on a standalone basis, on the other hand and (ii) to the extent such information is in lieu of information required to be provided under Section 5.01(a), such materials are accompanied by a report of an independent registered public accounting firm of nationally recognized standing, which report and opinion (x) shall be prepared in accordance with generally accepted auditing standards and (y) shall not be subject to any “going concern” or like qualification or exception or any qualification or exception as to the scope of such audit (other than any exception, explanatory paragraph or qualification, that is expressly solely with respect to, or expressly resulting solely from, (i) an upcoming maturity date of the Loans occurring within one year from the time such report and opinion is delivered or (ii) any potential inability to satisfy a financial maintenance covenant on a future date)). Documents required to be delivered pursuant to clauses (a) and (b) of this Section 5.01 (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the earliest date on which (i) the Borrower posts such documents, or provides a link thereto on the Borrower’s website on the Internet; (ii) such documents are posted on the Borrower’s behalf on IntraLinks/IntraAgency or another website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent), or (iii) such financial statements and/or other documents are posted on the SEC’s website on the internet at *www.sec.gov*; provided, that, (A) the Borrower shall, at the request of the Administrative Agent, continue to deliver copies (which delivery may be by electronic transmission ) of such documents to the Administrative Agent and (B) the Borrower shall notify (which notification may be by facsimile or electronic transmission) the Administrative Agent of the posting of any such documents on any website described in this paragraph. Each Lender shall be solely responsible for timely accessing posted documents or requesting delivery of paper copies of such documents from the Administrative Agent and maintaining its copies of such documents. The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrowers with any such request by a Lender for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

SECTION 5.02. Notices of Material Events. Each of the Borrower and Holdings will furnish to the Administrative Agent promptly (but in any event within any time period that may be specified below) written notice of the following (and the Administrative Agent will distribute to each Lender):

1. the occurrence of any Event of Default;
2. receipt of any notice of any investigation by a Governmental Authority or any litigation or proceeding commenced or threatened against any Loan Party or any of its Restricted Subsidiaries that, in each case, would reasonably be expected to result in a Material Adverse Effect; and
3. any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. Each Loan Party will, and will cause each Restricted Subsidiary to, (a) do or cause to be done all things necessary to preserve, renew and keep in full

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force and effect its legal existence and the rights, qualifications, licenses, permits, franchises, governmental authorizations and intellectual property rights (collectively, “Rights”) material to the conduct of its business, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; provided, that the foregoing shall not prohibit (i) any merger, consolidation, liquidation or dissolution permitted under Section 6.03 or (ii) the waiver, non-renewal, or other abandonment of any Rights (including any intellectual property rights) that, in the business judgment of management of the Loan Party, are not material to the conduct of its business and (b) engage in business to the extent not prohibited by Section 6.03(b).

SECTION 5.04. Payment of Obligations. Each Loan Party will, and will cause each Restricted Subsidiary to, pay or discharge all Material Indebtedness and all other material liabilities and obligations, including Taxes, before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) such Loan Party has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties. Each Loan Party will keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear and casualty excepted, except where the failure to do so could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect; provided, however, that such Loan Party shall not be required to maintain any property if the preservation thereof is no longer desirable in the conduct of the business of such Person.

SECTION 5.06. Books and Records; Inspection Rights. Each Loan Party will, and will cause each Restricted Subsidiary to, (a) keep proper books of record and account in which full, true and correct entries are made of all transactions in relation to its business and activities and (b) permit officers and designated representatives of the Administrative Agent or the Required Lenders to visit and inspect any of the properties or assets of any Loan Party and any such Subsidiary in whomsoever’s possession to the extent that it is within such party’s control to permit such inspection (and shall use commercially reasonable efforts to cause such inspection to be permitted to the extent that it is not within such party’s control to permit such inspection), and to examine the books and records of such Loan Party and any such Subsidiary and discuss the affairs, finances and accounts of such Loan Party and of any such Subsidiary with, and be advised as to the same by, its and their officers and independent accountants, all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or the Required Lenders may desire; provided that, excluding any such visits and inspections during an Event of Default,

1. only the Administrative Agent on behalf of the Required Lenders may exercise rights of the Administrative Agent and the Lenders under this Section 5.06,
2. the Administrative Agent shall not exercise such rights more than once in any calendar year, which such visits will be at the Borrower’s expense, and
3. notwithstanding anything to the contrary in this Section 5.06, none of Borrower or any of the Restricted Subsidiaries will be required to disclose, permit the inspection, examination or making copies or abstracts of, or discussion of, any document, information or other matter that (i) constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure to the Administrative Agent or any Lender (or their respective representatives or contractors) is prohibited by law or (iii) is subject to attorney-client or similar privilege or constitutes attorney work product (in each case, determined based upon advice of counsel); provided, further, that when an Event of Default exists, the Administrative Agent (or any of its respective representatives or independent contractors) or any representative of the Required Lenders may do any of the foregoing at the expense of the Borrowers at any time during normal business hours and upon reasonable advance notice. The Administrative Agent and the Required Lenders shall give the Borrowers the opportunity to participate in any discussions with the Borrowers’ independent public accountants.

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SECTION 5.07. Compliance with Laws. Each Loan Party will, and will cause each Restricted Subsidiary to, comply with all Requirements of Law applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X. All proceeds of the Original Term Loans ~~(other than Incremental Term~~ ~~Loans)~~ will be used by the Borrower in connection with the Effective Date Transactions and any remaining proceeds may be used for corporate purposes and to pay fees and expenses incurred in connection with the Transaction. All proceeds of the New Term Loans will be used by the Borrower to effect the 2015 Special Distribution and pay fees and expenses incurred in connection therewith. All proceeds of the Revolving Loans (including those made pursuant to Revolving Commitment Increases) and the Swingline Loans will be used for any purpose not otherwise prohibited under this Agreement.

SECTION 5.09. Insurance. Each Loan Party will, and will cause each Restricted Subsidiary to, maintain with financially sound and reputable carriers

1. insurance in such amounts (after giving effect to any self-insurance reasonable and customary for similarly situated Persons engaged in the same or similar businesses as the Borrower and its Restricted Subsidiaries) (with no greater risk retention) and against such risks (including loss or damage by fire and loss in transit; theft, burglary, pilferage, larceny, embezzlement, and other criminal activities; business interruption; and general liability) and such other hazards, as is customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations and (b) all insurance required pursuant to the Collateral Documents. The Borrower will furnish to the Lenders, upon request of the Administrative Agent, but no less frequently than annually, information in reasonable detail as to the insurance so maintained.

SECTION 5.10. Maintenance of Ratings. The Borrower will use commercially reasonable efforts to obtain and maintain (but not maintain any specific rating) a corporate family and/or corporate credit rating, as applicable, and ratings in respect of the Term Loans provided pursuant to this Agreement, in each case, from each of S&P and Moody’s.

SECTION 5.11. Post-Closing Actions. The Loan Parties shall deliver or use commercially reasonable efforts to deliver (to the extent specified on Schedule 5.11) to the Administrative Agent, within 90 days of the Effective Date (or such later date as the Administrative Agent may agree in its reasonable discretion), the items listed on Schedule 5.11; provided that the Loan Parties shall not be required to make payments to obtain such items, except for any payments already required.

SECTION 5.12. Additional Collateral; Further Assurances.

1. Subject to applicable Requirements of Law, each Loan Party will cause each of its domestic Restricted Subsidiaries (other than any Excluded Subsidiary) formed or acquired after the date of this Agreement to become a Loan Party by executing a Joinder Agreement in substantially the form of Exhibit E. Upon execution and delivery thereof, each such Person (i) shall automatically become a Loan Guarantor hereunder and thereupon shall have all of the rights, benefits, duties, and obligations in such capacity under the Loan Documents and (ii) will grant Liens to the Administrative Agent, for the benefit of the Administrative Agent and the Lenders, in any property of such Loan Party which constitutes Collateral.
2. Each Loan Party will cause (i) 100% of the issued and outstanding Equity Interests of each of its domestic Restricted Subsidiaries (other than a Disregarded Domestic Subsidiary) and (ii) 65% of the issued and outstanding Equity Interests entitled to vote and 100% of the issued and outstanding Equity Interests not entitled to vote in each foreign Restricted Subsidiary and Disregarded Domestic

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Subsidiary directly owned by the Borrower or any domestic Restricted Subsidiary that is not a Disregarded Domestic Subsidiary to be subject at all times to a first priority, perfected Lien in favor of the Administrative Agent for the benefit of the Administrative Agent and the Lenders, pursuant to the terms and conditions of the Loan Documents or other security documents as the Administrative Agent shall reasonably request.

1. The Borrower will cause Holdings to pledge and grant a first priority, perfected Lien in favor of the Administrative Agent in 100% of the issued and outstanding Equity Interests of the Borrower.
2. Without limiting the foregoing, each Loan Party will, and will cause each Restricted Subsidiary to, execute and deliver, or cause to be executed and delivered, to the Administrative Agent such documents, agreements and instruments, and will take or cause to be taken such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents and such other actions or deliveries of the type required by Section 4.01, as applicable), which may be required by law or which the Administrative Agent may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Loan Documents and to ensure perfection and priority of the Liens created or intended to be created by the Collateral Documents, all at the expense of the Loan Parties. Nothing in this Section 5.12 shall require, and the Loan Documents shall not contain any requirements as to, the creation or perfection of pledges of or security interests in, or the obtaining of title insurance, surveys, abstracts or appraisals or taking other actions with respect to any Excluded Property.
3. If any material assets (including any real property or improvements thereto having a fair market value in excess of $1,000,000 or any interest therein) are acquired by any Loan Party after the Effective Date (other than assets constituting Collateral under the Security Agreement that become subject to the Lien in favor of the Security Agreement upon acquisition thereof), the Borrower will (i) notify the Administrative Agent and the Lenders thereof, and, if requested by the Administrative Agent or the Required Lenders, cause such assets to be subjected to a Lien securing the Secured Obligations and (ii) take, and cause each applicable Loan Party to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect such Liens, including actions described in paragraph (c) of this Section, all at the expense of the Loan Parties.
4. Notwithstanding any other provision to the contrary, nothing in this Section 5.12 shall require, and the Loan Documents shall not contain any requirements as to, the creation or perfection of pledges of or security interests in any Excluded Property.
5. No actions shall be required to create any security interests in any assets or to perfect such security interests other than in the United States (it being understood that there shall be no security agreement or pledge agreement governed under the Laws of any non-U.S. jurisdiction).

SECTION 5.13. Designation of Unrestricted Subsidiaries. The Borrower may at any time after the Effective Date designate any Restricted Subsidiary as an Unrestricted Subsidiary or any Unrestricted Subsidiary as a Restricted Subsidiary; provided that (i) immediately before and after such designation or redesignation, no Event of Default shall have occurred and be continuing, (ii) no Subsidiary may be designated as an Unrestricted Subsidiary if, after such designation, it would be a “Restricted Subsidiary” for the purpose of any other Indebtedness, (iii) no Restricted Subsidiary shall be designated an Unrestricted Subsidiary if it owns Equity Interests or Indebtedness of, or owns or holds any Lien on any property of, Holdings, the Borrower or any other Restricted Subsidiary and (iv) any designation of a Restricted Subsidiary as an Unrestricted Subsidiary complies with the definition of the term Unrestricted Subsidiary. The designation of any Subsidiary as an Unrestricted Subsidiary after the Effective Date shall constitute an

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Investment by the applicable Loan Party therein at the date of designation as set forth in the definition of Investment. The designation of any Unrestricted Subsidiary as a Restricted Subsidiary shall constitute (a) the incurrence (at the time of designation) of any Investment, Indebtedness or Liens of such Subsidiary existing at such time and (b) a return on any Investment by the applicable Loan Party in Unrestricted Subsidiaries pursuant to the definition of Investment and shall be permitted if after giving pro forma effect to such designation the Borrower would be in compliance with the financial covenant set forth in Section 6.12.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees, expenses and other amounts payable under any Loan Document have been paid in full and all Letters of Credit have expired or terminated or have been cash collateralized or backstopped in a manner reasonably satisfactory to the Issuing Bank, and all LC Disbursements shall have been reimbursed, each Loan Party executing this Agreement, jointly and severally with all of the other Loan Parties, covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. No Loan Party will, nor will it permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any

Indebtedness, except:

1. the Secured Obligations;
2. Indebtedness existing on the date hereof and set forth in Schedule 6.01 and any extensions, renewals, refinancings and replacements of any such Indebtedness in accordance with clause (f) hereof;
3. Indebtedness of the Borrower to any Restricted Subsidiary and of any Restricted Subsidiary to the Borrower or any other Restricted Subsidiary, provided that (i) Indebtedness of any Restricted Subsidiary that is not a Loan Party to the Borrower or any other Loan Party shall be subject to Section 6.04 and (ii) Indebtedness of any Loan Party to any Restricted Subsidiary that is not a Loan Party shall be subordinated to the Secured Obligations pursuant to the Global Intercompany Note; provided, further, that no Loan Party may make any payment or pre-payment on the Indebtedness permitted under this clause (ii) unless the such payment or pre-payment is permitted pursuant to the Global Intercompany Note;
4. Guarantees by the Borrower of Indebtedness of any Restricted Subsidiary and by any Restricted Subsidiary of Indebtedness of the Borrower or any other Restricted Subsidiary, provided that (i) the Indebtedness so Guaranteed is permitted by this Section 6.01, (ii) Guarantees by the Borrower or other Loan Party of Indebtedness of any Restricted Subsidiary that is not a Loan Party shall be subject to Section 6.04 and (iii) Guarantees permitted under this clause (d) shall be subordinated to the Secured Obligations on the same terms as the Indebtedness so Guaranteed is subordinated to the Secured Obligations;
5. Indebtedness of the Borrower or any Restricted Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets (whether or not constituting purchase money Indebtedness), including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness in accordance with clause (f) below; provided that (i) such Indebtedness is incurred

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prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this clause (e) together with any Refinance Indebtedness in respect thereof permitted by clause (f) below, shall not exceed the greater of (x) $30,000,000 and (y) 5% of Consolidated Total Assets (measured on a pro forma basis as of the date such Indebtedness is incurred based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) at any time outstanding;

* 1. Indebtedness which represents extensions, renewals, refinancings and replacements (such Indebtedness being so extended, renewed,

refinanced or replaced being referred to herein as the “Refinance Indebtedness”) of any of the Indebtedness described in clauses (b), (e), (f), (i), (j) and

1. hereof (such Indebtedness being referred to herein as the “Original Indebtedness”); provided that, (i) such Refinance Indebtedness does not increase the principal amount or interest rate of the Original Indebtedness, except by an amount equal to unpaid accrued interest and premium thereon plus other reasonable amounts paid and fees and expenses reasonably incurred, in connection with such Refinance Indebtedness, (ii) any Liens securing such Refinance Indebtedness are not extended to any additional property of any Loan Party or an of its Restricted Subsidiaries, (iii) no Loan Party or any of its Restricted Subsidiaries that is not originally obligated with respect to repayment of such Original Indebtedness is required to become obligated with respect to such Refinance Indebtedness, (iv) such Refinance Indebtedness does not result in a shortening of the average weighted maturity of such Original Indebtedness, (v) the terms of such Refinance Indebtedness (other than fees and interest) are (A) not, when taken as a whole, materially less favorable to the obligor thereunder than the original terms of such Original Indebtedness or (B) reflect current market terms for such type of Indebtedness and (vi) if such Original Indebtedness was subordinated in right of payment to the Secured Obligations, then the terms and conditions of such Refinance Indebtedness must include subordination terms and conditions that are at least as favorable to the Administrative Agent and the Lenders as those that were applicable to such Original Indebtedness;
   1. Indebtedness owed to any Person providing workers’ compensation, health, disability or other employee benefits or property, casualty or liability insurance, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;
   2. Indebtedness of any Loan Party in respect of performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of business;
   3. so long as no Default or Event of Default then exists or would result therefrom and Borrower shall be in compliance on a pro forma basis with the financial covenants set forth in Section 6.12 immediately after giving effect to the incurrence of such Indebtedness, additional unsecured Indebtedness incurred by the Borrower and its Restricted Subsidiaries in an aggregate principal amount not to exceed an amount such that the Total Net Leverage Ratio calculated on a pro forma basis would not exceed a ratio equal to the ratio that is 0.25 to 1.00 lower than the Total Net Leverage Ratio set forth in Section 6.12 for the fiscal quarter ended immediately preceding the date of incurrence of such Indebtedness;
   4. Indebtedness of any Person that becomes a Restricted Subsidiary after the date hereof; provided that (i) such Indebtedness exists at the time such Person becomes a Restricted Subsidiary and is not created in contemplation of or in connection with such Person becoming a Restricted Subsidiary and (ii) the aggregate principal amount of Indebtedness permitted by this



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clause (j) together with any Refinance Indebtedness in respect thereof permitted by clause (f) above, shall not exceed the greater of (x) $10,000,000 and

1. 2% of Consolidated Total Assets (measured on a pro forma basis as of the date such Indebtedness is incurred based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) at any time outstanding;
   1. Indebtedness in an aggregate principal amount not exceeding the greater of (i) $20,000,000 and (ii) 4% of Consolidated Total Assets (measured on a pro forma basis as of the date such Indebtedness is incurred based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) at any time outstanding;
   2. Indebtedness in respect of Swap Agreements permitted under Section 6.07;
   3. Indebtedness which may be deemed to exist pursuant to any guaranties, performance, surety, statutory, appeal or similar obligations incurred in the ordinary course of business;
   4. Indebtedness in respect of netting services, overdraft protections and otherwise in connection with deposit accounts;
   5. Indebtedness consisting of financing of insurance premiums in the ordinary course of business;
   6. Indebtedness incurred by the Borrower or any of its Restricted Subsidiaries in respect of letters of credit, bank guarantees, bankers’ acceptances, or similar instruments issued or created in the ordinary course of business, including in respect of workers compensation claims, health, disability or other employee benefits or other Indebtedness with respect to reimbursement-type obligations regarding workers compensation claims;
   7. Promissory notes issued in connection with the repurchase, redemption or other acquisition or retirement of Equity Interests held by any current or former officer, director or employee of any Parent, the Borrower or any of its Restricted Subsidiaries; provided that such repurchase, redemption, or other acquisition or retirement is permitted by Section 6.08(a)(iii);
   8. Indebtedness representing deferred compensation or similar arrangements to employees of Holdings (or any direct or indirect parent thereof) the Borrower or any of its Restricted Subsidiaries incurred in the ordinary course of business;
   9. any Guarantee by the Borrower or a Restricted Subsidiary of Indebtedness of the Borrower or a Restricted Subsidiary that was incurred in compliance with this covenant; provided, however, that if such Indebtedness is by its express terms subordinated in right of payment to the Obligations or the Guarantee of such Restricted Subsidiary, as applicable, any such guarantee with respect to such Indebtedness shall be expressly subordinated in right of payment to the Obligations or such Restricted Subsidiary’s Guarantee;
   10. Incremental Equivalent Debt and Refinancing Equivalent Debt and any Permitted Refinancing of the foregoing;
   11. Indebtedness of Foreign Subsidiaries owing to unrelated third-parties in an aggregate principal amount not to exceed the greater of

(i) $5,000,000 and (ii) 1% of Consolidated

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Total Assets (measured on a pro forma basis as of the date such Investment is made based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) at any time outstanding; provided that such Indebtedness shall be non-recourse to the Loan Parties;

1. Contingent obligations of any Loan Party in respect of Indebtedness of a Loan Party otherwise permitted under this Section 6.01;
2. unsecured Indebtedness to current or former officers, managers, consultants, directors and employees, their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests or other equity-based awards of the Borrower or any direct or indirect parent of the Borrower permitted by Section 6.08, in an aggregate amount not to exceed $5,000,000 at any time outstanding; and
3. Indebtedness arising from agreements of Borrower or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earnout or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Restricted Subsidiary or other Person, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Restricted Subsidiary for the purpose of financing such acquisition; provided that such Indebtedness is not reflected on the balance sheet of Holdings, the Borrower or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected as Indebtedness on such balance sheet for purposes of this clause (x)).

For purposes of determining compliance with Section 6.01, in the event that an item of Indebtedness (or any portion thereof) at any time, whether at the time of incurrence or issuance or upon the application of all or a portion of the proceeds thereof or subsequently, meets the criteria of more than one of the categories of permitted Indebtedness described in Section 6.01(b) through (x) above, the Borrower, in its sole discretion, will classify and may subsequently reclassify such item of Indebtedness (or any portion thereof) in any one or more of the types of Indebtedness described in Section 6.01(b) through (x) and will only be required to include the amount and type of such Indebtedness in such of the above clauses as determined by the Borrower at such time. The Borrower will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in clauses (b) through (x).

SECTION 6.02. Liens. No Loan Party will, nor will it permit any Restricted Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including Accounts) or rights in respect of any thereof, except:

1. Liens created pursuant to any Loan Document;
2. Liens securing Indebtedness permitted by Section 6.01(u); provided that such Liens do not extend to any property or asset of any Loan Party;
3. any Lien on any property or asset of the Borrower or any Restricted Subsidiary existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Restricted Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals, refinancings and replacements thereof that do not increase the outstanding principal amount thereof;

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1. Liens on fixed or capital assets acquired, leased, replaced, constructed or improved by the Borrower or any Restricted Subsidiary; provided that (i) such Liens secure Indebtedness permitted by Section 6.01(e), (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 120 days after such acquisition, lease or the completion of such replacement, construction or improvement and (iii) such Liens shall not apply to any other property or assets of the Borrower or any Restricted Subsidiary; provided that individual financings of equipment provided by one Person may be cross collateralized to other financings of equipment provided by such Person but not any other Person;
2. any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Restricted Subsidiary or existing on any property or asset of any Person that becomes a Loan Party or a Restricted Subsidiary of a Loan Party, as applicable, or is merged or consolidated with the Borrower or any Restricted Subsidiary after the Effective Date prior to the time such Person becomes a Loan Party or is so merged or consolidated; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation or such Person becoming a Loan Party or a subsidiary of a Loan Party, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Loan Party or a subsidiary of a Loan Party and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition, merger or consolidation or the date such Person becomes a Loan Party, as the case may be, and any extensions, renewals, refinancings and replacements thereof;
3. Liens (i) of a collecting bank arising in the ordinary course of business under Section 4-208 of the Uniform Commercial Code in effect in the relevant jurisdiction covering only the items being collected upon and (ii) in favor of banking or other financial institutions arising as a matter of law or under customary contractual provisions encumbering deposits or other funds maintained with such banking or other financial institutions (including the right of set off and grants of security interests in deposits and/or securities held by such banking or other financial institution) and that are within the general parameters customary in the banking industry;
4. Liens arising out of Sale and Leaseback Transactions permitted by Section 6.06;
5. Liens granted by a Restricted Subsidiary that is not a Loan Party in favor of the Borrower or another Loan Party in respect of Indebtedness owed by such Restricted Subsidiary;
6. Lien securing Indebtedness in an aggregate principal amount not exceeding the greater of (i) $20,000,000 and (ii) 4% of Consolidated Total Assets (measured on a pro forma basis as of the date such Indebtedness is incurred and such Lien is granted based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) at any time outstanding;
7. Liens imposed by law for Taxes, assessments or governmental charges that are not overdue for a period of more than thirty (30) days or that are being contested in compliance with Section 5.04;
8. landlord’s, carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s, construction contractor’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that (i) are not overdue by more than thirty (30) days or, if more than thirty (30) days overdue, are unfiled and no other action has been taken to enforce such Liens or (ii) are being contested in compliance with Section 5.04;

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(l)(i) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, health, disability or employee benefits, unemployment insurance and other social security laws or similar legislation or regulations or other insurance-related obligations and

1. pledges and deposits in the ordinary course of business securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to Holdings, the Borrower or any of its Restricted Subsidiaries;
   1. deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;
   2. judgment Liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII;
   3. easements, survey exceptions, zoning restrictions, ground leases, rights-of-way, encroachments, other minor defects or irregularities in title, and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Restricted Subsidiary;
   4. any interest or title of a lessor or sublessor under any lease not prohibited by this Agreement;
   5. Liens arising from precautionary uniform commercial code financing statements (or similar filings under applicable law) filed under any lease permitted by this Agreement;
   6. non-exclusive licenses and sublicenses granted by a Loan Party or any Restricted Subsidiary of a Loan Party and leases and subleases (by a Loan Party or any Restricted Subsidiary of a Loan Party as lessor or sublessor) to third parties in the ordinary course of business not interfering with the business of the Loan Parties or any of their Restricted Subsidiaries;
   7. Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Borrower or any Restricted Subsidiary of the Borrower in the ordinary course of business;
   8. Liens in favor of customs and revenue authorities arising as a matter of law which secure payment of customs duties in connection with the importation of goods in the ordinary course of business;
   9. Liens solely on any cash earnest money deposits made by the Borrower or any of its Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder;
   10. Liens on the property of any non-Loan Party, which Liens secure Indebtedness of any non-Loan Party incurred pursuant to clause (e) of Section 6.01; and
   11. Liens securing Incremental Equivalent Debt and Refinancing Equivalent Debt (and any Permitted Refinancing in respect of such Incremental Equivalent Debt and Refinancing Equivalent Debt), in each case, which is permitted to be secured pursuant to the provisions of this Agreement.

