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SPORTS CLUB CO INC
Form 8-K
May 26, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): May 26, 2004

THE SPORTS CLUB COMPANY, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-13290

(Commission File Number)

95-4479735

(IRS Employer Identification Number)

11100 Santa Monica Boulevard, Suite 300
Los Angeles, California 90025

(Address of Principal Executive Offices)

Registrant's telephone number, including area
code: 310-479-5200

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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Item 7. Financial Statements and Exhibits

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(a) Financial Statements

Not Applicable

(b) Pro Forma Financial Information

Not Applicable

(c) Exhibits

99.1 News Release issued by The Sports Club Company, Inc. dated May 26, 2004

Item 9. Regulation FD Disclosure

On May 26, 2004. The Sports Club Company, Inc. (the "Company") issued a press release announcing that it was delaying the reporting of its first quarter 2004 financial statements. We previously announced that we were delaying the reporting of our fiscal 2003 year-end and fourth quarter results due to certain issues relative to the application of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets and Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. We also reported that we did not meet the prescribed May 24, 2004 extension date for filing of our Quarterly Report on Form 10-Q with the Securities and Exchange Commission. Preliminary operating results for the first quarter ended March 31, 2004 without reflecting any adjustments related to the impairment of fixed assets were included in the Press Release. The Company stated it expects to file its Annual report on Form 10-K and Quarterly report on Form 10-Q prior to June 11, 2004. A copy of the May 26, 2004 press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such a filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 26, 2004

THE SPORTS CLUB COMPANY, INC.

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By: /s/ Timothy O'Brien

Timothy M. O'Brien
Chief Financial Officer

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EXHIBIT 99.1

NEWS RELEASE

For Immediate Release

CONTACT: Timothy M. O'Brien
Chief Financial Officer
The Sports Club Company, Inc.
(310) 479-5200

THE SPORTS CLUB COMPANY, INC.
ANNOUNCES DELAYED FINANCIAL REPORTING

LOS ANGELES, CA (May 26, 2004) - The Sports Club Company, Inc. (AMEX: SCY) today announced that it will delay reporting its first quarter 2004 operating results. The Company previously announced that it was delaying the reporting of its final 2003 year-end and fourth quarter results due to certain issues relative to the application of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("FAS No. 142"), and Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("FAS No. 144"). Substantially all of the work required to prepare the Company's consolidated financial statements for both the fourth quarter 2003 and first quarter 2004 has been completed; however the complexities associated with accounting for the recoverability of goodwill and the impairment of fixed assets have precluded the completion of the final financial statements. As a result, the Company has not filed its required financial reports with the Securities and Exchange Commission. Preliminary operating results for the first quarter ending March 31, 2004, without reflecting any adjustments related to the impairment of fixed assets, are attached to this press release.

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FAS No. 142 requires companies test for recoverability of goodwill on a periodic basis. Recently, the Company determined that the methodology it has been using to evaluate goodwill for recoverability was not in accordance with generally accepted accounting principles, and that an alternative method must be used. Further, the Company concluded that the new methodology should be reapplied to its 2002 financial statements. The Company has preliminarily concluded that it should record a charge of \$5.1 million effective January 1, 2002 to write off

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the goodwill associated with its New York Clubs.

FAS No. 144 requires a company to test for the impairment of fixed assets on a periodic basis. The Company recently engaged an outside professional valuation firm to assist it in determining if the fixed assets at certain of its locations have been impaired. The valuation firm and the Company have completed this evaluation and their work is currently being reviewed by the Company's independent auditors.

Because of the time required to complete the accounting evaluations required by FAS No. 142 and FAS No. 144, management was not able to finalize the Company's consolidated financial statements and file its Annual and Quarterly Reports on Form 10-K and 10-Q for the periods ended December 31, 2003 and March 31, 2004 by the prescribed extended due dates. The Company expects to complete this work, and also to file its Annual and Quarterly Reports prior to June 11, 2004.

All statements in this press release other than statements of historical fact are forward looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in this press release. The forward looking statements speak only as of the date of this press release, and the Company expressly disclaims any obligations to release publicly any update or revision to any forward looking statement contained herein if there are changes in the Company's expectations or if any events, conditions or circumstances on which any such forward looking statement is based.

The Sports Club Company, based in Los Angeles, California owns and operates luxury sports and fitness complexes nationwide under the brand name "The Sports Club/LA."

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THE SPORTS CLUB COMPANY, INC.
 PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (1)
 For The Three Months Ended March 31, 2003 and 2004
 (Amounts in thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2003	2004
	----	----
Revenues:		
Membership revenues.....	\$ 32,403	\$ 35,921
Reimbursed costs.....	258	1,257
	-----	-----
Total revenue.....	32,661	37,178
Operating expenses:		
Direct.....	26,349	30,042
Reimbursed costs.....	258	1,257

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General and administrative.....	1,973	2,046
Selling.....	1,367	1,531
Depreciation and amortization.....	2,960	3,172
Pre-opening expenses.....	139	46
	-----	-----
Total operating expenses.....	33,046	38,094
	-----	-----
Loss from operations.....	(385)	(916)
Other expenses:		
Net interest expense.....	3,280	3,688
Minority interests.....	38	38
Non-recurring items.....	--	1,104
	-----	-----
Loss before income taxes.....	(3,703)	(5,746)
Income tax expense.....	192	168
	-----	-----
Net loss.....	(3,895)	(5,914)
Dividends on preferred stock.....	348	381
	-----	-----
Net loss attributable to common shareholders....	\$ (4,243)	\$ (6,295)
	=====	=====
Net loss per share:		
Basic and diluted.....	\$ (0.23)	\$ (0.34)
	=====	=====
Weighted average shares outstanding:		
Basic and diluted.....	18,160	18,565
	=====	=====

(1) The final 2003 and 2004 operating results may vary significantly from these preliminary operating results.