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SECTION 6.03. Fundamental Changes.

* 1. No Loan Party will, nor will it permit any Restricted Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing, (i) any Person may merge into the Borrower in a transaction in which the surviving entity is the Borrower,

1. any Person may merge into any Restricted Subsidiary in a transaction in which the surviving entity is a Restricted Subsidiary and, if any party to such merger is a Loan Party, is or becomes a Restricted Subsidiary that is Loan Party concurrently with such merger and (iii) any Restricted Subsidiary that is not a Loan Party may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a wholly owned Restricted Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.
   1. No Loan Party will, nor will it permit any Restricted Subsidiary to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and its Restricted Subsidiaries on the date hereof and businesses reasonably related thereto.
   2. Holdings will not engage in any business or activity other than (i) the ownership of all of the outstanding Equity Interests of the Borrower,
2. engaging in corporate and administrative functions and other activities incidental thereto, (iii) the maintenance of its capital structure including the issuance of Equity Interests (including Qualified Capital Stock) and entering into those agreements and arrangement incidental thereto and (iv) financing activities, including the issuance of securities, incurrence of debt, payment of dividends, making contributions to the capital of its Restricted Subsidiaries and guaranteeing the obligations of its Restricted Subsidiaries in each case solely to the extent not prohibited hereunder. Holdings will not own or acquire any assets (other than Equity Interests of the Borrower and the cash proceeds of any Restricted Payments permitted by Section 6.08 or proceeds of any issuance of Indebtedness or Equity Interests not prohibited by this Agreement pending application as required by this Agreement) or incur any liabilities (other than liabilities under the Loan Documents and liabilities reasonably incurred in connection with its maintenance of its existence); provided that after the Effective Date any other Person or Persons (“New Holdings”) that is a Restricted Subsidiary of (or are Restricted Subsidiaries of) Holdings or of any Parent of Holdings (or the previous New Holdings, as the case may be) but not the Borrower (“Previous Holdings”); provided that (A) such New Holdings directly owns (1) 100% of the Equity Interests of the Borrower and (2) 100% of the Equity Interests of each other direct Subsidiary of Previous Holdings which were owned by Previous Holdings immediately prior thereto, (B) New Holdings shall expressly assume all the obligations of Previous Holdings under this Agreement and the other Loan Documents pursuant to a supplement hereto or thereto in form and substance reasonably satisfactory to the Administrative Agent, (C) Holdings and the Borrower shall be required to deliver a favorable opinion of counsel on the corporate and collateral matters reasonably requested by the Administrative Agent, (D) all Equity Interest of the Borrower and each other direct Subsidiary of Previous Holdings and substantially all of the other assets of Previous Holdings are contributed or otherwise transferred directly to such New Holdings and pledged to secure the Obligations, (F) (1) no Default or Event of Default has occurred and is continuing at the time of such substitution and such substitution does not result in any Default or Event of Default,

(2) such substitution does not result in any material adverse tax consequences to any Loan Party and (3) such substitution does not result in any adverse tax consequences to any Lender (unless reimbursed hereunder) or to the Administrative Agent (unless reimbursed hereunder), (G) no Change in Control shall occur, (H) the Administrative Agent shall have received at least fifteen Business Days prior written notice of the proposed transaction and Previous Holdings, New Holdings and the Borrower shall promptly and in any event at least ten business days prior to the consummation of the transaction provide all information any Lender or Administrative Agent may

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reasonably request to satisfy its “know your customer” and other similar requirements with respect to the proposed successor New Holdings, (I) New Holdings shall be an entity organized or existing under the law of the United States, any state thereof or the District of Columbia, (J) the Loan Parties shall execute and deliver amendments, supplements and other modification to all Loan Documents and instruments and agreements executed in connection therewith in order to perfect and protect the liens and security interests in the Collateral of the New Holdings, in each case in form and substance satisfactory to the Administrative Agent, and (K) the Borrower delivers a certificate of the chief financial officer or the chief executive officer with respect to the satisfaction of the conditions set forth in this definition.

1. No Loan Party will, nor will it permit any Restricted Subsidiary to change its fiscal year; provided, however, that any Restricted Subsidiary of the Borrower that does not have a fiscal year ending on December 31, may, upon prior written notice to the Administrative Agent, change its fiscal year end to December 31.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. No Loan Party will, nor will it permit any Restricted Subsidiary to make any Investment, except:

1. Permitted Investments;
2. Investments in existence on the date hereof and described in Schedule 6.04;
3. Investments by the Borrower and the Restricted Subsidiaries in Equity Interests, or as capital contribution in respect thereof, in their

respective Restricted Subsidiaries, provided that (i) any such Equity Interests held by a Loan Party shall be pledged pursuant to the Security Agreement (subject to the exclusions set forth herein) and (ii) the aggregate amount of investments by Loan Parties in Restricted Subsidiaries that are not Loan Parties (together with outstanding intercompany loans permitted under Section 6.04(d) and outstanding Guarantees permitted under the Section 6.04(e)) shall not exceed the greater of (x) $30,000,000 and (y) 5.50% of Consolidated Total Assets (measured on a pro forma basis as of the date such Investment is made based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) at any time outstanding (in each case determined at the time of making such Investment without regard to any write-downs or write-offs);

1. loans or advances made by the Borrower to any Restricted Subsidiary and made by any Restricted Subsidiary to the Borrower or any other Restricted Subsidiary, provided that (i) any such loans and advances made by a Loan Party shall be evidenced by a promissory note pledged pursuant to the Security Agreement and (ii) the amount of such loans and advances made by Loan Parties to Restricted Subsidiaries that are not Loan Parties (together with outstanding Investments permitted under Section 6.04(c) and outstanding Guarantees permitted under Section 6.04(e)) shall not exceed the greater of (x) $30,000,000 and (y) 5.50% of Consolidated Total Assets (measured on a pro forma basis as of the date such Investment is made based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) at any time outstanding (in each case determined at the time of making such Investment without regard to any write-downs or write-offs);
2. Guarantees constituting Indebtedness permitted by Section 6.01, provided that the aggregate principal amount of Indebtedness of Restricted Subsidiaries that are not Loan Parties that is Guaranteed by any Loan Party shall (together with outstanding Investments permitted under clause (ii) to the proviso to Section 6.04(c) and outstanding intercompany loans permitted under clause (ii) to the proviso to Section 6.04(d) shall not exceed the greater of (x) $30,000,000 and (y)

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5.50% of Consolidated Total Assets (measured on a pro forma basis as of the date such Investment is made based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) at any time outstanding (in each case determined at the time of making such Guarantee without regard to any write-downs or write-offs);

* 1. loans or advances made to directors, officers and employees of the Loan Parties or any parent company or subsidiary of such Person on an arms-length basis in the ordinary course of business for travel and entertainment expenses, relocation costs or similar purposes up to a maximum of $500,000 in the aggregate at any one time outstanding;
  2. extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business and notes payable, stock, other securities or other non-cash consideration issued by Account Debtors to a Loan Party pursuant to negotiated agreements with respect to settlement of such Account Debtor’s Accounts in the ordinary course of business;
  3. Investments in the form of Swap Agreements permitted by Section 6.07;
  4. Investments of any Person existing at the time such Person becomes a Restricted Subsidiary of the Borrower or consolidates or merges with the Borrower or any of the Restricted Subsidiaries (including in connection with a permitted acquisition) so long as such Investments were not made in contemplation of such Person becoming a Restricted Subsidiary or of such merger;
  5. Investments received in connection with the dispositions of assets permitted by Section 6.05;
  6. Investments constituting deposits described in clauses (l)(i) and (m) of Section 6.02;
  7. Investments not to exceed the greater of (i) $10,000,000 and (ii) 2.00% of Consolidated Total Assets (measured on a pro forma basis as of the date such Investment is made based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) in the aggregate at any one time outstanding;
  8. subject to satisfaction of the applicable Available Amount Usage Conditions, Investments not to exceed the sum of (i) Available Amount plus

1. $40,000,000 (in each case determined at the time of making such Guarantee without regard to any write-downs or write-offs); provided that with respect to any acquisition (by merger or otherwise) of any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or of any acquisition of property which constitutes all or substantially all of an operating unit of a business, the target of such acquisition shall not, on a stand-alone basis, have negative EBITDA (calculated in accordance with this Agreement, including Pro Forma Adjustments relating only to such target); provided, further, that for any acquisition of more than one businesses or locations in related transactions, such calculation will be made on a combined basis for all such businesses or locations purchased;
   1. any Investment by the Borrower or any of its Restricted Subsidiaries in a Person that is engaged in a business permitted pursuant to

Section 6.03, but, for purposes of this clause (n), to the extent that, as a result of such Investment:

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1. such Person becomes a Loan Party on the date of such Investment (it being understood that the filing of a customary Uniform Commercial Code financing statement, the execution of a supplement to the Security Agreement, the delivery of a customary opinion of counsel and the delivery of pledged equity (to the extent certificated) shall occur on the date of such investment, but the execution of other collateral documents or agreements (including landlord waivers and control agreements, if any) shall occur within the times provided for in the Security Agreement or such later time as the Administrative Agent may agree in its sole discretion); or
2. such Person, in one transaction or a series of related transactions, is amalgamated, merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Borrower or a Loan Party.

For the avoidance of doubt, to the extent an acquisition described in this clause (n), includes the indirect acquisition of a Person that is a non-Loan Party, such indirect acquisition shall not be permitted under this clause (n) and must otherwise be permitted under this Section 6.04;

1. Guarantees of operating leases that do not constitute Indebtedness;
2. the consummation of the Effective Date Purchase and Investments in connection therewith; and
3. Investments in connection with Refranchising Transactions.
4. Investments made by any Restricted Subsidiary that is not a Loan Party to the extent such Investments are made with the proceeds received by such Restricted Subsidiary from an Investment made by a Loan Party in such Restricted Subsidiary otherwise pursuant to this Section 6.04.

SECTION 6.05. Asset Sales. No Loan Party will, nor will it permit any Restricted Subsidiary to, sell, transfer, lease or otherwise dispose of any asset, including any Equity Interest owned by it, nor will the Borrower permit any Restricted Subsidiary to issue any additional Equity Interest in such Restricted Subsidiary (other than to the Borrower or another Restricted Subsidiary in compliance with Section 6.04), except:

1. sales, transfers and dispositions of (i) inventory in the ordinary course of business and (ii) used, obsolete, worn out or surplus equipment or property (including intellectual property) in the ordinary course of business and sales, transfers and dispositions of property no longer used or useful in the conduct of the business of the Borrower and its Restricted Subsidiaries;
2. sales, transfers, leases, licenses and dispositions of assets to the Borrower or any Restricted Subsidiary, provided that any such sales, transfers or dispositions involving a Restricted Subsidiary that is not a Loan Party shall be made in compliance with Section 6.09;
3. sales, transfers, dispositions and discounts of accounts receivable in connection with the compromise, settlement or collection thereof;
4. sales, transfers and dispositions of cash and Permitted Investments and other Investments permitted by clauses (i) and (k) of Section 6.04;
5. Sale and Leaseback Transactions permitted by Section 6.06;

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* 1. dispositions resulting from any casualty or other damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of the Borrower or any Restricted Subsidiary;
  2. sales, transfers and other dispositions of assets (other than Equity Interests in a wholly owned Restricted Subsidiary unless all Equity Interests in such Restricted Subsidiary are sold) to franchisees that are not permitted by any other clause of this Section, provided that the aggregate fair market value of all assets sold, transferred or otherwise disposed of in reliance upon this paragraph (g) shall not exceed the greater of (i) $25,000,000 and

1. 4.5% of Consolidated Total Assets (measured on a pro forma basis as of the date of such sales, transfers and other dispositions of assets based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date) during any fiscal year of the Borrower and the greater of (i) $75,000,000 and (ii) 13.50% of Consolidated Total Asset in the aggregate (measured as of the date of such sales, transfers and other dispositions of assets based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date);
   1. any merger, amalgamation, consolidation, liquidation, wind-up or dissolution, the purpose of which is to effect a disposition otherwise permitted in this Section 6.05;
   2. dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such disposition are promptly applied to the purchase price of such replacement property;
   3. (i) leases, subleases, licenses or sublicenses, in each case in the ordinary course of business and which do not materially interfere with the business of the Borrower and its Restricted Subsidiaries, taken as a whole and (ii) dispositions of intellectual property that do not materially interfere with the business of the Borrower or any of its Restricted Subsidiaries;
   4. dispositions of Investments in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements;
   5. the unwinding of any Swap Agreement;
   6. the lapse or abandonment in the ordinary course of business of any registrations or applications for registration of any immaterial intellectual

property;

* 1. any swap of assets (other than Cash Equivalents) in exchange for assets of the same type in the ordinary course of business of comparable or greater value or usefulness to the business of the Borrower and its Restricted Subsidiaries as a whole, as determined in good faith by the Borrower;
  2. Restricted Payments permitted by Section 6.08, Investments permitted by Section 6.04 (including in connection with Refranchising Transactions), Liens permitted by Section 6.02;
  3. dispositions of property listed on Schedule 6.05(p);
  4. other dispositions not to exceed the greater of (i) $15,000,000 and (ii) 3% of Consolidated Total Assets (measured as of the date of such dispositions based on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries delivered pursuant to Section 5.01 most recently on or prior to such date); and

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(r) dispositions in connection with Refranchising Transactions;

provided that dispositions permitted under Section 6.05 (other than those permitted by paragraphs (b), (d), (f), (h), (k), (l), (m) and (o)) shall be made for no less than the fair market value of such property at the time of such disposition as determined in good faith by the applicable Loan Party and shall be for at least 75% cash consideration; provided, further, that the following shall be deemed to be cash: (x) the repayment or assumption of Indebtedness secured by Liens with a priority to the Liens in favor of the Secured Parties and (y) any securities, notes or other obligations received by the Borrower or any such Restricted Subsidiary from such transferee that are, within 180 days of the disposition of Collateral, converted by the Borrower or such Restricted Subsidiary into cash or Permitted Investments. To the extent any Collateral is disposed of as expressly permitted by this Section 6.05 to any Person other than Holdings, the Borrower or a Restricted Subsidiary, such Collateral shall be sold free and clear of the Liens created by the Loan Documents, and, if requested by the Administrative Agent, upon the certification by the Borrower that such disposition is permitted by this Agreement, the Administrative Agent shall be authorized to take any actions deemed appropriate in order to effect the foregoing.

SECTION 6.06. Sale and Leaseback Transactions. No Loan Party will enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred (a “Sale and Leaseback Transaction”), except for any such sale of any fixed or capital assets by the Borrower or any Restricted Subsidiary that is made for cash consideration in an amount not less than the fair value of such fixed or capital asset and is consummated within 90 days after such Borrower or such Restricted Subsidiary acquires or completes the construction of such fixed or capital asset.

SECTION 6.07. Swap Agreements. No Loan Party will, nor will it permit any Restricted Subsidiary to, enter into any Swap Agreement, except

1. Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Restricted Subsidiary has actual exposure (other than those in respect of Equity Interests of the Borrower or any of its Restricted Subsidiaries), and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from floating to fixed rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Restricted Subsidiary or foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement for the purpose of fixing, hedging or swapping currency exchange rates, in each case, in the ordinary course of business and not for speculative purposes.

SECTION 6.08. Restricted Payments; Certain Payments of Indebtedness.

1. No Loan Party will, nor will it permit any Restricted Subsidiary to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except as set forth in Section 6.08(b) and (i) each of Holdings and the Borrower may declare and pay dividends with respect to its common stock payable solely in additional shares of its common stock, and, with respect to its preferred stock, payable solely in additional shares of such preferred stock or in shares of its common stock, (ii) Restricted Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests, (iii) (x) the Borrower may make Restricted Payments (the proceeds of which may be utilized by Holdings to make additional Restricted Payments), not exceeding $1,000,000 during any fiscal year, pursuant to and in accordance with stock option plans or other

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benefit plans for management or employees of the direct or indirect Parent of Holdings, Holdings, the Borrower and its Restricted Subsidiaries and

1. following a Qualifying IPO, the Borrower may make Restricted Payment to pay for the repurchase, retirement or other acquisition or retirement for value of Equity Interests (other than Disqualified Capital Stock) of Holdings held by any future, present or former employee, director, manager or consultant of Holdings, any of its Restricted Subsidiaries pursuant to any management equity plan or stock option plan or any other employee benefit plan, management plan or agreement, or any stock subscription or shareholder agreement; provided that, the aggregate Restricted Payments made under this clause
2. subsequent to the Effective Date do not exceed in any fiscal year $5,000,000 plus the net cash proceeds of any “key man” life insurance policies contributed to the Borrower in cash plus cash proceeds from the sale to any employees or members of management (or their respective Immediate Family Members of Equity Interests of the Borrower or any direct or indirect parent company of the Borrower (to the extent such proceeds are contributed to the Borrower) pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the direct or indirect Parent of Holdings, Holdings, the Borrower and its Restricted Subsidiaries (with unused amounts in any calendar year being carried over to succeeding fiscal years subject to maximum aggregate Restricted Payments under this clause of $10,000,000 in any fiscal year), (iv) the Borrower may make Restricted Payments of an amount equal to the Permitted Tax Distribution Amount with respect to a taxable period (on a quarterly or less frequent basis and with the Permitted Tax Distribution Amounts with respect to a taxable period permitted to be paid either during or after such period), (v) [reserved], (vi) subject to satisfaction of the applicable Available Amount Usage Conditions, Restricted Payments not to exceed the sum of (x) Available Amount plus (y) $20,000,000 (less the amount paid under clause (b)(v)(y), below), (vii) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options, (viii) Permitted Payments to Parent, (ix) payments to any Parent on the Effective Date used to fund the Aggregate Distribution Amount (as defined in the Purchase Agreement) pursuant to Section 2.01 of the Purchase Agreement, (x) a potential payment to redeem, directly or indirectly, certain securities held by the former chief financial officer of the Borrower in an amount not to exceed $500,000, (xi) the payment of the Effective Date Dividend, (xii) additional dividends in an aggregate amount per annum not to exceed an amount equal to 6% of the net proceeds received by (or contributed to) the Borrower and its Restricted Subsidiaries from a Qualifying IPO ~~and~~, (xiii) the Borrower may make (or may make Restricted Payments to allow any Parent to make) Restricted Payments in an amount equal to withholding or similar taxes payable or expected to be payable by any present or former employee, director, manager, consultant or other service provider (or Immediate Family Members) and any repurchases of Equity Interests in consideration of such payments including deemed repurchases in connection with the exercise of stock options or warrants and (xiv) the Borrower may make the 2015 Special Distribution on or about the First Amendment Effective Date.
   1. No Loan Party will, nor will it permit any Restricted Subsidiary to, make or agree to pay or make, directly or indirectly, any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any subordinated, unsecured or junior lien Indebtedness, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any subordinated, unsecured or junior lien Indebtedness, except:
      1. payment of Indebtedness created under the Loan Documents;
      2. payment of regularly scheduled interest and principal payments as and when due in respect of any Indebtedness permitted under Section 6.01, other than payments in respect of the Subordinated Indebtedness prohibited by the subordination provisions thereof;
      3. refinancings of Indebtedness to the extent permitted by Section 6.01;



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* 1. payment of secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;
  2. subject to satisfaction of the applicable Available Amount Usage Conditions, Restricted Payments not to exceed the sum of

1. Available Amount plus (y) $20,000,000 (less the amount paid under clause (a)(vi)(y), above);
   1. the unwinding of any Swap Contract; and
   2. other restricted payments not to exceed $5,000,000 in connection with payment of Indebtedness.

SECTION 6.09. Transactions with Affiliates. No Loan Party will, nor will it permit any Restricted Subsidiary to, sell, lease or otherwise transfer any

property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its

Affiliates, other than any transaction or series of related transactions not exceeding $3,000,000 in the aggregate, and except that the following shall be

permitted: (a) transactions at prices and on terms and conditions not less favorable to the Loan Party or such Restricted Subsidiary than could be obtained on

an arm’s-length basis from unrelated third parties, (b) transactions between and among (x) any Loan Parties or (y) any wholly-owned Restricted Subsidiaries

that are not Loan Parties, in each case, not involving any other Affiliate, (c) any investment permitted by Section 6.04, (d) any disposition permitted by

Section 6.05, (e) any Indebtedness permitted under Section 6.01(c), (f) any Restricted Payment permitted by Section 6.08, (g) transactions between and

among Holdings, the Borrower and any wholly-owned Restricted Subsidiaries reasonably approved by management in in furtherance of the business purposes

of Holdings, the Borrower and its Subsidiaries, (h) the payment of reasonable fees to directors of Holdings, the Borrower or any Subsidiary who are not

employees of Holdings, the Borrower or any Subsidiary, and compensation and employee benefit arrangements paid to, and indemnities provided for the

benefit of, directors, officers or employees of Holdings, the Borrower or its Subsidiaries in the ordinary course of business, (i) any issuances of securities or

other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment agreements, stock options and stock ownership

plans approved by the Borrower’s board of directors, (j) the payment of (A) termination payments consisting of twelve months of management fees, the

reimbursement of costs and out-of pocket expenses and indemnification obligations, and (B) management fees, which management fees shall not exceed

$1,500,000 in any fiscal year, in each case pursuant to the Management Agreement, provided, that no management fees thereunder shall be permitted to be in

cash to the extent that an Event of Default has occurred and is continuing and further provided, that all accrued management fees which were not permitted to

be paid in cash at such time shall be permitted to be paid in cash once no Event of Default is continuing, (k) any contribution to the capital of Holdings or any

purchase of Equity Interests of Holdings to the extent otherwise permitted by this Agreement, (l) issuances of Equity Interests (and options and warrants

therefor) of the Borrower or Holdings to the extent otherwise permitted by this Agreement, (m) payments to or from, and transactions with joint ventures (to

the extent any such joint venture is only an Affiliate as a result of Investments by the Holdings, the Borrower or its Subsidiaries in such joint venture and such

transactions are reasonably approved by management in in furtherance of the business purposes of Holdings, the Borrower and its Subsidiaries) to the extent

otherwise permitted under this Agreement, and (n) the payment of customary fees and reasonable and documented out-of-pocket costs to, and indemnities

provided on behalf of, directors, officers, employees and consultants of Holdings, the Borrower and its Restricted Subsidiaries or any direct or indirect parent

of the Borrower to the extent attributable to the ownership or operation of the Borrower and its Restricted Subsidiaries.

SECTION 6.10. Restrictive Agreements. No Loan Party will, nor will it permit any Restricted Subsidiary to, directly or indirectly enter into, incur or permit to exist any agreement or other arrangement

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that prohibits, restricts or imposes any condition upon (a) the ability of such Loan Party or any of its Restricted Subsidiaries to create, incur or permit to exist any Lien upon any of its property or assets to secure the Obligations under the Loan Documents, or (b) the ability of any Restricted Subsidiary to pay dividends or other distributions with respect to any Equity Interests or to make or repay loans or advances to Holdings, the Borrower or any other Restricted Subsidiary or to Guarantee Indebtedness of Holdings, the Borrower or any other Restricted Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by any Requirement of Law or by any Loan Document (or any agreement governing Permitted Pari Passu Secured Refinancing Debt), (ii) the foregoing shall not apply to restrictions and conditions (A) existing on the date hereof identified on Schedule 6.10 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition) or (B) are binding on a Restricted Subsidiary at the time such Person first becomes a Restricted Subsidiary, so long as such restrictions and conditions were not entered into in contemplation of such Person becoming a Restricted Subsidiary, (iii) the foregoing shall not apply to (A) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary, or a business unit, units or line of business of a Subsidiary, pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, and (B) with respect to clause (b) only, any Indebtedness (x) of non-Loan Parties permitted to be incurred hereunder, (y) of Loan Parties permitted to be incurred hereunder solely with respect to (i) customary restrictions in such Indebtedness on payments to Holdings or (ii) customary restrictions on payments from Loan Parties to non-Loan Parties; provided that the restrictions and conditions contained in any such agreement or document in clause (B) above do not in the reasonable judgment of the Borrower, materially impair the ability of the Borrower to repay the Loans and grant any Liens hereunder, (iv) the foregoing shall not apply to restrictions and conditions customary in joint venture agreements and other similar agreements applicable to joint ventures and applicable solely to such joint venture, (v) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and such property or assets do not constitute Collateral and (vi) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 6.11. Amendment of Material Documents. No Loan Party will, nor will it permit any Restricted Subsidiary to, its certificate or articles of incorporation, by-laws, operating, management or partnership agreement or other organizational documents, to the extent any such amendment, modification or waiver would be materially adverse to the Lenders.

SECTION 6.12. Financial Covenant. At any time during which any Revolving Commitments, Revolving Loans or Revolving Exposure exists or is outstanding, the Borrower will not permit the Total Net Leverage Ratio, on the last day of any fiscal quarter ending during any period set forth below, to be greater than the ratio set forth below opposite such period:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Fiscal Quarter Ending | | |  | Total Net Leverage Ratio | | | |
|  | June 30, 2014 |  |  | 6.25 to 1.00 | | |  |
| September 30, 2014 | | |  | 6.00 to 1.00 | | | |
| December 31, 2014 | | |  | 6.00 to 1.00 | | | |
|  | March 31, 2015 | |  | 5.75 to 1.00 | | | |
|  | June 30, 2015 | |  | ~~5.75~~ | 6.50 to 1.00 | | |
|  |  |  |  |  |  |  |  |
| September 30, 2015 | | |  | ~~5.75~~ | 6.25 to 1.00 | | |
|  |  |  |  |  |  |  |  |
| December 31, 2015 | | |  | ~~5.50~~ | 6.00 to 1.00 | | |
|  |  |  |  |  |  |  |  |
|  | March 31, 2016 | |  | ~~5.25~~ | 5.75 to 1.00 | | |
|  |  |  |  |  |  |  |  |
|  | June 30, 2016 | |  | ~~5.00~~ | 5.75 to 1.00 | | |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Fiscal Quarter Ending | | | | | | | | | Total Net Leverage Ratio | | | | | |
|  |  |  | September 30, 2016 | | | |  |  |  |  | ~~5.00~~ | | 5.75 to 1.00 | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | December 31, 2016 | | | | | | | | | ~~4.75~~ | | 5.50 to 1.00 | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | March 31, 2017 | | | | | | | | ~~4.75~~ | | 5.25 to 1.00 | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | June 30, 2017 | | | | | | | ~~4.50~~ | | 5.00 to 1.00 | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | September 30, 2017 | | | | | | | | | ~~4.50~~ | | 5.00 to 1.00 | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | December 31, 2017 | | | | | | | | | ~~4.25~~ | | 4.75 to 1.00 | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | March 31, 2018 | | | | | | | | ~~4,25~~ | | 4.75 to 1.00 | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | June 30, 2018 | | | | and thereafter | | | | |  | ~~4.00~~ | | 4.50 to 1.00 | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | September 30, 2018 | | | | | | |  | | 4.50 to 1.00 | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | December 31, 2018 | | | | | | |  | | 4.25 to 1.00 | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | March 31, 2019 | | | | | | | 4.25 to 1.00 | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | June 30, 2019 and thereafter | | | | | | | | |  | 4.00 to 1.00 | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



ARTICLE VII

Events of Default

SECTION 7.01. If any of the following events (“Events of Default”) shall occur:

1. the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;
2. the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) Business Days;
3. any representation or warranty made or deemed made by or on behalf of any Loan Party or any Restricted Subsidiary in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, shall prove to have been materially incorrect when made or deemed made;
4. any Loan Party (other than Immaterial Subsidiaries) shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02(a), Section 5.03 (with respect to a Loan Party’s existence) or Section 5.08 or in ARTICLE VI (provided that if Borrower has provided notice of an intent to exercise the Cure Right in respect of a Default under Section 6.12, an Event of Default shall not have been deemed to occur until the date by which the Borrower may exercise such Cure Right; and provided further that, notwithstanding this clause (d), no breach or default by under Section 6.12 will constitute a Default or Event of Default with respect to the Term Loans unless and until the Required Revolving Lenders have accelerated the Revolving Loans and terminated the Revolving Commitments and demanded repayment of, or otherwise accelerated, the Indebtedness or other obligations under or in respect of any Revolving Exposure);
5. any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in this Agreement or any other Loan Document (other than those specified in

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clause (a), (b) or (d)), and such failure shall continue unremedied for a period of 30 days after the earlier of any Loan Party’s knowledge of such breach or notice thereof from the Administrative Agent (which notice will be given at the request of any Lender);

* 1. any Loan Party or any Restricted Subsidiary of a Loan Party shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable (after giving effect to any applicable grace period);
  2. any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;
  3. an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of a Loan Party or any Restricted Subsidiary (other than Immaterial Subsidiaries) of any Loan Party or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Loan Party or any Restricted Subsidiary (other than Immaterial Subsidiaries) of any Loan Party or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;
  4. any Loan Party or any Restricted Subsidiary (other than Immaterial Subsidiaries) of any Loan Party shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such Loan Party or Restricted Subsidiary (other than Immaterial Subsidiaries) of any Loan Party or for a substantial part of its assets,

1. file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;
   1. any Loan Party or any Restricted Subsidiary of any Loan Party shall become unable, admit in writing its inability or fail generally, to pay its debts as they become due;
   2. one or more judgments for the payment of money in an aggregate amount in excess of $15,000,000 shall be rendered against any Loan Party, any Restricted Subsidiary of any Loan Party or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Loan Party or any Restricted Subsidiary of any Loan Party to enforce any such judgment or any Loan Party or any Restricted Subsidiary of any Loan Party shall fail within 30 days to discharge one or more non-monetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgments or orders, in any such case, are not stayed on appeal and being appropriately contested in good faith by proper proceedings diligently pursued;

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1. an ERISA Event shall have occurred that when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;
2. a Change in Control shall occur;
3. any Loan Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Loan Guaranty, or any Loan Guarantor shall fail to comply with any of the terms or provisions of the Loan Guaranty, or any Loan Guarantor shall deny that it has any further liability under the Loan Guaranty, or shall give notice to such effect, including, but not limited to notice of termination delivered pursuant to Section 10.08;
4. except as permitted by the terms of any Collateral Document, or as a result of the Administrative Agent’s failure to maintain possession of any stock certificates, promissory notes or other instruments delivered under the Collateral Documents or to file Uniform Commercial Code continuation statements or any other filings required to maintain such perfection or priority and except to the extent such loss is covered by a Lender’s title insurance policy and the Administrative Agent shall be reasonably satisfied with the credit of such insurer, (i) any Lien securing any Secured Obligation shall cease to be a perfected, first priority Lien on, or (ii) any Collateral Document shall for any reason fail to create a valid security interest in, in each case, Collateral with an aggregate fair market value in excess of $5,000,000 (for all such Collateral) purported to be covered thereby;
5. except as permitted by the terms of this Agreement, any Loan Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Collateral Document; or
6. any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Loan Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction that evidences its assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms),

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, but ratably as among the Classes of Loans and the Loans of each Class at the time outstanding, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or

1. of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon

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and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may, and at the request of the Required Lenders shall, exercise any rights and remedies provided to the Administrative Agent under the Loan Documents or at law or equity, including all remedies provided under the UCC.

SECTION 7.02. (a) Notwithstanding anything to the contrary, in the event the Borrower fails to comply with the requirements of Section 6.12 for any period, until the expiration of the 10th day after the date the certificate calculating the financial covenants is required to be delivered pursuant to Section 5.01 for such period, any direct or indirect parent of Holdings shall have the right to make cash contributions in respect of common equity or as common Equity Interests in Holdings (collectively, the “Cure Right”), and upon contribution by Holdings of such cash to the Borrower in respect of common equity or as cash common equity (the amount of such contribution, the “Cure Amount”), the financial covenants in Section 6.12 shall be recalculated giving effect to the following pro forma adjustments: (i) EBITDA (for such fiscal quarter) shall be increased, solely for the purpose of measuring the financial covenants (and not to determine whether the Borrower is in pro forma compliance with the other financial ratios in this Agreement) and not for any other purpose under this Agreement, by an amount equal to the Cure Amount; and (ii) if, after giving effect to the foregoing recalculations, the Borrower shall then be in compliance with the requirements of the financial covenants, the Borrower shall be deemed to have satisfied the requirements of the financial covenants as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach or default of the financial covenants that had occurred shall be deemed cured for purposes of this Agreement.

1. Notwithstanding anything herein to the contrary, (i) during any period of four consecutive fiscal quarters there shall be at least two fiscal quarters during which the Cure Right has not been exercised, (ii) there shall be no more than five times during the term of this Agreement during which the Cure Right is exercised, (iii) the Cure Amount shall be no greater than the amount required for purposes of complying with the financial covenants for the relevant period, (iv) any reduction in Indebtedness with the proceeds of any Cure Amount shall be ignored for purposes of determining compliance with the financial covenants (and not to determine whether the Borrower is in pro forma compliance with the other financial ratios in this Agreement) for so long as EBITDA is increased by the Cure amount for such purposes and (v) all Cure Amounts shall be disregarded for purposes of determining compliance with financial ratio-based conditions contained herein or any baskets with respect to the covenants contained in the Loan Documents. The Revolving Lenders shall not be required to comply with any request for Borrowing during any financial covenant default and until such time as the Borrower has received the Cure Amount necessary for complying with the financial covenants for the relevant period.

ARTICLE VIII

The Administrative Agent

SECTION 8.01. Appointment. Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf, including execution of the other Loan Documents, and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto. In addition, to the extent required under the laws of any jurisdiction other than the U.S., each of the Lenders and the Issuing Bank hereby grants to the Administrative Agent any required powers of attorney to execute any Collateral Document governed by the laws of such jurisdiction on such Lender’s or Issuing Bank’s behalf. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders (including the Swingline Lender and the

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Issuing Bank), and the Loan Parties shall not have rights as a third party beneficiary of any of such provisions (other than their express consent rights with respect to Borrower’s consent rights to approve a successor Administrative Agent appointed by the Required Lenders). It is understood and agreed that the use of the term “agent” as used herein or in any other Loan Documents (or any similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

SECTION 8.02. Rights as a Lender. The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Loan Parties or any Restricted Subsidiary of a Loan Party or other Affiliate thereof as if it were not the Administrative Agent hereunder.

SECTION 8.03. Duties and Obligations. The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and, (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any of its Restricted Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct as determined by a final nonappealable judgment of a court of competent jurisdiction. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, (v) the creation, perfection or priority of Liens on the Collateral or the existence of the Collateral, or (vi) the satisfaction of any condition set forth in ARTICLE IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan.

SECTION 8.04. Reliance. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The

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Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 8.05. Actions through Sub-Agents. The Administrative Agent may perform any and all of its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 8.06. Resignation. Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (such consent not to be unreasonably withheld, conditioned or delayed), to appoint a successor; provided that no such consent of the Borrowers shall be required at any time during the existence of an Event of Default. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a commercial bank or an Affiliate of any such commercial bank. Upon the acceptance of its appointment as Administrative Agent hereunder by its successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed by the Borrower and such successor. Notwithstanding the foregoing, in the event no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its intent to resign, the retiring Administrative Agent may give notice of the effectiveness of its resignation to the Lenders, the Issuing Bank and the Borrower, whereupon, on the date of effectiveness of such resignation stated in such notice, (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents, provided that, solely for purposes of maintaining any security interest granted to the Administrative Agent under any Collateral Document for the benefit of the Secured Parties, the retiring Administrative Agent shall continue to be vested with such security interest as collateral agent for the benefit of the Secured Parties and, in the case of any Collateral in the possession of the Administrative Agent, shall continue to hold such Collateral, in each case until such time as a successor Administrative Agent is appointed and accepts such appointment in accordance with this paragraph (it being understood and agreed that the retiring Administrative Agent shall have no duly or obligation to take any further action under any Collateral Document, including any action required to maintain the perfection of any such security interest), and (b) the Required Lenders shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, provided that (i) all payments required to be made hereunder or under any other Loan Document to the Administrative Agent for the account of any Person other than the Administrative Agent shall be made directly to such Person and (ii) all notices and other communications required or contemplated to be given or made to the Administrative Agent shall also directly be given or made to each Lender and the Issuing Bank. Following the effectiveness of the Administrative Agent’s resignation from its capacity as such, the provisions of this Article, Section 2.17(d) and Section 9.03, as well as any exculpatory, reimbursement and indemnification provisions set forth in any other Loan Document, shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent and in

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respect of the matters referred to in the proviso under clause (a) above. Any such resignation by the Administrative Agent hereunder shall also constitute its resignation as an Issuing Bank and the Swingline Lender, in which case the resigning Administrative Agent (x) shall not be required to issue any further Letters of Credit or make any additional Swingline Loans hereunder and (y) shall maintain all of its rights as Issuing Bank or Swingline Lender, as the case may be, with respect to any Letters of Credit issued by it, or Swingline Loans made by it, prior to the date of such resignation.

SECTION 8.07. Intercreditor and Subordination Agreements. The Administrative Agent and each Credit Party (a) hereby agrees that it will be bound by and will take no actions contrary to the provisions of any intercreditor agreement and subordination agreement entered into pursuant to the terms hereof,

1. hereby authorizes and instructs the Administrative Agent to enter into each intercreditor agreement and subordination agreement entered into pursuant to the terms hereof and to subject the Liens securing the Obligations to the provisions thereof, and (c) hereby authorizes and instructs the Administrative Agent to enter into any intercreditor agreement and subordination agreement that includes, or to amend any then existing intercreditor agreement and subordination agreement.

SECTION 8.08. Non-Reliance.

Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and letters of credit and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender shall, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder and in deciding whether or to the extent to which it will continue as a lender or assign or otherwise transfer its rights, interests and obligations hereunder.

SECTION 8.09. Administrative Agent May File Proof of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

1. to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Credit Parties and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Credit Parties and the Administrative Agent and their respective agents and counsel and all other amounts due the Credit Parties and the Administrative Agent hereunder) allowed in such judicial proceeding;
2. to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and

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1. any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Credit Party to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Credit Parties, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Agents and their respective agents and counsel, and any other amounts due to the Administrative Agent hereunder.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Credit Party any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Credit Party or to authorize the Administrative Agent to vote in respect of the claim of any Credit Party in any such proceeding.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices.

1. Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax, as follows:

(i) if to any Loan Party, to it in care of the Borrower at:

Planet Fitness

26 Fox Run Road

Newington, NH 03801

Attention: Richard Moore, Executive Vice President

and General Counsel

Fax No: 603-742-1544

(ii) if to the Administrative Agent, the Swingline Lender, or the Issuing Bank, to JPMorgan Chase Bank, N.A. at:

Loan and Agency Services Group

10 South Dearborn, 7th Floor

Chicago, IL 60603-2003

Attention: Darren Cunningham

Fax No: ( 888) 292-9533

Phone No: (312)385-7080

With a copy to:

JPMorgan Chase Bank, N.A.

2 Corporate Drive, Floor 07

Shelton, CT, 06484-6238

Attention: Peter Killea

Fax No: (203) 944-8495

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(iii) if to any other Lender, to it at its address or fax number set forth in its Administrative Questionnaire.

All such notices and other communications (i) sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received, (ii) sent by fax shall be deemed to have been given when sent, provided that if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient, or (iii) delivered through electronic communication to the extent provided in paragraph (b) below shall be effective as provided in such paragraph.

1. Notices and other communications to the Lenders and the Issuing Bank hereunder may be delivered or furnished by electronic communications (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to ARTICLE II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower (on behalf of the Loan Parties) may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. All such notices and other communications (i) sent to an e-mail address shall be deemed received upon the sender’s receipt of an acknowledgement from the intended recipient (such as by the “return receipt requested” function, as available, return e-mail or other written acknowledgement), provided that if not given during the normal business hours of the recipient, such notice shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (b)(i) of notification that such notice or communication is available and identifying the website address therefor.
2. Any party hereto may change its address or fax number for notices and other communications hereunder by notice to the other parties hereto (or, in the case of any such change by a Lender, by notice to the Borrower and the Administrative Agent).

SECTION 9.02. Waivers; Amendments.

1. No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under any other Loan Document are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.
2. Except as provided in Sections 2.23, 2.24 and 2.25, neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except (i)

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in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders (other than with respect to any amendment or waiver contemplated in clauses (B), (C), (D) and (E) which shall only require the consent of each Lender directly and adversely affected thereby or clauses (H) and (I) which shall only require the consent of the applicable Required Class Lenders), or (ii) in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Party or Loan Parties that are parties thereto, with the consent of the Required Lenders; provided that, no such agreement shall (A) increase the Commitment of any Lender without the written consent of such Lender (including any such Lender that is a Defaulting Lender, it being understood that no amendment, modification, termination, waiver or consent with respect to any condition precedent, covenant, mandatory prepayment or Default shall constitute an increase in the Commitment of any Lender),

1. reduce or forgive the principal amount of any Loan or LC Disbursement (except in connection with a payment contemplated by clause (I) below) or reduce the rate of interest thereon (it being understood that any amendment or modification to the financial definitions in this Agreement shall not constitute a reduction in the rate of interest for purposes of this clause (B)), or reduce or forgive any interest or fees payable hereunder, without the written consent of each Lender directly and adversely affected thereby, (C) postpone any scheduled date of payment of the principal amount of any Loan or LC Disbursements, or any date for the payment of any interest, fees or other Obligations payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender directly and adversely affected thereby, (D) change

Section 2.18(b) or (d) in a manner that would alter the manner in which payments are shared, without the written consent of each Lender directly and adversely affected thereby, (E) change any of the provisions of this Section or the definition of “Required Lenders” or “Required Revolving Lenders” or “Required Class Lenders” or any other provision of any Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender directly affected thereby, (F) release all or substantially all Loan Guarantors from their obligation under its Loan Guaranty (except as otherwise permitted herein or in the other Loan Documents), without the written consent of each Lender (other than any Defaulting Lender), (G) except as provided in clause

(c) of this Section or in any Collateral Document, release all or substantially all of the Collateral (it being understood that additional Classes of Loans consented to by the Required Lenders may be equally and ratably secured (or secured on a junior basis) by the Collateral with the then existing Secured Obligations under the Security Agreement) without the written consent of each Lender (other than any Defaulting Lender); (H) (1) waive any condition set forth in Section 4.02 as to any extension of credit as to one or more Classes of Loans or (2) amend, waive or otherwise modify any term or provision which directly affects Lenders under one or more Class of Loans and does not directly affect Lenders under any other Class (it being understood that the provisions of Section 6.12 (or the definition of “Total Net Leverage Ratio” or any component definition thereof, in each case, as such definition is used solely for purposes of Section 6.12) shall be deemed to solely affect Revolving Lenders for the purposes of this clause (H)), in each case, without the written consent of the Required Class Lenders under such applicable Class or Classes of Loans (and in the case of multiple Classes which are affected, such Required Class Lenders shall consent together) (it being understood that any amendment to the conditions of effectiveness of Commitments in respect of Incremental Facilities or Commitments in respect of Refinancing Loans shall be subject to clause (I) below); provided, that the waivers described in this clause (H) shall not require the consent of any Lenders other than (x) the Required Class Lenders under such Class or Classes and (y) in the case of any waiver that otherwise would be subject to clause (A), (B), (C), (D), (E) or (F) above, each Lender or each directly affected Lender (as specified in clause (A), (B), (C), (D), (E) or

1. above) under the applicable Class or Classes of Loans or (I) amend, waive or otherwise modify any term or provision (including the availability and conditions to funding under Section 2.23 or 2.24 with respect to Incremental Loans and the rate of interest applicable thereto or Refinancing Loans) which directly affects Lenders of one or more Incremental Loans or Refinancing Loans, as the case may be, and does not directly affect Lenders under any other Class, in each case, without the written consent of the Required Class Lenders under such applicable Incremental

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Loans or Refinancing Loans, as the case may be (and in the case of multiple Classes which are affected, such Required Class Lenders shall consent together); provided, that the waivers described in this clause (I) shall not require the consent of any Lenders other than (x) the Required Class Lenders under such applicable Incremental Loans or Refinancing Loans and (y) in the case of any waiver that otherwise would be subject to clause (A), (B), (C), (D), (E) or

1. above, each Lender or each directly affected Lender (as specified in clause (A), (B), (C), (D), (E) or (F) above) under the applicable Class or Classes of Incremental Loans or Refinancing Loans; provided further that in respect of each of the foregoing clauses (A) though (I), no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Swingline Lender or the Issuing Bank hereunder without the prior written consent of the Administrative Agent, the Swingline Lender or the Issuing Bank, as the case may be (it being understood that any change to Section 2.20 shall require the consent of the Administrative Agent, the Swingline Lender and the Issuing Bank). Notwithstanding anything to the contrary in this Section, if the Administrative Agent and the Borrower shall have jointly identified an obvious error or any error or omission of a technical or immaterial nature, in each case, in any provision of the Loan Documents, then the Administrative Agent and the Borrower shall be permitted to amend such provision and such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Required Lenders within five Business Days following receipt of notice thereof. The Administrative Agent may also amend the Commitment Schedule to reflect assignments entered into pursuant to Section 9.04.
   1. The Lenders and the Issuing Bank hereby irrevocably authorize the Administrative Agent and the Administrative Agent shall release any Liens granted to the Administrative Agent by the Loan Parties on any Collateral (i) upon the termination of the all Commitments, payment and satisfaction in full in cash of all Secured Obligations (other than Unliquidated Obligations), and the cash collateralization of all Unliquidated Obligations (other than contingent indemnification obligations in respect of which no claim has been made) in a manner reasonably satisfactory to each affected Lender,

(ii) constituting property being sold or disposed of if the Loan Party disposing of such property certifies to the Administrative Agent that the sale or disposition is made in compliance with the terms of this Agreement (and the Administrative Agent may rely conclusively on any such certificate, without further inquiry), and to the extent that the property being sold or disposed of constitutes 100% of the Equity Interest of a Restricted Subsidiary, the Administrative Agent is authorized to release any Loan Guaranty and any other Collateral provided by such Restricted Subsidiary, (iii) constituting property leased to a Loan Party under a lease which has expired or been terminated in a transaction permitted under this Agreement, or (iv) as required to effect any sale or other disposition of such Collateral in connection with any exercise of remedies of the Administrative Agent and the Lenders pursuant to ARTICLE VII. Except as provided in the preceding sentence, the Administrative Agent will not release any Liens on Collateral without the prior written authorization of the Required Lenders. Any such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the Loan Parties in respect of) all interests retained by the Loan Parties, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral. Any execution and delivery by the Administrative Agent of documents in connection with any such release shall be without recourse to or warranty by the Administrative Agent.

* 1. If, in connection with any proposed amendment, waiver or consent requiring the consent of “each Lender” or “each Lender affected thereby,” the consent of the Required Lenders or Required Class Lenders, as applicable, is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but has not been obtained being referred to herein as a “Non-Consenting Lender”), then the Borrower may elect to replace a Non-Consenting Lender as a Lender party to this Agreement, provided that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Administrative Agent shall agree, as of such date, to purchase for cash the Loans and other Obligations due to the Non-Consenting Lender pursuant to an Assignment and Assumption and to become a Lender for all purposes under this Agreement and to assume

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all obligations of the Non-Consenting Lender to be terminated as of such date, to comply with the requirements of clause (b) of Section 9.04, and consents to any such proposed amendment, waiver or consent, and (ii) the Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement (1) all interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Non-Consenting Lender under Sections 2.15 and 2.17, and (2) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 2.16 had the Loans of such Non-Consenting Lender been prepaid on such date rather than sold to the replacement Lender.

SECTION 9.03. Expenses; Indemnity; Damage Waiver.

1. The Loan Parties, jointly and severally, shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of one primary counsel and one local counsel in each relevant jurisdiction for the Administrative Agent, in connection with the syndication and distribution (including, without limitation, via the internet or through a service such as Intralinks) of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions of the Loan Documents, (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of one primary counsel for the Administrative Agent, the issuing Bank and the Lenders, taken as a whole, and one local counsel in any relevant jurisdiction to the Administrative Agent, the Issuing Bank and the Lenders, taken as a whole, and one additional counsel in light of actual or potential conflicts of interest or the availability of different claims or defenses) in connection with the enforcement, collection or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

All of the foregoing costs and expenses may be charged to the Borrower as Revolving Loans or to another deposit account, all as described in Section 2.18(c).

* 1. Borrower shall indemnify the Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and to reimburse each Indemnitee for reasonable out-of-pocket expenses (including reasonable legal expenses by one counsel to such Indemnitees taken as a whole and in the case of a conflict of interest, one additional counsel to the affected Indemnitees taken as a whole (and if reasonably necessary, of one local counsel in any relevant jurisdiction)), for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of

1. the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Restricted Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Restricted Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, and to reimburse each

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Indemnitee for reasonable out-of-pocket expenses (including reasonable legal expenses by one counsel to such Indemnitees taken as a whole and in the case of a conflict of interest, one additional counsel to the affected Indemnitees taken as a whole (and if reasonably necessary, of one local counsel in any relevant jurisdiction)) incurred in connection with investigating or defending any of the foregoing; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, penalties, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from (1) the (x) bad faith, gross negligence or willful misconduct of such Indemnitee or any of its Related Parties, (y) a material breach of its funding obligations under this Agreement by such Indemnitee or any of its Related Parties, or (2) any dispute solely among indemnified parties (not arising as a result of any act or omission by the Borrower or any of its Restricted Subsidiaries) other than claims against the Administrative Agent, the Issuing Bank or Swingline Lender. This Section 9.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim.

1. To the extent that the Loan Parties fail to pay any amount required to be paid by them to the Administrative Agent (or any sub-agent thereof), the Swingline Lender or the Issuing Bank (or any Related Party of any of the foregoing) under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Swingline Lender or the Issuing Bank (or any Related Party of any of the foregoing), as the case may be, such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount (it being understood that the Borrower’s failure to pay any such amount shall not relieve the Borrower or any default in the payment thereof); provided that the unreimbursed expense or indemnified loss, claim, damage, penalty, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Swingline Lender or the Issuing Bank in its capacity as such.
2. To the extent permitted by applicable law, no Loan Party shall assert, and each hereby waives, any claim against any Indemnitee, for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), except to the extent that any such losses, claims, damages, penalties, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from (1) the (x) bad faith, gross negligence or willful misconduct of such Indemnitee or its Related Parties. In addition, none of the Borrower, the Permitted Holders, any Indemnitee, any of their respective Affiliates or any Related Party shall be liable under this Agreement on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with this Agreement, any other Loan Document, or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof (except for the Loan Parties’ indemnification obligations under this Agreement or any other Loan Document for liabilities incurred by or asserted or awarded against an Indemnitee).
3. All amounts due under this Section shall be payable after written demand therefor.

SECTION 9.04. Successors and Assigns.

1. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person

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(other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Persons (other than an Ineligible Institution or a Disqualified Institution) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld, conditioned or delayed) of:

* 1. the Borrower, provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within ten (10) Business Days after having received notice thereof, and provided further that no consent of the Borrower shall be required for an assignment (x) to an Affiliate of the assigning Lender, (y) with respect to Term Loans, to a Lender or to an Affiliate of a Lender, an Approved Fund or (z) to any assignee, if an Event of Default has occurred and is continuing;
  2. the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of all or any portion of a Term Loan to a Lender, an Affiliate of a Lender or an Approved Fund;
  3. the Issuing Bank, provided that no consent of the Issuing Bank shall be required for an assignment of all or any portion of a Term Loan or Term Commitment; and
  4. the Swingline Lender, provided that no consent of the Swingline Lender shall be required for an assignment of all or any portion of a Term Loan or Term Commitment.

1. Assignments shall be subject to the following additional conditions:
   1. except in the case of an assignment to a Lender, an Affiliate of a Lender, or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender’s Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 or, in the case of a Term Loan, $1,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default under Section 7.01(a), (b), (h) or (i) has occurred and is continuing;
   2. each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender’s rights and

obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender’s rights and obligations in respect of one Class of Commitments or Loans;

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1. the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; and
2. the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower, the other Loan Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee’s compliance procedures and applicable laws, including Federal and state securities laws.

For the purposes of this Section 9.04(b), the terms “Approved Fund” and “Ineligible Institution” have the following meanings:

“Approved Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Ineligible Institution” means a (a) natural person, (b) holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or relative(s) thereof; provided that, such holding company, investment vehicle or trust shall not constitute an Ineligible Institution if it (i) has not been established for the primary purpose of acquiring any Loans or Commitments, (ii) is managed by a professional advisor, who is not such natural person or a relative thereof, having significant experience in the business of making or purchasing commercial loans, and (iii) has assets greater than $25,000,000 and a significant part of its activities consist of making or purchasing commercial loans and similar extensions of credit in the ordinary course of its business; provided that upon the occurrence of an Event of Default, any Person (other than a Lender) shall be an Ineligible Institution if after giving effect to any proposed assignment to such Person, such Person would hold more than 20% of the then outstanding Revolving Exposure or Revolving Commitments, as the case may be or (c) the Borrower or any of the Borrower’s Subsidiaries or other Affiliates. For the avoidance of doubt, the Administrative Agent shall bear no responsibility or liability for monitoring and enforcing the list of Ineligible Institutions or Disqualified Institutions or the assignment of Loans or sales of participations thereto at any time.

1. Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender’s rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.
2. The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and

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principal amount and stated interest of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the

“Register”). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

* + 1. Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee’s completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph

1. of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Sections 2.05, 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.
   1. Any Lender may, without the consent of the Borrower, the Administrative Agent, the Swingline Lender or the Issuing Bank, sell participations to one or more banks or other entities (a “Participant”), other than an Ineligible Institution or a Disqualified Institution, in all or a portion of such Lender’s rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender’s obligations under this Agreement shall remain unchanged; (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (iii) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(f) (it being understood that the documentation required under Section 2.17(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 2.18 and 2.19 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Sections 2.15 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive. A Participant shall not be entitled to receive any greater payment under Section 2.15 or Section 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower’s prior written consent. A Participant shall not be entitled to the benefits of Section 2.17 unless the Borrower and the Administrative Agent are notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower and any withholding Agent, to comply with (and does in fact comply with) Section 2.17(f) as though it were a Lender.

Each Lender that sells a participation agrees, at the Borrower’s request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 2.19(b) with respect to any

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Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans or other obligations under this Agreement or any other Loan Document (the “Participant Register”); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant’s interest in any Commitments, Loans, Letters of Credit or its other obligations under this Agreement or any other Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement, notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

1. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.
2. Notwithstanding anything to the contrary, assignments of the Term Loans to the Sponsor and its affiliates (other than Holdings, the Borrower and its Subsidiaries), each, an “Affiliated Lender”) shall be permitted pursuant to (x) open-market purchases or (y) an offer to purchase or take by assignment any Term Loans outstanding at such time to all applicable Lenders on a pro rata basis (including pursuant to a Dutch auction or a reverse Dutch auction), pursuant to customary procedures to be agreed between the applicable Affiliated Lender and the Administrative Agent (and shall require that such Person clearly identify itself as an Affiliated Lender), subject to the following limitations: (i) no Affiliated Lender shall be permitted to make or bring (or participate in, other than as a passive participant in or recipient of its pro rata benefits of) any claim, in its capacity as a Lender, against the Administrative Agent or any other Lender with respect to any duties or obligations or alleged duties or obligations of the Administrative Agent or any such other Lender under the Loan Documents; (ii) Affiliated Lenders will not receive information provided solely to Lenders by the Administrative Agent or any Lender and will not be permitted to attend/participate in meetings attended solely by the Lenders and the Administrative Agent; (iii) for purposes of any amendment, waiver or modification of this Agreement and any other the Loan Document or any plan of reorganization that in either case does not require the consent of each Lender or each affected Lender or does not disproportionately affect such Affiliated Lender in its capacity as a Lender as compared to other Lenders or deprive any Affiliated Lender of its pro rata share of any payment to which all Lenders are entitled, Affiliated Lenders will be deemed to have voted in the same proportion as non-Affiliated Lenders voting on such matter; and (iv) the principal amount of Term Loans (including any Incremental Term Loans) purchased by Affiliated Lenders may not exceed 20% of the aggregate principal amount of the Term Loans outstanding at the time of purchase;
3. Holdings, the Borrower, its Subsidiaries and any Affiliate thereof (other than Affiliated Lenders) may from time to time purchase, in accordance with this clause (f), Term Loans from one or more Lenders pursuant to (x) open-market purchases or (y) an offer to purchase or take by assignment any Term Loans outstanding at such time to all applicable Lenders on a pro rata basis (including

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pursuant to a Dutch auction or a reverse Dutch auction), pursuant to customary procedures to be agreed between Holdings and the Administrative Agent (and shall require that such Person clearly identify itself as Holdings, the Borrower, its Subsidiaries and any Affiliate thereof (other than Affiliated Lenders)), so long as, in the case of each of clauses (x) and (y), (i) immediately after giving effect to such purchase, no Default or Event of Default shall have occurred and be continuing, (ii) by its purchase or other acquisition of a Loan, each such Person shall be deemed to have acknowledged and agreed to clauses (e)(i), (ii) and

1. above mutatis mutandis, (iii) the Term Loans so acquired by Holdings, Borrower or any of its Subsidiaries be immediately cancelled, (iv) proceeds of any Revolving Loans or Incremental Facilities may not be used to acquire such Term Loans and (v) the Assignment and Assumption shall include a representation by such Person to the effect that either (A) such Person does not have any material non-public information (“MNPI”) with respect to Holdings or any of its Subsidiaries or securities that either (x) has not been disclosed to the Term Lenders generally (other than Term Lenders that do not wish to receive MNPI with respect to Holdings or any of its Subsidiaries or securities), or (y) if not disclosed to the Lenders, would reasonably be expected to have a material adverse effect upon, or otherwise be material to, a Lender’s decision to sell Loans to such Person or purchase Loans from such Person, as applicable and each Lender and Borrower agree to execute such documents (including, without limitation, amendments to this Agreement) as shall be necessary to effect the foregoing or

(B) such Person cannot represent at such time that it does not possess MNPI that has not been disclosed to the Term Lenders generally (other than Term Lenders that do not wish to receive MNPI with respect to Holdings or any of its Subsidiaries or securities).

* 1. The Administrative Agent and its Related Parties shall (i) have no responsibility for tracking or monitoring assignments to or participations by any Affiliated Lender, Holdings, Borrower or its Subsidiaries or Affiliates, (ii) have no responsibility for determining whether or not (A) such person is in possession of any MNPI and (B) such person has disclosed or not disclosed or has a duty to disclose any MNPI and (iii) have the benefit of the indemnification provisions of Section 9.03 in connections with any assignments, participations and purchases made under clauses (e) and (f) of this Section 9.04.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and ARTICLE VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof. Except for any provisions hereof which by their express terms or the terms of this Section 9.05 survive such termination, this Agreement will terminate upon termination of the Commitments and repayment of all outstanding Loan Document Obligations.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent or the syndication of Loans and Commitments constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement

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shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by fax, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Loan Party against any of and all the Secured Obligations held by such Lender, irrespective of whether or not such Lender shall have made any demand under the Loan Documents and although such obligations may be unmatured. The applicable Lender shall notify the Borrower and the Administrative Agent of such set-off or application, provided that any failure to give or any delay in giving such notice shall not affect the validity of any such set-off or application under this Section. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process.

1. The Loan Documents (other than those containing a contrary express choice of law provision) shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the State of New York.
2. Each Loan Party hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any U.S. Federal or New York State court sitting in County of New York, New York, New York in any action or proceeding arising out of or relating to any Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.
3. Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

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1. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, OR OTHER AGENT (INCLUDING ANY ATTORNEY) OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, nor be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates’ respective directors, officers, employees and agents, including accountants, legal counsel and other advisors who need to know such Information in connection with the Transactions and who are informed of the confidential nature of such Information and who are subject to customary confidentiality obligations of professional practice or who agree to be bound by the terms of this Section 9.12 (or language substantially similar to this Section 9.12) (with each of the Administrative Agent, the Issuing Bank and the Lenders, to the extent within its control, responsible for such Person’s compliance with this Section 9.12), (b) to the extent requested by any regulatory authority having jurisdiction, or purporting to have jurisdiction over, the Administrative Agent, the Issuing bank or the Lenders or any of its Affiliates, provided, to the extent practicable and unless specifically prohibited by applicable law or court order and except with respect to any audit or examination conducted by bank accountants or any regulatory authority exercising routine examination or regulatory authority, each Lender shall promptly notify the Borrower of any request by any regulatory authority or representative thereof for disclosure of any such confidential information prior to disclosure of such confidential information,

1. to the extent required by any Requirement of Law or by any subpoena or similar legal process, provided, to the extent practicable and unless specifically prohibited by applicable law, rule or regulation, the Administrative Agent, Issuing Bank and the Lender, as applicable shall promptly notify the Borrower thereof prior to disclosure thereof, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 9.12, to (x) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (y) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Loan Parties and their obligations, (g) with the consent of the Borrower, or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 9.12 or (y) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis from a source other than the Borrower that is not, to the knowledge of such Administrative Agent, Issuing Bank or Lender, subject to contractual obligations owing to the Borrower or any Restricted Subsidiary, Affiliate or related party thereto. For the purposes of this Section

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9.12, “Information” means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 9.12 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Several Obligations; Non-reliance; Violation of Law. The respective obligations of the Lenders hereunder are several and not joint and the failure of any Lender to make any Loan or perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board) for the repayment of the Borrowings provided for herein. Anything contained in this Agreement to the contrary notwithstanding, neither the Issuing Bank nor any Lender shall be obligated to extend credit to the Borrower in violation of any Requirement of Law.

SECTION 9.14. USA PATRIOT Act. Each Lender that is subject to the requirements of the USA Patriot Act hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of any Loan Party and other information that will allow such Lender to identify a Loan Party accordance with the USA Patriot Act.

SECTION 9.15. Disclosure. Each Loan Party, each Lender and the Issuing Bank hereby acknowledges and agrees that the Administrative Agent and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with, any of the Loan Parties and their respective Affiliates.

SECTION 9.16. Appointment for Perfection. Each Lender hereby appoints each other Lender as its agent for the purpose of perfecting Liens, for the benefit of the Administrative Agent and the Secured Parties, in assets which, in accordance with Article 9 of the UCC or any other applicable law can be perfected only by possession. Should any Lender (other than the Administrative Agent) obtain possession of any such Collateral, such Lender shall notify the Administrative Agent thereof, and, promptly upon the Administrative Agent’s request therefor shall deliver such Collateral to the Administrative Agent or otherwise deal with such Collateral in accordance with the Administrative Agent’s instructions.

SECTION 9.17. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the “Charges”), shall exceed the maximum lawful rate (the “Maximum Rate”) which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.18. No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees that: (i) (A)

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the arranging and other services regarding this Agreement provided by the Lenders are arm’s-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Lenders and their Affiliates, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) each of the Lenders and their Affiliates is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) no Lender or any of its Affiliates has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except, in the case of a Lender, those obligations expressly set forth herein and in the other Loan Documents; and (iii) each of the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and no Lender or any of its Affiliates has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against each of the Lenders and their Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

SECTION 9.19. Authorization to Distribute Certain Materials to Public-Siders.

1. None of the Loan Parties currently has any publicly traded securities outstanding (including, but not limited to, 144A Securities, commercial paper notes or American Depositary Receipts); provided that the Borrower agrees that if any of the Parties issues any publicly traded securities at a future date, any of the information in the Loan Documents and the Financial Statements to be furnished pursuant to Section 5.01(a) and Section 5.01(b), to the extent then material, will be publicly disclosed or set forth in the related prospectus or other offering document for such issuance.
2. The Borrower hereby authorizes the Administrative Agent to distribute the execution versions of the Loan Documents and Financial Statements to all Lenders, including their Public-Siders who indicate that they would not wish to receive information that would be deemed to be material non-public information within the meaning of the United States federal and state securities laws if the Parties had publicly traded securities outstanding.
3. If the Borrower issues any 144A Securities during the term of this Agreement and its Financial Statements are not filed with the SEC, the Borrower (i) agrees to deliver to the Administrative Agent, and authorizes the posting by the Administrative Agent to the public-side view site of the Agency Site, the Financial Statements and Supplemental Materials and (ii) represents, warrants and agrees that the Financial Statements and Supplemental Materials will not constitute information that, upon disclosure to Public-Siders, would restrict them or their firms from purchasing or selling any of the 144A Securities under United States federal and state securities laws. The Borrower further agrees to clearly label such Financial Statements and/or Supplemental Materials with a notice stating: “**Confidential Financial Statements provided to 144A Holders**” or “**Confidential Supplemental Materials,**” as the case may, before delivering them to the Administrative Agent.
4. The Borrower acknowledges its understanding that Public-Siders and their firms may be trading in any of the Loan Parties’ respective securities while in possession of the materials, documents and information distributed to them pursuant to the authorizations made herein.

SECTION 9.20. No Novation. From and after the Effective Date, this Agreement shall be binding on the Borrower, the Guarantors, the Administrative Agent, the Lenders and the other parties hereto, and the Existing Credit Agreement and the provisions thereof shall be amended, restated and replaced in their

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entirety by this Agreement and the provisions hereof, subject to the following provisions. This Agreement shall not extinguish the obligations for the payment of money outstanding under the Existing Credit Agreement or discharge or release the Lien or priority of any Collateral Document or any other security therefor. Nothing herein contained shall be construed as a substitution or novation of the obligations outstanding under the Existing Credit Agreement or instruments securing the same, which shall remain in full force and effect, except to any extent modified hereby or by instruments executed concurrently herewith and except to the extent repaid as provided herein. Nothing implied in this Agreement or in any other document contemplated hereby shall be construed as a release or other discharge of any of the Loan Parties under any Loan Document from any of its obligations and liabilities as Borrower, guarantor or pledgor under any of the Loan Documents.

ARTICLE X

Loan Guaranty

SECTION 10.01. Guaranty. Each Loan Guarantor (other than those that have delivered a separate Guaranty) hereby agrees that it is jointly and severally liable for, and absolutely and unconditionally and irrevocably guarantees to the Secured Parties, the prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of the Secured Obligations and all reasonable out-of-pocket costs and expenses including, without limitation, all court costs and reasonable attorneys’ and paralegals’ fees and expenses paid or incurred by the Administrative Agent, the Issuing Bank and the Lenders in endeavoring to collect all or any part of the Secured Obligations from, or in prosecuting any action against, the Borrower, any Loan Guarantor or any other guarantor of all or any part of the Secured Obligations (such costs and expenses, together with the Secured Obligations, collectively the “Guaranteed Obligations”); except that the Guaranteed Obligations of any Loan Guarantor shall exclude Excluded Swap Obligations with respect to such Loan Guarantor). Each Loan Guarantor further agrees that the Guaranteed Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guarantee notwithstanding any such extension or renewal. All terms of this Loan Guaranty apply to and may be enforced by or on behalf of any domestic or foreign branch or Affiliate of any Lender that extended any portion of the Guaranteed Obligations.

SECTION 10.02. Guaranty of Payment. This Loan Guaranty is a guaranty of payment and not of collection. Each Loan Guarantor waives any right to require the Administrative Agent, the Issuing Bank or any Lender to sue the Borrower, any Loan Guarantor, any other guarantor, or any other Person obligated for all or any part of the Guaranteed Obligations (each, an “Obligated Party”), or otherwise to enforce its payment against any collateral securing all or any part of the Guaranteed Obligations.

SECTION 10.03. No Discharge or Diminishment of Loan Guaranty.

1. Except as otherwise provided for herein, the obligations of each Loan Guarantor hereunder are unconditional and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Guaranteed Obligations), including: (i) any claim of waiver, release, extension, renewal, settlement, surrender, alteration, or compromise of any of the Guaranteed Obligations, by operation of law or otherwise; (ii) any change in the corporate existence, structure or ownership of the Borrower or any other Obligated Party liable for any of the Guaranteed Obligations; (iii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Obligated Party, or their assets or any resulting release or discharge of any obligation of any Obligated Party; or (iv) the existence of any claim, setoff or other rights which any Loan Guarantor may have at any time against any Obligated Party, the Administrative Agent, the Issuing Bank, any Lender, or any other Person, whether in connection herewith or in any unrelated transactions.

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1. The obligations of each Loan Guarantor hereunder are not subject to any defense or setoff, counterclaim, recoupment, or termination whatsoever by reason of the invalidity, illegality, or unenforceability of any of the Guaranteed Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Obligated Party, of the Guaranteed Obligations or any part thereof.
2. Further, the obligations of any Loan Guarantor hereunder are not discharged or impaired or otherwise affected by: (i) the failure of the Administrative Agent, the Issuing Bank or any Lender to assert any claim or demand or to enforce any remedy with respect to all or any part of the Guaranteed Obligations; (ii) any waiver or modification of or supplement to any provision of any agreement relating to the Guaranteed Obligations; (iii) any release, non-perfection, or invalidity of any indirect or direct security for the obligations of the Borrower for all or any part of the Guaranteed Obligations or any obligations of any other Obligated Party liable for any of the Guaranteed Obligations; (iv) any action or failure to act by the Administrative Agent, the Issuing Bank or any Lender with respect to any collateral securing any part of the Guaranteed Obligations; or (v) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Guaranteed Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Loan Guarantor or that would otherwise operate as a discharge of any Loan Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of the Guaranteed Obligations).

SECTION 10.04. Defenses Waived. To the fullest extent permitted by applicable law, each Loan Guarantor hereby waives any defense based on or arising out of any defense of the Borrower or any Loan Guarantor or the unenforceability of all or any part of the Guaranteed Obligations from any cause, or the cessation from any cause of the liability of the Borrower or any Loan Guarantor, other than the indefeasible payment in full in cash of the Guaranteed Obligations. Without limiting the generality of the foregoing, each Loan Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Obligated Party, or any other Person. Each Loan Guarantor confirms that it is not a surety under any state law and shall not raise any such law as a defense to its obligations hereunder. The Administrative Agent may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, accept an assignment of any such Collateral in lieu of foreclosure or otherwise act or fail to act with respect to any collateral securing all or a part of the Guaranteed Obligations, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Obligated Party or exercise any other right or remedy available to it against any Obligated Party, without affecting or impairing in any way the liability of such Loan Guarantor under this Loan Guaranty, except to the extent the Guaranteed Obligations have been fully and indefeasibly paid in cash. To the fullest extent permitted by applicable law, each Loan Guarantor waives any defense arising out of any such election even though that election may operate, pursuant to applicable law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Loan Guarantor against any Obligated Party or any security.

SECTION 10.05. Rights of Subrogation. No Loan Guarantor will assert any right, claim or cause of action, including, without limitation, a claim of subrogation, contribution or indemnification that it has against any Obligated Party, or any collateral, until the Loan Parties and the Loan Guarantors have fully performed all their obligations to the Administrative Agent, the Issuing Bank and the Lenders.

SECTION 10.06. Reinstatement; Stay of Acceleration. If at any time any payment of any portion of the Guaranteed Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, or reorganization of the Borrower or otherwise, each Loan Guarantor’s obligations under this Loan Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made and whether or not the Administrative Agent, the Issuing Bank and the Lenders are in possession

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of this Loan Guaranty. If acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Guaranteed Obligations shall nonetheless be payable by the Loan Guarantors forthwith on demand by the Administrative Agent.

SECTION 10.07. Information. Each Loan Guarantor assumes all responsibility for being and keeping itself informed of the Borrower’s financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that each Loan Guarantor assumes and incurs under this Loan Guaranty, and agrees that none of the Administrative Agent, the Issuing Bank nor any Lender shall have any duty to advise any Loan Guarantor of information known to it regarding those circumstances or risks.

SECTION 10.08. Continuing Guaranty. Each Loan Guarantor will continue to be liable to the Lenders for any Guaranteed Obligations and all subsequent renewals, extensions, modifications and amendments with respect to, or substitutions for, all or any part of that Guaranteed Obligations.

SECTION 10.09. Taxes. Each payment of the Guaranteed Obligations will be made by each Loan Guarantor in compliance with the terms of this Agreement (including Sections 2.15, 2.16 and 2.17).

SECTION 10.10. Maximum Liability.

1. The provisions of this Loan Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Loan Guarantor under this Loan Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of such Loan Guarantor’s liability under this Loan Guaranty, then, notwithstanding any other provision of this Loan Guaranty to the contrary, the amount of such liability shall, without any further action by the Loan Guarantors or the Administrative Agent, the Issuing Bank or any Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Loan Guarantor’s “Maximum Liability”). This Section with respect to the Maximum Liability of each Loan Guarantor is intended solely to preserve the rights of the Administrative Agent, the Issuing Bank and the Lenders to the maximum extent not subject to avoidance under applicable law, and no Loan Guarantor nor any other Person shall have any right or claim under this Section with respect to such Maximum Liability, except to the extent necessary so that the obligations of any Loan Guarantor hereunder shall not be rendered voidable under applicable law. Each Loan Guarantor agrees that the Guaranteed Obligations may at any time and from time to time exceed the Maximum Liability of each Loan Guarantor without impairing this Loan Guaranty or affecting the rights and remedies of the Administrative Agent, the Issuing Bank or the Lenders hereunder, provided that nothing in this sentence shall be construed to increase any Loan Guarantor’s obligations hereunder beyond its Maximum Liability.
2. Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under this Loan Guaranty in respect of Loan Guarantor Swap Obligation (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section 10.10(b), with respect to Loan Guarantor Swap Obligation, for the maximum amount of such liability that can be hereby incurred without rendering its Loan Guarantor Swap Obligation under this Section 10.10(b), or otherwise under this Loan Guaranty, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section 10.10(b) shall remain in full force and effect until a discharge of Guaranteed Obligations. Each Qualified ECP Guarantor intends that this Section 10.10(b) constitute, and

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this Section 10.10(b) shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

SECTION 10.11. Contribution. In the event any Loan Guarantor (a “Paying Guarantor”) shall make any payment or payments under this Loan Guaranty or shall suffer any loss as a result of any realization upon any collateral granted by it to secure its obligations under this Loan Guaranty, each other Loan Guarantor (each a “Non-Paying Guarantor”) shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor’s “Applicable Contribution Percentage” of such payment or payments made, or losses suffered, by such Paying Guarantor. For purposes of this ARTICLE X, each Non-Paying Guarantor’s “Applicable Contribution Percentage” with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (i) such Non-Paying Guarantor’s Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor’s Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from the Borrower after the date hereof (whether by loan, capital infusion or by other means) to (ii) the aggregate Maximum Liability of all Loan Guarantors hereunder (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for any Loan Guarantor, the aggregate amount of all monies received by such Loan Guarantors from the Borrower after the date hereof (whether by loan, capital infusion or by other means). Nothing in this provision shall affect any Loan Guarantor’s several liability for the entire amount of the Guaranteed Obligations (up to such Loan Guarantor’s Maximum Liability). Each of the Loan Guarantors covenants and agrees that its right to receive any contribution under this Loan Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to the payment in full in cash of the Guaranteed Obligations. This provision is for the benefit of all of the Administrative Agent, the Issuing Bank, the Lenders and the Loan Guarantors and may be enforced by any one, or more, or all of them in accordance with the terms hereof.

SECTION 10.12. Liability Cumulative. The liability of each Loan Party as a Loan Guarantor under this ARTICLE X is in addition to and shall be cumulative with all liabilities of each Loan Party to the Administrative Agent, the Issuing Bank and the Lenders under this Agreement and the other Loan Documents to which such Loan Party is a party or in respect of any obligations or liabilities of the other Loan Parties, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

[*Signature Pages Follow*]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**PLANET FITNESS HOLDINGS, LLC,**

the Borrower

By:



Name:



Title:



**PLANET INTERMEDIATE, LLC,**

Holdings and a Loan Guarantor

By:



Name:



Title:



**PLA-FIT HEALTH, L.L.C.,**

a Loan Guarantor

By:



Name:



Title:



**PLA-FIT FRANCHISE, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PLANET FITNESS EQUIPMENT, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PFIP, LLC,**

a Loan Guarantor

By:



Name:



Title:



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**JFZ, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PF DERRY, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PIZZAZZ LLC,**

a Loan Guarantor

By:



Name:



Title:



**PIZZAZZ II LLC,**

a Loan Guarantor

By:



Name:



Title:



**PFPA, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PF ERIE LLC,**

a Loan Guarantor

By:



Name:



Title:



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**PF GREENSBURG, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PLA-FIT WARMINSTER, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PFCA, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PF VALLEJO, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PLA-FIT HEALTH NJNY, LLC,**

a Loan Guarantor

By:



Name:



Title:



**LONG ISLAND FITNESS GROUP, LLC,**

a Loan Guarantor

By:



Name:



Title:



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**BAYSHORE FITNESS GROUP, LLC,**

a Loan Guarantor

By:



Name:



Title:



**MELVILLE FITNESS GROUP, LLC,**

a Loan Guarantor

By:



Name:



Title:



**CARLE PLACE FITNESS GROUP, LLC,**

a Loan Guarantor

By:



Name:



Title:



**LEVITTOWN FITNESS GROUP, LLC,**

a Loan Guarantor

By:



Name:



Title:



**1040 SOUTH BROADWAY FITNESS GROUP,**

LLC,a Loan Guarantor

By:



Name:



Title:



**BAYONNE FITNESS GROUP, LLC,**

a Loan Guarantor

By:



Name:



Title:



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**EDISON FITNESS GROUP, LLC,**

a Loan Guarantor

By:



Name:



Title:



**601 WASHINGTON STREET FITNESS GROUP LLC,**

a Loan Guarantor

By:



Name:



Title:



**PEEKSKILL FITNESS GROUP, LLC,**

a Loan Guarantor

By:



Name:



Title:



**PLA-FIT COLORADO, LLC,**

a Loan Guarantor

By:



Name:



Title:



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**JPMORGAN CHASE BANK, N.A.,**

individually, and as Administrative Agent, Swingline Lender

and Issuing Bank

By:



Name:



Title:



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**JPMORGAN CHASE BANK, N.A.,**

as a Lender

By:



Name:



Title:



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**TD BANK, N.A.,**

as a Lender

By:



Name:



Title:



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**U.S. BANK NATIONAL ASSOCIATION,**

as a Lender

By:



Name:



Title:



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**BANK OF MONTREAL,**

as a Lender

By:



Name:



Title:



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**SECURITY BENEFIT LIFE INSURANCE COMPANY,**

as a Lender

By:



Name:



Title:



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**JEFFERIES FINANCE LLC,**

as a Lender

By:



Name:



Title:



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**COMMITMENT SCHEDULE**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Lender** | | |  | **Revolving** | |  |  | **Term** | |  |  | **Total** | |  |
|  | **Commitment** | |  |  | **Commitment** | |  |  |  |
|  | J.P. | MORGAN CHASE BANK, N.A. | $ | 12,000,000 |  |  | $ | 323,142,857.14 |  |  | $ | 335,142,857.14 |  |  |
|  | TD BANK, N.A | | $ | 12,000,000 | | $ | | 0 | | $ | | 12,000,000 | |  |
|  | U.S. BANK NATIONAL ASSOCIATION | | $ | 7,500,000 |  | $ | | 0 | | $ | | 7,500,000 |  |  |
|  | BANK OF MONTREAL | | $ | 4,000,000 |  | $ | | 0 | | $ | | 4,000,000 |  |  |
|  | SECURITY BENEFIT LIFE INSURANCE COMPANY | | $ | 2,250,000 |  | $ | | 0 | | $ | | 2,250,000 |  |  |
|  | JEFFERIES FINANCE LLC | | $ | 2,250,000 |  | $ | | 66,857,142.86 | | $ | | 69,107,142.86 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total** | | **$** | **40,000,000.00** | | **$** | | **390,000,000.00** |  | **$** | | **430,000,000.00** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**Exhibit B**

**Acknowledgment and Agreement**

Each Loan Guarantor listed below hereby acknowledges that it has reviewed Amendment No. 1 to the Amended and Restated Credit Agreement dated as of March 31, 2015 to which this Acknowledgment and Agreement is attached as an exhibit (the “First Amendment”) and hereby consents to the execution, delivery and performance thereof by the Borrower and Holdings. Each Loan Guarantor hereby confirms its obligation under each Loan Document to which it is a party and agrees that, after giving effect to the First Amendment, neither the modification of the Credit Agreement or any other Loan Document effected pursuant to the First Amendment, nor the execution, delivery, performance or effectiveness of the First Amendment or any other Loan Document impairs the validity or effectiveness of any Loan Document to which it is a party or impairs the validity, effectiveness or priority of the Liens granted pursuant to any other Loan Document to which it is a party or by which it is otherwise bound. Each Loan Guarantor hereby confirms that the Additional Term Loans borrowed pursuant to the First Amendment constitute Obligations under the Loan Documents and “Guaranteed Obligations” for purposes of Section 10.01 of the Credit Agreement.

[Signature Pages Follow]

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**PLA-FIT HEALTH, L.L.C.**, as a Loan Guarantor

**PLA-FIT FRANCHISE, LLC**, as a Loan Guarantor

**PLANET FITNESS EQUIPMENT, LLC**, as a Loan

Guarantor

**PFIP, LLC**, as a Loan Guarantor

By: /s/ Christopher Rondeau



Name: Christopher Rondeau

Title: Chief Executive Officer

**JFZ, LLC**, as a Loan Guarantor

**PF DERRY, LLC**, as a Loan Guarantor

**PIZZAZZ, LLC**, as a Loan Guarantor

**PIZZAZZ II, LLC**, as a Loan Guarantor

**PFPA, LLC**, as a Loan Guarantor

**PF ERIE LLC**, as a Loan Guarantor

**PF GREENSBURG, LLC**, as a Loan Guarantor

**PLA-FIT WARMINSTER, LLC**, as a Loan Guarantor

**PFCA, LLC**, as a Loan Guarantor

**PF VALLEJO, LLC**, as a Loan Guarantor

**PLA-FIT HEALTH NJNY, LLC**, as a Loan Guarantor

**LONG ISLAND FITNESS GROUP, LLC**, as a Loan

Guarantor

**BAYSHORE FITNESS GROUP, LLC**, as a Loan Guarantor

**MELVILLE FITNESS GROUP, LLC**, as a Loan Guarantor

**CARLE PLACE FITNESS GROUP, LLC**, as a Loan

Guarantor

**LEVITTOWN FITNESS GROUP, LLC**, as a Loan

Guarantor

**1040 SOUTH BROADWAY FITNESS GROUP, LLC**, as a

Loan Guarantor

**BAYONNE FITNESS GROUP, LLC**, as a Loan Guarantor

**EDISON FITNESS GROUP, LLC**, as a Loan Guarantor

**601 WASHINGTON STREET FITNESS GROUP, LLC**, as

a Loan Guarantor

**PEEKSKILL FITNESS GROUP, LLC**, as a Loan Guarantor

**PLA-FIT COLORADO, LLC**, as a Loan Guarantor

By: /s/ Christopher Rondeau



Name: Christopher Rondeau

Title: Manager

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|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **ANNEX 1** | | | |  |  |  |
|  |  |  |  |  |  |  | |  |  |  |
|  |  | **ADDITIONAL TERM COMMITMENTS** | | | | | |  |  |  |
| **Name of Lender** | |  |  |  |  |  | **Additional Term Commitment** | | |  |
|  |  |  |  |  |  |  |  |  |  |  |
| JPMorgan Chase Bank, N.A. | | $ | 120,000,000 |  |
| **Total:** | | **$** | | | | | | **120,000,000** |  |  |

ANNEX 1

**Exhibit 10.16**

**PLANET FITNESS, INC.**

**2015 OMNIBUS INCENTIVE PLAN**

1. **DEFINED TERMS**

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and sets forth certain operational rules related to those terms.

1. **PURPOSE**

The Plan has been established to advance the interests of the Company by providing for the grant to Participants of Stock, Stock-based and other incentive Awards.

1. **ADMINISTRATION**

The Administrator has discretionary authority to interpret the Plan; determine eligibility for and grant Awards; determine, modify or waive the terms and conditions of any Award; determine the form of settlement of Awards (whether in cash, shares of Stock or other property); prescribe forms, rules and procedures relating to the Plan; and otherwise do all things necessary or appropriate to carry out the purposes of the Plan. Determinations of the Administrator made under the Plan will be conclusive and will bind all parties.

1. **LIMITS ON AWARDS UNDER THE PLAN**
   1. **Number of Shares.** The maximum number of shares of Stock that may be delivered in satisfaction of Awards under the Plan is [●] shares. Up to thetotal number of shares available for Awards to employee Participants may be issued in satisfaction of ISOs, but nothing in this Section 4(a) will be construed as requiring that any, or any fixed number of, ISOs be awarded under the Plan. The limits set forth in this Section 4(a) shall be construed to comply with Section 422. For purposes of this Section 4(a), the number of shares of Stock delivered in satisfaction of Awards will be determined net of shares of Stock withheld by the Company in payment of the exercise price or purchase price of the Award or in satisfaction of tax withholding requirements with respect to the Award and, for the avoidance of doubt, without including any shares of Stock underlying Awards settled in cash or that otherwise expire or become unexercisable without having been exercised or that are forfeited to or repurchased by the Company due to failure to vest. To the extent consistent with the requirements of Section 422 and the regulations thereunder, and with other applicable legal requirements (including applicable stock exchange requirements), Stock issued under awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition shall not reduce the number of shares of Stock available for Awards under the Plan.
   2. **Type of Shares.** Stock delivered by the Company under the Plan may be authorized but unissued Stock or previously issued Stock acquired by theCompany. No fractional shares of Stock will be delivered under the Plan.

1. **Individual Limits.** The following additional limits will apply to Awards of the specified type granted or, in the case of Cash Awards, payable to anyperson in any calendar year:
   1. Stock Options: [●] shares of Stock.
   2. SARs: [●] shares of Stock.
   3. Awards other than Stock Options, SARs or Cash Awards: [●] shares of Stock.
   4. Cash Awards: $[●].

In applying the foregoing limits, (i) all Awards of the specified type granted to the same person in the same calendar year will be aggregated and made subject to one limit; (ii) the limits applicable to Stock Options and SARs refer to the number of shares of Stock subject to those Awards; (iii) the share limit under clause (3) refers to the maximum number of shares of Stock that may be delivered, or the value of which could be paid in cash or other property, under an Award or Awards of the type specified in clause (3) assuming a maximum payout; and (iv) the dollar limit under clause (4) refers to the maximum dollar amount payable under an Award or Awards of the type specified in clause (4) assuming a maximum payout. The foregoing provisions will be construed in a manner consistent with Section 162(m), including, without limitation, where applicable, the rules under Section 162(m) pertaining to permissible deferrals of exempt awards.

* 1. **Non-Employee Director Limits**. In the case of a Director, additional limits shall apply such that the maximum grant-date fair value of Stock-denominated Awards, and the maximum amount of cash payable under any Cash Awards, granted in any calendar year of the Company during any part of which the Director is then eligible under the Plan shall, in each case, be $400,000, except that such limit for a non-employee Chairman of the Board or lead Director shall, in each case, be $700,000, in each case, with respect to Stock-denominated Awards, computed in accordance with FASB ASC Topic 718. The foregoing additional limits related to Directors shall not apply to any Award or shares of Stock granted pursuant to a Director’s election to receive an Award or shares of Stock in lieu of cash retainers or other fees (to the extent such Award or shares of Stock have a fair value equal to the value of such cash retainers or other fees).

1. **ELIGIBILITY AND PARTICIPATION**

The Administrator will select Participants from among key Employees and directors of, and consultants and advisors to, the Company and its Affiliates.

Eligibility for ISOs is limited to individuals described in the first sentence of this Section 5 who are employees of the Company or of a “parent corporation” or “subsidiary corporation” of the Company as those terms are defined in Section 424 of the Code. Eligibility for Stock Options other than ISOs is limited to individuals described in the first sentence of this Section 5 who are providing direct services on the date of grant of the Stock Option to the Company or to a subsidiary of the Company that would be described in the first sentence of Section 1.409A-1(b)(5)(iii)(E) of the Treasury Regulations.

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1. **RULES APPLICABLE TO AWARDS**
   1. **All Awards.**
      1. **Award Provisions.** The Administrator will determine the terms of all Awards, subject to the limitations provided herein. By accepting (or,under such rules as the Administrator may prescribe, being deemed to have accepted) an Award, the Participant will be deemed to have agreed to the terms of the Award and the Plan. Notwithstanding any provision of this Plan to the contrary, awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition may contain terms and conditions that are inconsistent with the terms and conditions specified herein, as determined by the Administrator.
      2. **Term of Plan.** No Awards may be made after ten years from the Date of Adoption, but previously granted Awards may continue beyond thatdate in accordance with their terms.
      3. **Transferability.** Neither ISOs nor, except as the Administrator otherwise expressly provides in accordance with the last sentence of thisSection 6(a)(3), other Awards may be transferred other than by will or by the laws of descent and distribution. During a Participant’s lifetime, ISOs (and, except as the Administrator otherwise expressly provides in accordance with the last sentence of this Section 6(a)(3), SARs and NSOs) may be exercised only by the Participant. The Administrator may permit the gratuitous transfer (*i.e.*, transfer not for value) of Awards other than ISOs to any transferee eligible to be covered by the provisions of Form S-8 (under the Securities Act of 1933, as amended), subject to such limitations as the Administrator may impose.
      4. **Vesting, *etc.*** The Administrator will determine the time or times at which an Award will vest or become exercisable and the terms on which aStock Option or SAR will remain exercisable. Without limiting the foregoing, the Administrator may at any time accelerate the vesting or exercisability of an Award, regardless of any adverse or potentially adverse tax or other consequences resulting from such acceleration. Unless the Administrator expressly provides otherwise, however, the following rules will apply if a Participant’s Employment ceases:
         1. Immediately upon the cessation of the Participant’s Employment and except as provided in (B) and (C) below, each Stock Option and SAR that is then held by the Participant or by the Participant’s permitted transferees, if any, will cease to be exercisable and will terminate and all other Awards that are then held by the Participant or by the Participant’s permitted transferees, if any, to the extent not already vested will be forfeited.
         2. Subject to (C) and (D) below, all Stock Options and SARs held by the Participant or the Participant’s permitted transferees, if any, immediately prior to the cessation of the Participant’s Employment, to the extent then exercisable, will remain exercisable for the lesser of (i) a period of three months or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

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* 1. All Stock Options and SARs held by a Participant or the Participant’s permitted transferees, if any, immediately prior to the cessation of the Participant’s Employment due to his or her death or due to the termination of the Participant’s Employment by the Company due to his or her Disability, to the extent then exercisable, will remain exercisable for the lesser of (i) a period of twelve (12) months or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.
  2. All Stock Options and SARs (whether or not exercisable) held by a Participant or the Participant’s permitted transferees, if any, immediately prior to the cessation of the Participant’s Employment will immediately terminate upon such cessation of Employment if the termination is for Cause or occurs in circumstances that in the sole determination of the Administrator would have constituted grounds for the Participant’s Employment to be terminated for Cause.

1. **Additional Restrictions.** The Administrator may cancel, rescind, withhold or otherwise limit or restrict any Award at any time if theParticipant is not in compliance with all applicable provisions of the Award agreement and the Plan, or if the Participant breaches any agreement with the Company or its Affiliates with respect to non-competition, non-solicitation or confidentiality. Without limiting the generality of the foregoing, the Administrator may recover Awards made under the Plan and payments or shares of Stock delivered under or gain in respect of any Award in accordance with any applicable Company clawback or recoupment policy, as such policy may be amended and in effect from time to time, or as otherwise required by applicable law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Securities Exchange Act of 1934, as amended.
2. **Taxes.** The delivery, vesting and retention of Stock, cash or other property under an Award are conditioned upon full satisfaction by theParticipant of all tax withholding requirements with respect to the Award. The Administrator will prescribe such rules for the withholding of taxes as it deems necessary. Each Participant agrees promptly to remit to the Company, in cash, the full amount of all taxes required to be withheld in connection with an Award unless the Administrator, in its sole discretion, provides alternative means for satisfying the Company’s tax withholding requirements. The Administrator may, but need not, hold back shares of Stock from an Award or permit a Participant to tender previously owned shares of Stock in satisfaction of tax withholding requirements (but not in excess of the minimum withholding required by law to the extent required to not result in adverse accounting treatment of an Award under U.S. generally accepted accounting principles, as determined by the Administrator).
3. **Dividend Equivalents, *etc.*** The Administrator may provide for the payment of amounts (on terms and subject to conditions established bythe Administrator) in lieu of cash dividends or other cash distributions with respect to Stock subject to an Award whether or not the holder of such Award is otherwise entitled to share in the actual dividend or distribution in respect of such Award. Dividends or dividend equivalent amounts payable in respect of Awards that are subject to restrictions may be subject to such limits or restrictions as the Administrator may impose.

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* + 1. **Rights Limited.** Nothing in the Plan will be construed as giving any person the right to continued employment or service with the Companyor its Affiliates, or any rights as a stockholder except as to shares of Stock actually issued under the Plan. The loss of existing or potential profit in Awards will not constitute an element of damages in the event of a termination of Employment for any reason, even if the termination is in violation of an obligation of the Company or any Affiliate to the Participant.
    2. **Section 162(m).** In the case of any Performance Award (other than a Stock Option or SAR) intended to qualify for the performance-basedcompensation exception under Section 162(m), the Administrator will establish the applicable Performance Criterion or Criteria in writing no later than ninety

1. days after the commencement of the period of service to which the performance relates (or at such earlier time as is required to qualify the Award as performance-based under Section 162(m)) and, prior to the event or occurrence (grant, vesting or payment, as the case may be) that is conditioned on the attainment of such Performance Criterion or Criteria, will certify whether it or they have been attained. The preceding sentence will not apply to an Award eligible (as determined by the Administrator) for exemption from the limitations of Section 162(m) by reason of the post-initial public offering transition relief in Section 1.162-27(f) of the Treasury Regulations.
   * 1. **Coordination with Other Plans.** Awards under the Plan may be granted in tandem with, or in satisfaction of or substitution for, otherAwards under the Plan or awards made under other compensatory plans or programs of the Company or its Affiliates. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or its Affiliates may be settled in Stock (including, without limitation, Unrestricted Stock) if the Administrator so determines, in which case the shares delivered will be treated as awarded under the Plan (and will reduce the number of shares thereafter available under the Plan in accordance with the rules set forth in Section 4). In any case where an award is made under another plan or program of the Company or its Affiliates and such award is intended to qualify for the performance-based compensation exception under Section 162(m), and such award is settled by the delivery of Stock or another Award under the Plan, the applicable Section 162(m) limitations under both the other plan or program and under the Plan will be applied to the Plan as necessary (as determined by the Administrator) to preserve the availability of the Section 162(m) performance-based compensation exception with respect thereto.
     2. **Section 409A.** Each Award will contain such terms as the Administrator determines, and will be construed and administered, such that theAward either qualifies for an exemption from the requirements of Section 409A or satisfies such requirements.
     3. **Fair Market Value.** In determining the fair market value of any share of Stock under the Plan, the Administrator will make thedetermination in good faith consistent with the rules of Section 422 and Section 409A, to the extent applicable.
   1. **Stock Options and SARs.**
      1. **Time and Manner of Exercise.** Unless the Administrator expressly provides otherwise, no Stock Option or SAR will be deemed to havebeen exercised until the

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Administrator receives a notice of exercise (in form acceptable to the Administrator), which if the Administrator so determines may be an electronic notice, signed (including electronic signature in form acceptable to the Administrator) by the appropriate person and accompanied by any payment required under the Award. A Stock Option or SAR exercised by any person other than the Participant will not be deemed to have been exercised until the Administrator has received such evidence as it may require that the person exercising the Award has the right to do so. The Administrator may impose conditions on the exercisability of Awards, including limitations on the time periods during which Awards may be exercised or settled.

* + 1. **Exercise Price.** The exercise price (or the base value from which appreciation is to be measured) of each Stock Option or SAR will be no lessthan 100% (or in the case of an ISO granted to a ten-percent shareholder within the meaning of subsection (b)(6) of Section 422, 110%) of the fair market value of the Stock subject to the Award, determined as of the date of grant, or such higher amount as the Administrator may determine in connection with the grant. Except in connection with a corporate transaction involving the Company (which term shall include, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares) or as otherwise contemplated by Section 7 of the Plan, the terms of outstanding Stock Options or SARs, as applicable, may not be amended to reduce the exercise prices of such Stock Options or the base values from which appreciation under such SARs are to be measured other than in accordance with the stockholder approval requirements of the New York Stock Exchange.
    2. **Payment of Exercise Price.** Where the exercise of an Award is to be accompanied by payment, payment of the exercise price will be by cashor check acceptable to the Administrator or by such other legally permissible means, if any, as may be acceptable to the Administrator.
    3. **Maximum Term.** Stock Options and SARs will have a maximum term not to exceed ten (10) years from the date of grant (or five (5) yearsfrom the date of grant in the case of an ISO granted to a ten-percent shareholder described in Section 6(b)(2) above).

1. **EFFECT OF CERTAIN TRANSACTIONS**
   1. **Mergers, *etc.*** Except as otherwise provided in an Award agreement, the following provisions will apply in the event of a Covered Transaction:
      1. **Assumption or Substitution.** If the Covered Transaction is one in which there is an acquiring or surviving entity, the Administrator may (but,for the avoidance of doubt, need not) provide (i) for the assumption or continuation of some or all outstanding Awards or any portion thereof or (ii) for the grant of new awards in substitution therefor by the acquiror or survivor or an affiliate of the acquiror or survivor.
      2. **Cash-Out of Awards.** Subject to Section 7(a)(5) below the Administrator may (but, for the avoidance of doubt, need not) provide forpayment (a “cash-out”), with respect to some or all Awards or any portion thereof, equal in the case of each affected Award or portion thereof to the excess, if any, of (A) the fair market value of one share of Stock times the number

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of shares of Stock subject to the Award or such portion, over (B) the aggregate exercise or purchase price, if any, under the Award or such portion (in the case of an SAR, the aggregate base value above which appreciation is measured), in each case on such payment terms (which need not be the same as the terms of payment to holders of Stock) and other terms, and subject to such conditions, as the Administrator determines; it being understood that if the exercise or purchase price (or base value) of an Award is equal to or greater than the fair market value of one share of Stock, the Award may be cancelled with no payment due hereunder.

* 1. **Acceleration of Certain Awards.** Subject to Section 7(a)(5) below, the Administrator may (but, for the avoidance of doubt, need not)provide that any Award requiring exercise will become exercisable, in full or in part and/or that the delivery of any shares of Stock remaining deliverable under any outstanding Award of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will be accelerated in full or in part, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Administrator, following exercise of the Award or the delivery of the shares, as the case may be, to participate as a stockholder in the Covered Transaction.
  2. **Termination of Awards Upon Consummation of Covered Transaction.** Except as the Administrator may otherwise determine in any case,each Award will automatically terminate (and in the case of outstanding shares of Restricted Stock, will automatically be forfeited) upon consummation of the Covered Transaction, other than Awards assumed pursuant to Section 7(a)(1) above.
  3. **Additional Limitations.** Any share of Stock and any cash or other property delivered pursuant to Section 7(a)(2) or Section 7(a)(3) abovewith respect to an Award may, in the discretion of the Administrator, contain such restrictions, if any, as the Administrator deems appropriate to reflect any performance or other vesting conditions to which the Award was subject and that did not lapse (and were not satisfied) in connection with the Covered Transaction. For purposes of the immediately preceding sentence, a cash-out under Section 7(a)(2) above or acceleration under Section 7(a)(3) above will not, in and of itself, be treated as the lapsing (or satisfaction) of a performance or other vesting condition. In the case of Restricted Stock that does not vest and is not forfeited in connection with the Covered Transaction, the Administrator may require that any amounts delivered, exchanged or otherwise paid in respect of such Stock in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan.

1. **Changes in and Distributions with Respect to Stock.**
   1. **Basic Adjustment Provisions.** In the event of a stock dividend, stock split or combination of shares (including a reverse stock split),recapitalization or other change in the Company’s capital structure that constitutes an equity restructuring within the meaning of FASB ASC Topic 718, the Administrator will make appropriate adjustments to the maximum number of shares of Stock that may be delivered under the Plan and to the maximum limits described in Section 4(c) and will also make appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or subsequently granted, any exercise or purchase prices (or base values) relating to Awards and any other provision of Awards affected by such change.

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* 1. **Certain Other Adjustments.** The Administrator may also make adjustments of the type described in Section 7(b)(1) above to take intoaccount distributions to stockholders other than those provided for in Section 7(a) and 7(b)(1), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan, having due regard for the qualification of ISOs under Section 422, the requirements of Section 409A, and for the performance-based compensation rules of Section 162(m), where applicable.
  2. **Continuing Application of Plan Terms.** References in the Plan to shares of Stock will be construed to include any stock or securitiesresulting from an adjustment pursuant to this Section 7.

1. **LEGAL CONDITIONS ON DELIVERY OF STOCK**

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove any restriction from shares of Stock previously

delivered under the Plan until: (i) the Company is satisfied that all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved; (ii) if the outstanding Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and (iii) all conditions of the Award have been satisfied or waived. The Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of the Securities Act of 1933, as amended, or any applicable state or non-U.S. securities law. Any Stock required to be issued to Participants under the Plan will be evidenced in such manner as the Administrator may deem appropriate, including book-entry registration or delivery of stock certificates. In the event that the Administrator determines that Stock certificates will be issued to Participants under the Plan, the Administrator may require that certificates evidencing Stock issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such Stock, and the Company may hold the certificates pending lapse of the applicable restrictions.

1. **AMENDMENT AND TERMINATION**

The Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, and may at any time terminate the Plan as to any future grants of Awards; provided, that, except as otherwise expressly provided in the Plan, the Administrator may not, without the Participant’s consent, alter the terms of an Award so as to affect materially and adversely the Participant’s rights under the Award, unless the Administrator expressly reserved the right to do so at the time the Award was granted. Any amendments to the Plan will be conditioned upon stockholder approval only to the extent, if any, such approval is required by law (including the Code and applicable stock exchange requirements), as determined by the Administrator.

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1. **OTHER COMPENSATION ARRANGEMENTS**

The existence of the Plan or the grant of any Award will not in any way affect the Company’s right to award a person bonuses or other compensation in addition to Awards under the Plan.

1. **MISCELLANEOUS**
   1. **Waiver of Jury Trial.** By accepting an Award under the Plan, each Participant waives any right to a trial by jury in any action, proceeding orcounterclaim concerning any rights under the Plan and any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees that any such action, proceedings or counterclaim will be tried before a court and not before a jury. By accepting an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers. Notwithstanding anything to the contrary in the Plan, nothing herein is to be construed as limiting the ability of the Company and a Participant to agree to submit disputes arising under the terms of the Plan or any Award made hereunder to binding arbitration or as limiting the ability of the Company to require any eligible individual to agree to submit such disputes to binding arbitration as a condition of receiving an Award hereunder.
   2. **Limitation of Liability.** Notwithstanding anything to the contrary in the Plan, neither the Company, nor any Affiliate, nor the Administrator, norany person acting on behalf of the Company, any Affiliate, or the Administrator, will be liable to any Participant or to the estate or beneficiary of any Participant or to any other holder of an Award by reason of any acceleration of income, or any additional tax (including any interest and penalties), asserted by reason of the failure of an Award to satisfy the requirements of Section 422 or Section 409A or by reason of Section 4999 of the Code, or otherwise asserted with respect to the Award.
2. **ESTABLISHMENT OF SUB-PLANS**

The Administrator may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of various jurisdictions. The Administrator will establish such sub-plans by adopting supplements to the Plan setting forth (i) such limitations on the Administrator’s discretion under the Plan as it deems necessary or desirable and (ii) such additional terms and conditions not otherwise inconsistent with the Plan as it deems necessary or desirable. All supplements so established will be deemed to be part of the Plan, but each supplement will apply only to Participants within the affected jurisdiction (as determined by the Administrator).

1. **GOVERNING LAW**
   1. **Certain Requirements of Corporate Law.** Awards will be granted and administered consistent with the requirements of applicable Delaware lawrelating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Administrator.

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1. **Other Matters.** Except as otherwise provided by the express terms of an Award agreement, under a sub-plan described in Section 12 or as providedin Section 13(a) above, the provisions of the Plan and of Awards under the Plan and all claims or disputes arising out of or based upon the Plan or any Award under the Plan or relating to the subject matter hereof or thereof will be governed by and construed in accordance with the domestic substantive laws of the State of New Hampshire without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.
2. **Jurisdiction.** By accepting an Award, each Participant will be deemed to (a) have submitted irrevocably and unconditionally to the jurisdiction ofthe federal and state courts located within the geographic boundaries of the United States District Court for the District of New Hampshire for the purpose of any suit, action or other proceeding arising out of or based upon the Plan or any Award; (b) agree not to commence any suit, action or other proceeding arising out of or based upon the Plan or an Award, except in the federal and state courts located within the geographic boundaries of the United States District Court for the District of New Hampshire; and (c) waive, and agree not to assert, by way of motion as a defense or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the Plan or an Award or the subject matter thereof may not be enforced in or by such court.

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**EXHIBIT A**

**Definition of Terms**

The following terms, when used in the Plan, will have the meanings and be subject to the provisions set forth below:

**“Administrator”:** The Compensation Committee, except that the Compensation Committee may delegate (i) to one or more of its members (or one ormore other members of the Board (including the full Board)) such of its duties, powers and responsibilities as it may determine; (ii) to one or more officers of the Company the power to grant Awards to the extent permitted by applicable law; and (iii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. In the event of any delegation described in the preceding sentence, the term “Administrator” will include the person or persons so delegated to the extent of such delegation.

**“Affiliate”:** Any corporation or other entity that stands in a relationship to the Company that would result in the Company and such corporation orother entity being treated as one employer under Section 414(b) and Section 414(c) of the Code, *provided* that, for purposes of determining treatment as a single employer under Section 414(b) and Section 414(c) of the Code, “50%” shall replace “80%” in the applicable stock ownership requirements under such sections of the Code and the regulations thereunder.

**“Award”:** Any or a combination of the following:

1. Stock Options.
2. SARs.
3. Restricted Stock.
4. Unrestricted Stock.
5. Stock Units, including Restricted Stock Units.
6. Performance Awards.
7. Cash Awards.
8. Awards (other than Awards described in (i) through (vii) above) that are convertible into or otherwise based on Stock.

**“Board”:** The Board of Directors of the Company.

**“Cash Award”:** An Award denominated in cash.

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**“Cause”:** In the case of any Participant who is party to an effective employment or severance-benefit agreement with the Company or an Affiliate ofthe Company that contains a definition of “Cause,” the definition set forth in such agreement will apply with respect to such Participant under the Plan for so long as such agreement is in effect. In the case of any other Participant, “Cause” will mean, as determined by the Administrator in its reasonable judgment,

1. a substantial failure of the Participant to perform the Participant’s duties and responsibilities to the Company or Affiliates or substantial negligence in the performance of such duties and responsibilities; (ii) the commission by the Participant of a felony or a crime involving moral turpitude; (iii) the commission by the Participant of theft, fraud, embezzlement, material breach of trust or any material act of dishonesty involving the Company or any of its Affiliates;
2. a significant violation by the Participant of the code of conduct of the Company or its Affiliates of any material policy of the Company or its Affiliates, or of any statutory or common law duty of loyalty to the Company or its Affiliates; (v) material breach of any of the terms of the Plan or any Award made under the Plan, or of the terms of any other agreement between the Company or Affiliates and the Participant; or (vi) other conduct by the Participant that could be expected to be harmful to the business, interests or reputation of the Company.

**“Code”:** The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

**“Compensation Committee”:** The Compensation Committee of the Board.

**“Company”:** Planet Fitness, Inc.

**“Covered Transaction”:** Any of (i) a consolidation, merger, or similar transaction or series of related transactions, including a sale or other dispositionof stock, in which the Company is not the surviving corporation or that results in the acquisition of all or substantially all of the Company’s then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert, (ii) a sale or transfer of all or substantially all the Company’s assets, or (iii) a dissolution or liquidation of the Company. Where a Covered Transaction involves a tender offer pursuant to which at least a majority of the Company’s then outstanding common stock is purchased by a single person or entity or by a group of persons and/or entities acting in concert that is reasonably expected to be followed by a merger described in clause (i) (as determined by the Administrator), the Covered Transaction shall be deemed to have occurred upon consummation of the tender offer.

**“Date of Adoption”:** The date the Plan was approved by the Company’s stockholders or adopted by the Board, as determined by the CompensationCommittee.

**“Director”:** A member of the Board who is not an employee.

**“Disability”:** In the case of any Participant who is party to an effective employment or severance-benefit agreement with the Company or an Affiliateof the Company that contains a definition of “Disability,” the definition set forth in such agreement will apply with respect to such Participant under the Plan for so long as such agreement is in effect. In the case of any other Participant, a permanent disability as defined in the long-term disability plan maintained by the Company or one of its Affiliates, or as defined from time to time by the Company in its sole discretion.

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**“Employee”:** Any person who is employed by the Company or an Affiliate.

**“Employment”:** A Participant’s employment or other service relationship with the Company or an Affiliate. Employment will be deemed to continue,unless the Administrator expressly provides otherwise, so long as the Participant is employed by, or otherwise is providing services in a capacity described in Section 5 to the Company or an Affiliate. If a Participant’s employment or other service relationship is with an Affiliate and that entity ceases to be an Affiliate, the Participant’s Employment will be deemed to have terminated when the entity ceases to be an Affiliate unless the Participant transfers Employment to the Company or its remaining Affiliates. Notwithstanding the foregoing and the definition of “Affiliate” above, in construing the provisions of any Award relating to the payment of “nonqualified deferred compensation” (subject to Section 409A) upon a termination or cessation of Employment, references to termination or cessation of employment, separation from service, retirement or similar or correlative terms will be construed to require a “separation from service” (as that term is defined in Section 1.409A-1(h) of the Treasury Regulations, after giving effect to the presumptions contained therein) from the Company and from all other corporations and trades or businesses, if any, that would be treated as a single “service recipient” with the Company under Section 1.409A-1(h)(3) of the Treasury Regulations. The Company may, but need not, elect in writing, subject to the applicable limitations under Section 409A, any of the special elective rules prescribed in Section 1.409A-1(h) of the Treasury Regulations for purposes of determining whether a “separation from service” has occurred. Any such written election will be deemed a part of the Plan.

**“ISO”:** A Stock Option intended to be an “incentive stock option” within the meaning of Section 422. Each Stock Option granted pursuant to the Planwill be treated as providing by its terms that it is to be an NSO unless, as of the date of grant, it is expressly designated as an ISO.

**“NSO”:** A Stock Option that is not intended to be an “incentive stock option” within the meaning of Section 422.

**“Participant”:** A person who is granted an Award under the Plan.

**“Performance Award”:** An Award subject to Performance Criteria. The Administrator in its discretion may grant Performance Awards that areintended to qualify for the performance-based compensation exception under Section 162(m) and Performance Awards that are not intended so to qualify.

**“Performance Criteria”:** Specified criteria, other than the mere continuation of Employment or the mere passage of time, the satisfaction of which isa condition for the grant, exercisability, vesting or full enjoyment of an Award. For purposes of Awards that are intended to qualify for the performance-based compensation exception under Section 162(m), a Performance Criterion will mean an objectively determinable measure of performance relating to any or any combination of the following (measured either absolutely or comparatively (including, without limitation, by reference to an index or indices or a specified peer group) and

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determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof and subject to such adjustments, if any, as the Compensation Committee specifies, consistent with the requirements of Section 162(m)): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or equity expense, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital, capital employed or assets; one or more operating ratios; operating income or profit, including on an after tax basis; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; same store sales; customer satisfaction; gross or net store openings, including timing of openings and achievement of growth targets with respect thereto; new store first year sales; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings. A Performance Criterion and any targets with respect thereto determined by the Administrator need not be based upon an increase, a positive or improved result or avoidance of loss. To the extent consistent with the requirements for satisfying the performance-based compensation exception under Section 162(m), the Administrator may provide in the case of any Award intended to qualify for such exception that one or more of the Performance Criteria applicable to such Award will be adjusted in an objectively determinable manner to reflect events (for example, the impact of charges for restructurings, discontinued operations, mergers, acquisitions, and other unusual or infrequently occurring items, and the cumulative effects of tax or accounting changes, each as defined by U.S. generally accepted accounting principles) occurring during the performance period that affect the applicable Performance Criterion or Criteria.

**“Plan”:** The Planet Fitness, Inc. 2015 Omnibus Incentive Plan as from time to time amended and in effect.

**“Restricted Stock”:** Stock subject to restrictions requiring that it be redelivered or offered for sale to the Company if specified conditions are notsatisfied.

**“Restricted Stock Unit”:** A Stock Unit that is, or as to which the delivery of Stock or cash in lieu of Stock is, subject to the satisfaction of specifiedperformance or other vesting conditions.

**“SAR”:** A right entitling the holder upon exercise to receive an amount (payable in cash or in shares of Stock of equivalent value) equal to the excessof the fair market value of the shares of Stock subject to the right over the base value from which appreciation under the SAR is to be measured.

**“Section 409A”:** Section 409A of the Code.

**“Section 422”:** Section 422 of the Code.

**“Section 162(m)”:** Section 162(m) of the Code.

**“Stock”:** Common stock of the Company, par value $0.0001 per share.

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**“Stock Option”:** An option entitling the holder to acquire shares of Stock upon payment of the exercise price.

**“Stock Unit”:** An unfunded and unsecured promise, denominated in shares of Stock, to deliver Stock or cash measured by the value of Stock in thefuture.

**“Unrestricted Stock”:** Stock not subject to any restrictions under the terms of the Award.

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**Exhibit 10.17**

**PLANET FITNESS, INC.**

**CASH INCENTIVE PLAN**

This Cash Incentive Plan (the “Plan”) has been established to advance the interests of Planet Fitness, Inc. (the “Company”) by providing for the grant of Cash Incentive Awards (as defined below) to eligible employees of the Company and its subsidiaries, including Cash Incentive Awards intended to qualify for the performance-based compensation exemption (“Exempt Cash Incentive Awards”) under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”) (Section 162(m) of the Code, together with the regulations thereunder, “Section 162(m)”), to the extent applicable.

**I. ADMINISTRATION**

The Plan will be administered by the Committee and its delegates (the Committee and its delegates, to the extent of such delegation, are referred to herein as the “Administrator”); *provided*, that all determinations and other actions of the Administrator required by the performance-based compensation provisions of Section 162(m) to be made or taken by a “compensation committee” (as defined in Section 162(m)) will be made or taken hereunder directly by the Committee, and all references to the Administrator herein are to be construed accordingly. For purposes of the Plan, “Committee” means the Compensation Committee of the Board of Directors of the Company, except that if any member of the Compensation Committee is not an “outside director” (as defined in Section 162(m)), “Committee” means a subcommittee of the Compensation Committee consisting solely of those Compensation Committee members who are “outside directors” as so defined.

The Administrator has the authority to interpret the Plan and Cash Incentive Awards, to determine eligibility for Cash Incentive Awards, to determine the terms of and the conditions applicable to any Cash Incentive Award, and generally to do all things necessary to administer the Plan. Any interpretation or decision by the Administrator with respect to the Plan or any Cash Incentive Award will be final and conclusive as to all parties.

**II. ELIGIBILITY; PARTICIPANTS**

The Administrator will select from among the executive officers and other key employees of the Company and its subsidiaries those employees who will from time to time participate in the Plan (each, a “Participant”). Participation with respect to one Cash Incentive Award under the Plan will not entitle an individual to participate with respect to a subsequent Cash Incentive Award or Cash Incentive Awards, if any, and will not entitle a Participant to continued employment or constitute the basis for any claim of damages in connection with a termination of employment or otherwise.

**III. GRANT OF AWARDS**

The term “Cash Incentive Award” as used in the Plan means an award opportunity that is payable in cash and is granted to a Participant with respect to a specified performance period (consisting of the Company’s fiscal year or such other period as the Administrator may determine, each a “Performance Period”). A Participant who is granted a Cash Incentive Award

will be entitled to a payment, if any, under the Cash Incentive Award only if all conditions to payment have been satisfied in accordance with the Plan and the terms of the Cash Incentive Award. By accepting (or, under such rules as the Administrator may prescribe, being deemed to have accepted) a Cash Incentive Award, the Participant agrees (or will be deemed to have agreed) to the terms of the Cash Incentive Award and the Plan. For each Cash Incentive Award, the Administrator shall establish the following:

1. the Performance Criteria (as defined in Section IV below) applicable to the Cash Incentive Award;
2. the amount or amounts that will be payable (subject to adjustment in accordance with Section V) if the Performance Criteria are achieved;

and

(c) such other terms and conditions as the Administrator deems appropriate, subject in each case to the terms of the Plan.

For Exempt Cash Incentive Awards, (i) such terms shall be established by the Committee not later than (A) the ninetieth (90th) day after the beginning of the Performance Period, in the case of a Performance Period of 360 days or longer, or (B) the end of the period constituting the first quarter of the Performance Period, in the case of a Performance Period of less than 360 days, and (ii) once the Committee has established the terms of such Exempt Cash Incentive Award in accordance with the foregoing, it shall not thereafter adjust such terms, except to reduce payments, if any, under the Exempt Cash Incentive Award in accordance with Section V or as otherwise permitted in accordance with the requirements of Section 162(m).

**IV. PERFORMANCE CRITERIA**

As used in the Plan, “Performance Criteria” means specified criteria, other than the mere continuation of employment or the mere passage of time, the satisfaction of which is a condition for the vesting, payment or full enjoyment of a Cash Incentive Award. A Performance Criterion and any targets with respect thereto determined by the Administrator need not be based upon an increase, a positive or improved result or avoidance of loss, may consist of individual and/or Company-related goals and may be applied to a Participant or Participants on an individual basis or with respect to a business unit or division or the Company as a whole. For Exempt Cash Incentive Awards, a Performance Criterion will mean an objectively determinable measure or objectively determinable measures of performance relating to any or any combination of the following (measured either absolutely or comparatively (including, without limitation, by reference to an index or indices or a specified peer group) and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof and subject to such adjustments, if any, as the Committee specifies, consistent with the requirements of Section 162(m)): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or equity expense, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital, capital employed or assets; one or more operating ratios; operating income or profit, including on an after tax basis; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; same store sales; customer satisfaction; gross or net store openings, including timing of openings and achievement of growth targets with respect thereto; new store first year sales; customer acquisition or

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retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings. To the extent consistent with the requirements of Section 162(m), the Committee may establish, by the deadline that otherwise applies to the establishment of the terms of an Exempt Cash Incentive Award, that, in the case of any such Exempt Cash Incentive Award, one or more of the Performance Criteria applicable to such Cash Incentive Award will be adjusted in an objectively determinable manner to reflect events (for example, the impact of charges for restructurings, discontinued operations, mergers, acquisitions, and other unusual or infrequently occurring items, and the cumulative effects of tax or accounting changes, each as defined by U.S. generally accepted accounting principles) occurring during the Performance Period that affect the applicable Performance Criterion or Criteria. With respect to Cash Incentive Awards other than Exempt Cash Incentive Awards, the Administrator may provide that such Cash Incentive Award, and any related Performance Criterion or Criteria, will be adjusted in any manner prescribed by the Administrator in its sole discretion.

**V. CERTIFICATION OF PERFORMANCE; AMOUNT PAYABLE UNDER AWARDS**

As soon as practicable after the close of a Performance Period, the Administrator will determine whether and to what extent, if at all, the Performance Criterion or Criteria applicable to a Cash Incentive Award granted for the Performance Period have been satisfied and, in the case of Exempt Cash Incentive Awards, will take such steps as it determines to be sufficient to satisfy the certification requirement under Section 162(m) as to such performance results. The Administrator shall then determine the actual payment, if any, under each Cash Incentive Award. No amount may be paid under any Exempt Cash Incentive Award unless such certification requirement has been satisfied as set forth above, except as provided by the Administrator consistent with the requirements of Section 162(m). The Administrator may, in its sole and absolute discretion and with or without specifying its reasons for doing so, after determining the amount that would otherwise be payable under any Cash Incentive Award for a Performance Period, reduce (including to zero) the actual payment, if any, to be made under such Cash Incentive Award or, in the case of Cash Incentive Awards other than Exempt Cash Incentive Awards, otherwise adjust or increase the amount payable under such Cash Incentive Award. The Administrator may exercise the discretion described in the immediately preceding sentence either in individual cases or in ways that affect more than one Participant. The actual payment under an Exempt Cash Incentive Award may be less than (but in no event more than) the amount indicated by the certified level of achievement under such Cash Incentive Award. The actual payment under a Cash Incentive Award other than an Exempt Cash Incentive Award may be more or less than the amount indicated by the level of achievement under the Cash Incentive Award. In each case, the Administrator’s discretionary determination, which may affect different Cash Incentive Awards differently, will be binding on all parties.

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**VI. PAYMENT UNDER AWARDS**

Except as otherwise determined by the Administrator or as otherwise provided in this Section VI, all payments under the Plan will be made, if at all, not later than March 15th of the calendar year following the calendar year in which the Performance Period ends; provided, that the Administrator may authorize elective deferrals of any Cash Incentive Award payments in accordance with the deferral rules of Section 409A of the Code. Unless otherwise determined by the Administrator, a Cash Incentive Award payment will not be made unless a Participant has remained employed with the Company and its subsidiaries through the date of payment.

**VII. PAYMENT LIMITS**

The maximum amount payable to any person in any fiscal year of the Company under Exempt Cash Incentive Awards will be $5,000,000, which limitation, with respect to any such Cash Incentive Awards for which payment is deferred in accordance with Section VI above, shall be applied without regard to such deferral.

**VIII. TAX WITHHOLDING; LIMITATION ON LIABILITY**

All payments under the Plan will be subject to reduction for applicable tax and other legally or contractually required withholdings.

Neither the Company nor any affiliate, nor the Administrator, nor any person acting on behalf of the Company, any affiliate, or the Administrator, will be liable for any adverse tax or other consequences to any Participant or to the estate or beneficiary of any Participant or to any other holder of a Cash Incentive Award that may arise or otherwise be asserted with respect to a Cash Incentive Award, including, but not limited to, by reason of the application of Section X below, or any acceleration of income, or any additional tax (including any interest and penalties) asserted by reason of the failure of a Cash Incentive Award to satisfy the requirements of Section 409A of the Code or by reason of Section 4999 of the Code, or otherwise asserted with respect to the Cash Incentive Award.

**IX. AMENDMENT AND TERMINATION**

The Committee or the Board of Directors of the Company may amend the Plan at any time and from time to time, and may terminate the Plan at any

time.

**X. MISCELLANEOUS**

The Administrator may provide that Cash Incentive Awards will be subject to forfeiture, termination or rescission, and that a Participant will be obligated to return to the Company payments received with respect to a Cash Incentive Award, in connection with (i) a breach by the Participant of a Cash Incentive Award agreement or the Plan, or any non-competition, non-solicitation, confidentiality or similar covenant or agreement with the Company or any of its affiliates or (ii) an overpayment to the Participant of incentive compensation due to inaccurate financial data. Without limiting the generality of the foregoing, the Administrator may recover Cash Incentive Awards and payments under any Cash Incentive Award in accordance with any applicable Company clawback or recoupment policy, as such policy may be amended and in

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effect from time to time, or as otherwise required by applicable law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Securities Exchange Act of 1934, as amended. Each Participant, by accepting a Cash Incentive Award pursuant to the Plan, agrees to return the full amount required under this Section X at such time and in such manner as the Administrator shall determine in its sole discretion, consistent with applicable law.

In the case of any Exempt Cash Incentive Award, the Plan and such Cash Incentive Award will be construed and administered to the maximum extent permitted by law in a manner consistent with qualifying the Cash Incentive Award for the exemption for performance-based compensation under

Section 162(m), notwithstanding anything to the contrary in the Plan. Cash Incentive Awards will not be required to comply with the provisions of the Plan applicable to Exempt Cash Incentive Awards (including, without limitation, the composition of the Committee as set forth in Section I above) if and to the extent they are eligible (as determined by the Committee) for exemption from such limitations by reason of the transition relief set forth in Treas. Reg. § 1.162-27(f).

The Plan shall be effective upon adoption of the Plan by the Board of Directors of the Company (the “Effective Date”) and shall supersede and replace the Company’s annual cash bonus program with respect to Cash Incentive Awards granted to eligible executive officers and employees for fiscal years beginning after the Effective Date.

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|  |  | **Exhibit 21.1** |
|  | **SUBSIDIARIES OF PLANET FITNESS, INC.\*** |  |
| **ENTITY** |  | **JURISDICTION** |
| PF Co-Investors Holdings, Inc. | | Delaware |
| PF AIV Holdings, Inc. | | Delaware |
| Pla-Fit Holdings, LLC | | Delaware |
| Planet Intermediate, LLC | | Delaware |
| Planet Fitness Holdings, LLC | | New Hampshire |
|  | Pla-Fit Health LLC | New Hampshire |
|  | PF Coventry, LLC | New Hampshire |
|  | Pla-Fit Health NJNY LLC | New Hampshire |
|  | Bayonne Fitness Group, LLC | New Jersey |
|  | Bayshore Fitness Group LLC | New York |
|  | 601 Washington Street Fitness Group, LLC | New York |
|  | Levittown Fitness Group, LLC | New York |
|  | Long Island Fitness Group, LLC | New York |
|  | Melville Fitness Group, LLC | New York |
|  | Peekskill Fitness Group, LLC | New York |
|  | Carle Place Fitness LLC | New York |
|  | Edison Fitness Group LLC | New Jersey |
|  | 1040 South Broadway Fitness Group | New York |
|  | JFZ LLC | New Hampshire |
|  | Pla-Fit Colorado LLC | New Hampshire |
|  | PF Derry LLC | New Hampshire |
|  | PFCA LLC | New Hampshire |
|  | PF Vallejo, LLC | California |
|  | Pizzazz, LLC | Pennsylvania |
|  | PFPA, LLC | New Hampshire |
|  | PF Kingston, LLC | New Hampshire |
|  | Pla-Fit Warminster LLC | New Hampshire |
|  | Pizzazz II, LLC | Pennsylvania |
|  | PF Greensburg LLC | Pennsylvania |
|  | PF Erie LLC | Pennsylvania |
|  | PFIP International | Cayman Islands |
|  | Planet Fitness Equipment LLC | New Hampshire |
|  | Pla-Fit Canada Inc. | British Columbia |
|  | Pla-Fit Canada Franchise Inc. | British Columbia |
|  | Pla-Fit Franchise LLC | New Hampshire |
|  | PFIP, LLC | New Hampshire |
|  | Planet Fitness NAF, LLC | New Hampshire |
| \* After giving effect to the recapitalization transactions described in the accompanying prospectus. | |  |

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors

Planet Fitness, Inc.:

We consent to the use of our report dated March 25, 2015 with respect to the balance sheet of Planet Fitness, Inc. as of March 16, 2015, included herein and to the reference to our firm under the heading “Experts” in the prospectus.

We consent to the use of our report dated March 25, 2015 with respect to the consolidated balance sheets of Pla-Fit Holdings, LLC and subsidiaries as of December 31, 2013 and 2014 (Successor), and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for the period from January 1, 2012 to November 7, 2012 (Predecessor), the period from November 8, 2012 to December 31, 2012 (Successor), and the years ended December 31, 2013 and 2014 (Successor), included herein and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ KPMG LLP

Boston, Massachusetts

May 22, 2015

ROPES & GRAY LLP



PRUDENTIAL TOWER

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May 22, 2015

**VIA EDGAR**

Securities and Exchange Commission

Division of Corporation Finance

100 F. Street, N.E.

Washington, D.C. 20549

Attention:

John Dana Brown

Sonia Bednarowski

Beverly Singleton

Lyn Shenk

Re:

Planet Fitness, Inc.

Amendment No. 1 to Draft Registration Statement on Form S-1, confidentially

submitted May 5, 2015

CIK No. 0001637207

Ladies and Gentlemen:

On behalf of Planet Fitness, Inc. (the “Company”), we submit via EDGAR for review by the Securities and Exchange Commission (the “SEC”) the accompanying Amendment No. 2 (including certain exhibits) to the Company’s above-referenced Draft Registration Statement on Form S-1 (the “Registration Statement”). The Company confirms that as of the date of this letter it continues to be an “emerging growth company,” as defined in Section 2(a)(19) of the Securities Act of 1933, as amended (the “Securities Act”).

Amendment No. 2 to the Registration Statement reflects the Company’s responses to the comments received from the staff of the SEC (the “Staff”) contained in the Staff’s letter dated May 20, 2015 (the “Comment Letter”) and certain other updated information. For your convenience, the Company is supplementally providing to the Staff a typeset copy of Amendment No. 2 marked to indicate the changes from Amendment No. 1 to the Registration Statement that was confidentially submitted on May 5, 2015.

The Staff’s comments as reflected in the Comment Letter are reproduced in italics in this letter, and the corresponding responses of the Company are shown below each comment. All references to page numbers in the Company’s responses are to the page numbers in Amendment No. 1 to the Registration Statement.

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| Securities and Exchange Commission | - 2 - | May 22, 2015 |



General

1. *We note your response to our prior comment 3. Please provide us further analysis in light of Securities Act Sections Compliance & Disclosure Interpretation 134.01. In this regard:*
   * *Please explain to us whether the decision to price the offering is a condition within the control of the selling stockholders, the Direct TSG Investors. You state in your response that the Direct TSG Investors will be irrevocably bound “subject to pricing of this offering.” Although you have not yet provided beneficial ownership disclosure, it appears from your disclosure under “Our Structure” on page 8 that the Direct TSG Investors may exert control over you.*
   * *Please explain to us what degree of control the Direct TSG Investors have over you, in general.*
   * *Please tell us when the ratio for converting interests held by the Direct TSG Investors into shares of Class A common stock was or will be established.*
   * *Please explain to us the extent to which that conversion ratio is within the control of the Direct TSG Investors.*

**Response to Comment 1:**

The Company advises the Staff that, on the date hereof and prior to the recapitalization transactions, Christopher Rondeau is, and will be, the sole shareholder of Planet Fitness, Inc. The business and affairs of Planet Fitness, Inc. are managed under the direction of its board of directors, which consists of the individuals identified in the Registration Statement. Prior to the recapitalization transactions, these directors may be removed at any time by Christopher Rondeau, and Christopher Rondeau can appoint replacement directors in his discretion. The Direct TSG Investors currently indirectly hold an 18% interest in Pla-Fit Holdings, LLC through an entity called Planet Fitness Holdings, LP., which is the entity that is merging with and into Planet Fitness, Inc. in connection with the step in the recapitalization transactions referred to as the “Conversion.” Prior to the Conversion, the Direct TSG Investors hold limited partnership interests in Planet Fitness Holdings, L.P. In connection with the Conversion, such limited partnership interests will be converted into shares of Class A common stock of Planet Fitness, Inc. As a result, the indirect interests in Pla-Fit Holdings, LLC held by the Direct TSG Investors will be held by Planet Fitness, Inc., and Direct TSG Holders will hold their indirect interests (in the same proportion) in Pla-Fit Holdings, LLC through their ownership of Class A common stock of Planet Fitness, Inc. Therefore, the overall ownership of Pla-Fit Holdings, LLC held by the Direct TSG Investors before the Conversion is identical to the overall ownership of Pla-Fit Holdings, LLC held by the Direct TSG Investors after the

Securities and Exchange Commission - 3 - May 22, 2015

Conversion. The number of shares of Class A common stock to be issued to the Direct TSG Investors in the Conversion will be determined based on the Reclassification and the number of Holdings Units in Pla-Fit Holdings, LLC outstanding immediately thereafter, but, regardless of the number, these shares of Class A common stock will represent an economic interest in and overall ownership of Pla-Fit Holdings, LLC that is identical before and after the Conversion. We note two recently completed Up-C transactions with selling stockholders in which a recapitalization occurred right before closing (and without the binding merger agreement present in our circumstances) that support this analysis. *See* Malibu Boats, Inc. (Registration No. 333-192862) and Adeptus Health, Inc. (Registration No. 333-196142).

We do not believe that the decision to price the offering is a condition within the control of the Direct TSG Investors. The pricing decision is within the discretion of the board of directors of Planet Fitness, Inc. (and, indirectly, Christopher Rondeau). Because the Direct TSG Investors cannot exert control over Christopher Rondeau as sole stockholder of Planet Fitness, Inc. prior to the recapitalization transactions, and conversely as sole stockholder Christopher Rondeau exercises control over the directors that will be delegated with the authority to approve the pricing, the Company believes that the decision to price the offering is a condition outside the Direct TSG Investors’ control as contemplated by Securities Act Sections Compliance & Disclosure Interpretation 134.01.

We recognize that one or more TSG general partnership entities ultimately control both Planet Fitness Holdings, L.P. and other funds that will be Continuing LLC Owners, and, therefore, the decision by the Direct TSG Investors, as selling stockholders, to sell in the offering will ultimately be made by a TSG general partnership entity. However, the TSG general partnership entities must make decisions on the basis of all of the funds invested in Pla-Fit Holdings, LLC and not only the Direct TSG Investors. TSG could decide to cause the pricing to occur with respect to the Continuing LLC Owners, whether or not it decides that the Direct TSG Investors should participate as selling stockholders. In such event, the Direct TSG Investors would have no control over the pricing and the resulting merger of Planet Fitness Holdings, L.P. into Planet Fitness, Inc.

The conversion ratio for the Conversion has been established by the merger agreement and the various investment documents. The Direct TSG Investors have no control over the conversion ratio.

While the Company believes that the merger agreement as currently drafted is in compliance with Securities Act Sections Compliance & Disclosure Interpretation 134.01, if the Staff continued to have concerns the Company would agree to change the merger agreement so that it is no longer contingent upon pricing. The merger agreement would provide that the merger and resulting Conversion will occur upon the earlier of (1) the time of pricing of this offering and (2) March 31, 2016. In the event this offering is abandoned or the pricing does not occur prior to March 31, 2016, the merger and resulting Conversion will be consummated without further action on either of the parties or their controlling persons. In light of the foregoing, the Company believes that pursuant to such a merger agreement

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the Direct TSG Investors would be irrevocably bound to acquire shares of Class A common stock in connection with the Conversion, as contemplated by Securities Act Sections Compliance & Disclosure Interpretation 134.01.

Prospectus Summary, page 1

Our Company, page 1

Fitness for everyone, page 1

1. *You state that four-wall EBITDA margin is not a non-GAAP financial measure because it is not derived from or based on “a directly comparable measure” in your financial statements and is an operating measure. In that regard, tell us and disclose your definitions of four-wall EBITDA and four-wall EBITDA margin. In addition, please explain to us how you consider the guidance within Item 10(e)(2) of Regulation S-K in determining whether four-wall EBITDA, an apparent component of EBITDA margin, is a non-GAAP measure. If so, please revise your disclosures to provide both a calculation of the measure and the disclosures required by Item 10(e), including a reconciliation of four-wall EBITDA to the most directly comparable measure calculated in accordance with GAAP.*

**Response to Comment 2:**

In response to the Staff’s comment, the Company has revised the disclosure throughout the Registration Statement to reflect that four-wall EBITDA margin is a non-GAAP measure and, in particular, to include on pages 76 and 82 the disclosures required by Item 10(e), including a reconciliation to segment EBITDA margin for corporate-owned stores.

1. *To provide balanced disclosure of store-level financial performance, please revise to also disclose the operating income margin percentage for corporate-owned stores. To the extent operating income margins differ between corporate-owned stores and franchisee stores due to equipment sales mark-ups, please also disclose that fact.*

**Response to Comment 3:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages 1 and 103 to disclose Segment EBITDA for corporate-owned stores as a percentage of corporate-owned store revenue and include a statement that, excluding the impact of royalties, the Company believes this is comparable to the performance of its franchise stores. As this disclosure relates to four-wall EBITDA, the metrics are not affected by equipment as the related depreciation is not a component of four-wall EBITDA.

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1. *We note your disclosure of the compound annual growth rate of total revenue of 32%, from $187.5 million in 2010 to $279.8 million in 2014. In note three to your financial statements, you disclose several acquisitions of stores from franchisees over the last several years for aggregate consideration of approximately $92 million. We note from your disclosure in Results of Operations that these acquisitions were significant contributors to revenue growth in the periods presented. Therefore, please revise your disclosure here to explain the extent to which your CAGR and change in total revenue are due to the acquisition of stores.*

**Response to Comment 4:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages 2 and 103 to disclose the extent to which the referenced CAGR and change in total revenue are due to the acquisition of stores.

1. *With respect to your disclosure of the compound annual growth rate in, and amounts of, net income, please revise your disclosure here to explain that historical results benefit from insignificant income taxes due to your historical status as a pass-through entity for U.S. Federal income tax purposes and that future results will not be consistent because you will be subject to Federal and state taxes.*

**Response to Comment 5:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages 2 and 103 to include the requested disclosure.

Our competitive strengths, page 3

Market leader with differentiated member experience, page 3

Scale advantage, page 4

1. *We note your response to our prior comment 9. Please revise your statement that you and your franchisees spent over $150 million since 2011 on marketing to explain that this is an estimate. We note your response that you are unable to provide a reliable measure of actual marketing expenditures of your franchisees for any given fiscal period and that the $150,000,000 is an estimate.*

**Response to Comment 6:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages 4 and 106 to indicate that this is an estimate.

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Summary Risk Factors, page 7

1. *Please quantify your total indebtedness as of the most recent balance sheet date in the final bullet of this section.*

**Response to Comment 7:**

In response to the Staff’s comment, the Company has revised the Registration Statement on page 7 to quantify its total indebtedness as of March 31, 2015.

The Offering, page 11

1. *We have reviewed your response to our prior comment 13. Please expand the disclosure under Exchange and redemption rights of holders of Holding Units and in footnote (3) to the pro forma balance sheet on page 59 to state that the redemption or exchange is solely at the option of the Continuing LLC Owners, and the form of consideration of a cash redemption or Class A common stock exchange will solely be at your discretion, if true. In addition, in your “The Offering” discussion beginning on page 11, please state whether only disinterested members of your board will make such decisions or if board members who are the same parties or affiliates of the Continuing LLC Owners will participate in such decisions.*

**Response to Comment 8:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages 12 and 60 to include the referenced expanded disclosure regarding exchange and redemption rights and to state that the Company expects that the disinterested members of the board will make such decisions.

Summary consolidated financial and other data, page 15

1. *Refer to the table of Other Operating Data on page 17. For the system-wide membership data, please define the acronym for the line item captioned Total EFT revenues. The explanation in footnote (5) should be revised accordingly. Similar revision should be made to Selected consolidated financial and other data at page 69. Please disclose if this line item description is consistent with the GAAP definition for recognizing revenue under the accrual method and explain the difference between these amounts and system-wide sales, to the extent applicable.*

**Response to Comment 9:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages 17 and 69 to clarify that the Company was referring to system-wide sales. The Company notes that “EFT” is defined as “electronic funds transfer” on page 22.

The recapitalization transactions, page 48

Conversion, page 48

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1. *We note your disclosure that the Direct TSG Investors held interests in a predecessor entity to Planet Fitness, Inc. and that in connection with the recapitalization transactions, their interests will be converted into Class A common stock of Planet Fitness, Inc. through the merger of the predecessor entity with Planet Fitness, Inc. Please identify the predecessor entity as that of Pla-Fit Holdings, LLC, if true. Otherwise, based on your response to prior comment 14, please identify for us the Existing Entity that will be merged into Planet Fitness, Inc.*

**Response to Comment 10:**

The Company advises the Staff that the Direct TSG Investors currently hold interests in an entity called Planet Fitness Holdings, L.P., which is the entity that will merge with and into Planet Fitness, Inc. in connection with the recapitalization transactions. Prior to the recapitalization transactions, Planet Fitness Holdings, L.P. holds indirect interests in Pla-Fit Holdings, LLC. The Company has revised its disclosure on page 48 to clarify that the predecessor entity (Planet Fitness Holdings, L.P.) holds indirect interests in Pla-Fit Holdings, LLC.

Offering transactions, page 49

1. *We have reviewed your response to our prior comment 18. Please clarify in the first paragraph and also under Use of Proceeds on page 51, that you intend to use the net proceeds from the offering to acquire a portion of Holding Units held by certain Continuing LLC Owners affiliated with TSG that they will receive in the Reclassification. Further in this regard, please clarify that the Direct TSG Investors, who also consist of investment funds affiliated with TSG, have been separately distinguished from the Continuing LLC Owners in that the Direct TSG Investors will not receive any Holding Units in the Reclassification, but will receive Class A common stock in the Conversion. Please provide this disclosure in the filing for clarity as to which TSG ownership group is receiving the net proceeds. If true, you should also disclose that in the Reclassification, all of the Holding Units will initially be distributed to the Continuing LLC Owners and that you will be acquiring a minority equity percentage of the Holding Units held by the Continuing LLC Owners in the offering. To the extent you will directly receive Holdings Units in the Reclassification separate and apart from the Continuing LLC Owners, please so state.*

**Response to Comment 11:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages 49 and 51 to include the requested clarifying disclosures with respect to the offering transactions and use of proceeds.

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Unaudited pro forma consolidated financial information, page 56

1. *Refer to the first paragraph. The pro forma statements of operations for the year ended December 31, 2014 and the quarter ended March 31, 2015 should give effect to the recapitalization transactions and offering as if they had occurred on January 1, 2014 (i.e., the beginning of the earliest year presented) and continued through March 31, 2015.*

**Response to Comment 12:**

In response to the Staff’s comment, the Company has revised the Registration Statement on page 56 to reflect that the pro forma statements of operations for the year ended December 31, 2014 and the quarter ended March 31, 2015 give effect to the recapitalization transactions and offering as if they had occurred on January 1, 2014 (and continued through March 31, 2015).

Management’s discussion and analysis of financial condition and results of operations, page 71

Composition of revenues, expenses and cash flows, page 72

Revenues, page 72

1. *You disclose that vendor commissions are amounts you receive primarily related to EFT transactions and amounts generated from activities related to your franchisees. Please explain to us and revise to clarify the nature of these activities related to your franchisees and the amounts generated from them.*

**Response to Comment 13:**

In response to the Staff’s comment, the Company has revised the Registration Statement on page 72 to clarify the nature of these activities. As further described in the Company’s responses to comments 22 and 25 below, the Company does not believe that disclosure of the amounts related to commissions separate from other franchise revenue is necessary to understand the performance of its franchise segment due to the interrelated nature of commission revenue with other franchise revenues, primarily royalties.

Cash flows, page 73

1. *We have reviewed your changes made in response to our prior comment 27. Please also expand to disclose how and when you collect royalties from your franchisees. In this regard, as you disclose that the franchisees are responsible for the collection of their members’ dues, please explain the cash flows process of you billing and collecting the royalty payments from the franchisees.*

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**Response to Comment 14:**

In response to the Staff’s comment, the Company has revised the Registration Statement on page 73 to disclose how and when it collects royalties from its franchisees and to explain the cash flows process of billing and collecting royalty payments.

Net member growth per store, page 79

1. *We have reviewed your response to our prior comment 30. Please include disclosure of how you determine net “new” membership growth per store as part of your assessment of net member growth per store, in addition to also disclosing why you do not consider corporate-owned membership or franchisee-owned membership churn rate to be a factor in your growth. Also, please disclose the last sentence of your response whereby you attribute your membership growth to the growth of the franchisee-owned store base.*

**Response to Comment 15:**

In response to the Staff’s comment, the Company has revised the Registration Statement on page 79 to disclose how it determines net member growth per store, why it does not measure membership attrition as an operating metric in assessing Company performance, and that the Company primarily attributes its membership growth to the growth of its franchisee-owned store base.

Comparison of the three months ended March 31, 2015, page 85

1. *Refer to the third paragraph. Please revise to explain the phrase “transactions for which a commission was charged.”*

**Response to Comment 16:**

In response to the Staff’s comment, the Company has revised the Registration Statement on page 85 to explain this phrase.

Critical accounting policies and use of estimates

Equity-based compensation, page 98

1. *Refer to the first sentence of the second paragraph. Please describe why the one grant was modified in March of 2015 to accelerate vesting. Disclose the number of Class M Units or Holding Units that were accelerated for vesting and tell us where the compensatory effect has been reflected in the pro forma financial statements.*

**Response to Comment 17:**

In response to the Staff’s comment, the Company has revised the Registration Statement on page 99 to disclose that the modification was made in connection with the resignation of a former director and to disclose the number of units that were accelerated. The

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Company advises the Staff that the compensatory effect of this modification is a component of the adjustment described in note 4 to the unaudited pro forma consolidated balance sheet on page 60 as all of the awards for which vesting was accelerated become exercisable in connection with the offering.

Business, page 102

Our stores, page 109

1. *We note your response to our prior comment 35. Please identify which stores are company stores and which stores are franchised. In this regard, we note your graphic on page 109 indicates the location and number of your system-wide stores but does not distinguish between company and franchised stores.*

**Response to Comment 18:**

In response to the Staff’s comment, the Company has revised the graphic on page 111 to distinguish between corporate-owned and franchise stores.

Store model, page 112

1. *We note your disclosure of your belief that your franchisees can earn, in their second year of operations, on average, a cash-on-cash return on initial investment greater than 25% after royalties and advertising. Please explain to us and disclose the basis for this belief, disclosing also whether you mean your franchisees actually earn these returns or can potentially earn these returns. In addition please disclose the nature of the initial investment upon which these returns are based, including whether the return is based on the total investment by the franchisee or otherwise (e.g., their out-of-pocket investment excluding financing).*

**Response to Comment 19:**

In response to the Staff’s comment, the Company has revised the disclosure on page 112 to clarify the basis for its statement that franchisees have historically earned, and the Company believes can continue to earn, these returns, and to disclose the nature of the initial investment.

Design and construction, page 116

1. *We note your disclosure that you estimate that franchisees’ unlevered investment in 2014 to open new stores was approximately $1.9 million. Please clarify the term unlevered investment.*

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**Response to Comment 20:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages 112 and 115 to clarify that “unlevered” means not debt-financed.

December 31, 2014 Audited Financial Statements, page F-7

Consolidated Statements of Operations, page F-9

1. *We note that your effective tax rate is lower than the U.S. Federal statutory tax rate of 35% due to your election to be treated as a pass-through entity for U.S. Federal income taxes and most state income taxes. We also note that you will be subject to such taxes with respect to your allocable share of net taxable income of Pla-Fit Holdings, LLC. Therefore, please revise the face of the statement of operations to present pro forma tax and EPS data.*

**Response to Comment 21:**

In response to the Staff’s comment the Company has revised the Registration Statement on pages F-9, F-46, F-49, F-63 and F-64 to provide disclosure of pro forma tax and EPS data. Due to the nature of the transactions that will occur prior to the offering, the Company has included the impact of the recapitalization transactions in its calculation and disclosure of pro forma net income used for the purposes of determining pro forma net income attributable to the Company.

The Company has not presented pro forma EPS data adjusted solely for the tax effects of the recapitalization transactions because there is no historical EPS data for comparison purposes disclosed for Pla-Fit Holdings, LLC due to its structure as a partnership. However, as previously requested by the Staff, the Company has presented pro forma EPS data to reflect the effect of the number of shares in this offering whose proceeds would be necessary to pay the distributions to the Company’s members to the extent that such distributions exceeded earnings for the prior twelve months. In preparing this pro forma EPS data, the Company has used pro forma net income attributable to the Company reflecting the pro forma tax effects and recapitalization transactions discussed above. In addition, the Company has reflected the number of Class A common shares that will be outstanding following the recapitalization transactions, but prior to this offering, as outstanding shares for the entire period.

1. *We note that you classify placement revenue and commissions and rebates within franchise revenue. As placement revenue is the installation service revenue associated with equipment sales, please separately present this service revenue from equipment sales on the face of the statements of operations. Refer to Rule 5-03(b) 1(a) of Regulation S-X. Also, from disclosure in financial statement note 2(e), we note the Company recognizes commissions and rebates from its franchisees’ use of preferred vendor arrangements as revenues. Please tell us why this income source should be classified as revenue under ASC 605 rather than as other income, given that it is incidental to your primary revenue sources, with no underlying operating costs.*

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**Response to Comment 22:**

The Company acknowledges the Staff’s comment and has revised the Registration Statement to include disclosure of placement revenue amounts on pages F-44 and F-62. As noted by the Staff, the Company earns commissions and rebates related to franchisees’ use of preferred vendors. These revenues are an integral part of the Company’s franchise operating and revenue model and are earned as a result of the services provided to franchisees to assist them with establishing relationships with preferred vendors and to assist in negotiating pricing for the products and services needed to open and operate their stores. Similar to royalties, placement, and all other amounts included in franchise revenues, commissions and rebates related to the franchisees’ use of preferred vendors are considered to be generated by services provided to franchisees as part of the franchisor-franchisee relationship; as such, further disclosure on the face of the financial statements was not considered necessary as all such revenue amounts are related to service revenues. However, since placement revenue correlates with equipment sales, disclosure of the placement revenue amounts has been provided in the footnotes to the financial statements on pages F-44 and F-62. Although the Company has currently constructed its franchise agreement to earn certain amounts directly from its franchisees in the form of area development fees, franchise fees and royalties, other amounts are earned as commissions from vendors as a substitute for higher royalties from franchisees. In effect, as a result of the Company’s services to negotiate pricing for products and services on behalf of its franchisees, the Company’s franchisees are able to pay less for these items and are also able to pay lower royalties due to the compensation the Company receives from the third party vendors. The Company’s compensation for providing these services is in the form of commissions from these third party vendors who also benefit from the volume of sales to the Company’s franchisees and are therefore willing to pay commissions to the Company. If the Company did not provide these services and earn these commissions, the Company would charge higher royalties to compensate for these lost profits. This would result in the franchisees paying higher royalties and losing the buying power of the franchisor, which could lead to higher costs to franchisees, and could also result in the potential loss of brand standards and consistency across the franchisees. Alternatively, the Company could source and sell the products directly to its franchisees under its own supply chain operations (and thus record revenues and costs of revenues gross); however, the Company has opted to act as an agent to these vendors and thus records the commission as net revenue. The costs associated with providing services that generate commissions and rebates are the same as those incurred to support other franchisee activities for which royalties are earned. Based on the foregoing, the Company considers commissions and rebates to be appropriately classified as franchise revenue in its statements of operations.

1. *We have reviewed your response to our prior comment 37. Please consider separately presenting cost of equipment sales, installation cost of equipment and the direct costs related to your franchise billing and operating systems. In this regard, Rule 5-03(b)(2) of Regulation S-X requires disclosure of cost of services and expenses applicable to revenues in addition to costs of tangible good sold. In addition, please revise the discussion of cost of revenue in your MD&A and related financial statement notes 2(g) and 2(h) to describe these costs of revenue categories. We would not object to your continuing to include cost of corporate-owned stores retail merchandise within cost of revenue for equipment, to the extent these remain immaterial.*

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**Response to Comment 23:**

In response to the Staff’s comment, the Company has revised the Registration Statement to provide disclosure of the amounts related to costs incurred to provide assembly services on pages F-19 and F-62 and the direct costs related to the Company’s proprietary system-wide third-party hosted point-of-sale system on page F-18. In addition, the Company has revised the Registration Statement on pages 72, 73, F-18 and F-19 to provide additional disclosure describing the nature of these costs and their presentation within the Company’s consolidated financial statements.

Note 2. Summary of significant accounting policies, page F-14

(e) Revenue recognition, page F-16

1. *We note that you recognize revenue on a gross basis for equipment purchased from third-party equipment manufacturers and sold to franchisees because you are the principal in the transaction. Please tell us how you considered ASC Section 605-45-45 in determining whether to report revenue gross as a principal versus net as an agent for these transactions.*

**Response to Comment 24:**

The Company advises the Staff that it has considered *ASC Section 605-45-45* in determining that equipment purchased by the Company from third-party equipment manufacturers and sold to its franchisees should be reported as revenue on a gross basis. This conclusion was based on a thorough evaluation of the form and substance of the Company’s arrangements with its vendors and its franchisees in the course of these transactions compared to the guidance prescribed by *ASC Section 605-45-45*. Franchisees are required to purchase certain equipment directly from the Company, for both initial orders related to new stores and for “re-equips” during the term of the franchise agreement. This differs from other products and equipment which the franchisees purchase directly from other preferred vendors for which the Company earns only a commission. With respect to equipment sold by the Company to its franchisees, the Company notes that an evaluation of the factors in *ASC 605-45-45-3* indicates that revenue should be reported on a gross basis. Specifically, the Company is the primary obligor in these transactions, the Company has latitude in establishing prices for its equipment sales to franchisees, the Company has supplier selection discretion, the Company is involved in the determination of the product specifications, and the Company has credit risk with respect to these transactions. The following facts were considered in reaching the conclusions that the Company is the principal in these transactions:

* + The Company has established its own relationships with the third-party equipment manufacturers and these relationships exist between the Company and the manufacturers and not between the franchisees and the manufacturers. The Company has its own contracts with the equipment manufacturers governing its equipment purchases. In the course of this relationship, the Company works with the manufacturers with respect to product specifications including branding specifications. In addition, the Company has discretion in selecting the suppliers that will manufacture the equipment to be used in Planet Fitness branded stores.

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* The Company sets the prices charged to the franchisees for equipment and does not have a commission-based arrangement with the equipment manufacturers. In setting prices, the Company has latitude in determining the prices for specific pieces of equipment and franchisees.
* The Company is invoiced directly by the equipment manufacturer and the Company issues its own invoices to the franchisees.
* The Company bears all credit risk associated with the equipment sales. The Company’s obligations to the equipment manufacturers are not contingent on receiving payment from the franchisees.

The Company acknowledges that the following indicators noted in *ASC Section 605-45-45-*3 did not support gross revenue recognition for equipment sales:

* General inventory risk at the entity – the Company does not hold inventory for sale since all inventory is purchased finished goods and the franchise development cycle allows for sufficient time to order inventory when needed to equip a new store or re-equip an existing store. Instead, inventory is ordered from the equipment manufacturer when the franchisee places an order.
* Entity changes the product or performs part of the service – since all inventory is purchased finished goods, there is no need to change the product.

The entity has physical loss inventory risk – although the Company takes title to the inventory at the point of shipment from the equipment vendors’ facilities based on the shipping terms between the Company and its vendors, the risk of loss while in transit effectively remains with the equipment manufacturer or the carrier because such shipments are insured during transit. However, the Company notes that as a result of the vendors’ practice to insure the goods in transit, the franchisee also does not bear the risk of loss, and title and risk of loss does not pass to the franchisee until the equipment is delivered by the Company to the franchisee.

The Company has also reviewed the indicators that may support reporting net revenue discussed in *ASC Section 605-45-45-15*, noting that 1) given the arrangements between the Company and the franchisees, the equipment manufacturers are not the primary obligors in the equipment sales transactions to franchisees, 2) since the Company determines its own prices based on the type of equipment, the amount earned by the Company is not fixed, and 3) the equipment manufacturers do not bear any credit risk from the franchisees for equipment sold by the Company to the franchisees. Therefore, in addition to having several indicators supporting gross reporting, there are no indicators to support net reporting. Based on the foregoing, the Company concluded that revenue from equipment sales should be reported on a gross basis in accordance with *ASC 605-45-45*.

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Note 19. Segments, page F-41

1. *We note your response to our prior comment 40. You state that the composition of revenue within each reportable segment is similar in nature and, therefore, that further disclosure is not required. Based on your response, it appears your position for not reporting revenue for each product and service is that your reportable segment grouping of revenues is sufficient because these groupings are based on the customer categories from whom those revenues are earned. However, ASC 280-10-50-40 requires reporting of revenues for each product and service or each group of similar products and services and this requirement is not based on groupings by customer categories, which in your case, is duplicative of your reporting segment disclosures of revenues. Therefore, please revise to disclose revenues from external customers for each product and service.*

**Response to Comment 25:**

The Company acknowledges the Staff’s comment and advises that the grouping of revenue for purposes of satisfying the requirements of *ASC 280-10-50-40* was not based on consideration of the Company’s customers but rather based on the nature and similarity of the Company’s products andservices. The Company acknowledges that there is generally a strong correlation between the nature and similarity of its products and services and the customers to which these products and services are provided; however, the basis for the conclusion of revenue groupings to satisfy the requirements of *ASC 280-10-50-40* was not related to this correlation and relates only to the similarity of its products and services.

Specifically, Franchise segment revenue consists of amounts recognized related to area development fees, franchise and performance fees, royalties, commissions and placement services. These amounts are all earned as a result of services the Company provides as a franchisor supporting its franchisees and are all considered to be similar in nature. The Company’s initial and on-going services include services related to the initial opening of new franchisee stores, establishment of vendor relationships for franchisees and on-going support functions. All of these services are inter-related. As noted in the Company’s response to comment 22 above, although the Company has currently constructed its franchise agreement to earn certain amounts directly from its franchisees in the form of area development fees, franchise fees and royalties, other amounts are earned as commissions from vendors as a substitute for higher royalties from franchisees. In effect, as a result of the Company’s services to negotiate pricing for products and services on behalf of its franchisees, the Company’s franchisees are able to pay less for these items and are also able to pay lower royalties due to the compensation the Company receives from the third party vendors. The Company’s compensation for providing these services is in the form of commissions from these third party vendors who also benefit from the volume of sales to the Company’s franchisees and are therefore willing to pay commissions to the Company. If the Company did not provide these services and earn these commissions, the Company would charge higher royalties to compensate for these lost profits. This would result in the franchisees paying higher royalties and losing the buying power of the franchisor, which could lead to higher costs to franchisees, and could also result in the potential loss of brand standards and consistency across the franchisees. Due to the interrelated nature of these revenue streams and the fact that the franchisee support services are similar regardless of whether the revenues are from area development fees,

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franchise and performance fees, royalties or commissions, the Company believes sufficient similarity exists to group its area development fees, franchise and performance fees, royalties and commissions as a single service. The Company acknowledges that its placement revenue relates only to specific services provided with respect to the placement of equipment sold to franchisees at their stores and has revised the Registration Statement to include supplemental disclosure of these amounts, along with the related costs to perform these services, on pages F-19, F-44 and F-62.

Corporate-owned store revenue primarily relates to amounts received in exchange for the services provided by the Company with respect to operating its corporate-owned stores. Corporate-owned store revenue also includes an immaterial amount of product revenue related to products sold at retail within the Company’s corporate-owned stores. Retail product revenue is not separately disclosed on the basis of materiality. Equipment segment revenue consists solely of revenue from sales of equipment products.

Based on the foregoing and with consideration to the additional disclosure included with respect to equipment placement services revenue, the Company believes it has complied with the requirements of *ASC 280-10-50-40*.

March 31, 2015 Interim Unaudited Financial Statements, page F-46

Note 13. Commitments and contingencies, page F-58

1. *Please expand the disclosure in the last paragraph to state you expect to make the $1.7 million of cash payments in connection with this offering and that you will record compensation expense accordingly in the period of the offering. Reference is made to disclosure under 2013 Performance Incentive Plan on page 138.*

**Response to Comment 26:**

In response to the Staff’s comment, the Company has revised the Registration Statement on pages F-41 and F-62 to clarify when this compensation expense would be recognized.

Note 16. Pro forma net income per share information (unaudited), page F-61

1. *Please further expand to disclose how you computed the $39.2 million in earnings for the twelve months ended March 31, 2015. In this regard, if you calculated the twelve months based on earnings attributable to you for the three months ended March 31, 2015 and for the last nine months of the year ended December 31, 2014, so state and also disclose these amounts.*

**Response to Comment 27:**

In response to the Staff’s comment, the Company has revised the Registration Statement on page F-62 to clarify this calculation.

We hope that the foregoing has been responsive to the Staff’s comments. If you have any questions or comments about this letter or need any further information, please call the undersigned at (617) 951-7473 or Thomas J. Fraser of our offices at (617) 951-7063.

Very truly yours,

/s/ David A. Fine

David A. Fine

1. Chris Rondeau (Planet Fitness, Inc.) Dorvin Lively (Planet Fitness, Inc.)

D. Rhett Brandon (Simpson Thacher & Bartlett LLP) John C. Ericson (Simpson Thacher & Bartlett LLP)