

MOSCH JAMES G
Form 4/A
May 21, 2009

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MOSCH JAMES G

2. Issuer Name and Ticker or Trading Symbol
DENTSPLY INTERNATIONAL INC /DE/ [XRAY]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
15 STODDARD COURT
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
05/20/2009

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
EXECUTIVE VICE PRESIDENT

SPARKS, MD 21152
(City) (State) (Zip)

4. If Amendment, Date Original Filed (Month/Day/Year)
05/21/2009

6. Individual or Joint/Group Filing (Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock	05/20/2009		M	23,700 A \$ 7.625	23,700	D	
Common Stock	05/20/2009		S ⁽¹⁾	23,500 D \$ 30.1057	200	D	
Common Stock	05/20/2009		S	100 D \$ 30.17	100	D	
Common Stock	05/20/2009		S	100 D \$ 30.14	0	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares
Stock Option	\$ 7.625	05/20/2009		M	23,700	12/08/2002 12/08/2009	Common Stock	23,700

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MOSCH JAMES G 15 STODDARD COURT SPARKS, MD 21152			EXECUTIVE VICE PRESIDENT	

Signatures

Brian M. Addison,
POA for 05/21/2009

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Amendment to correct erroneous transaction code in original.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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17,631

Stock compensation
3,344

—

3,344

1,977

—

1,977

Net operating loss and credit carryforwards

11,825

—

11,825

9,421

—

9,421

Long-term rent liabilities

8,438

—

8,438

7,836

—

7,836

Explanation of Responses:

Deferred Revenue
3,775

—

3,775

5,070

—

5,070

Convertible senior notes

—

(16,599
)

(16,599
)

—

—

—

Other
5,256

—

5,256

7,121

—

Explanation of Responses:

7,121

Valuation allowance

(2,915

)

—

(2,915

)

(1,144

)

—

(1,144

)

Total non-current

\$

46,623

\$

(347,756

)

\$

(301,133

)

\$

47,912

\$

(327,675

)

\$

(279,763

)

Total net deferred taxes

\$

61,475

\$

Explanation of Responses:

(351,692
)

\$
(290,217
)

\$
60,816

\$
(332,957
)

\$
(272,141
)

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the convertible debt issuance in August 2015 as explained in Note 7, "Long-Term Debt / Interest Expense," the Company recorded a deferred tax liability, which represents the difference between the carrying value of the debt for book purposes and tax purposes, the latter of which excludes the conversion feature bifurcation. The recognition of this deferred tax liability was recorded as a reduction to additional paid-in capital on the accompanying consolidated balance sheet and will be amortized as a reduction to income tax expense over the life of the convertible debt.

At December 31, 2015 and 2014, the Company had deferred tax assets relating to foreign and state NOLs with lives ranging from 5 to 20 years. As of December 31, 2015 and 2014, a valuation allowance was provided for certain NOLs, as the Company currently believes that these NOLs may not be realizable prior to their expiration. During 2015, the Company increased its valuation allowance by \$1.8 million. During 2014 and 2013, the Company reduced its valuation allowance by \$1.6 million and \$1.4 million, respectively. The valuation allowance was adjusted based on a change in circumstances, including anticipated future earnings and a tax law change, which caused a change in judgment about the realizability of certain deferred tax assets related to NOLs.

The Company does not have any material undistributed earnings of international subsidiaries at December 31, 2015 and 2014 as these subsidiaries are either considered to be branches for United States tax purposes, to have incurred cumulative NOLs, or to have only minimal undistributed earnings.

Holdings files a consolidated federal tax return and various consolidated and separate tax returns as prescribed by the tax laws of the state, local and international jurisdictions in which it and its subsidiaries operate. The statutes of limitation for the Company's U.S. federal income tax returns are closed for years through 2011. The Company's 2010 and 2011 federal income tax returns have been examined by the Internal Revenue Service. The Internal Revenue Service closed the examination without making any material adjustments to the returns. The Company has various state and local jurisdiction tax years open to possible examination (the earliest open period is generally 2011), and the Company also has certain state and local tax filings currently under audit. As of December 31, 2015, the Company believes that it is appropriately reserved for any potential federal and state income tax exposures.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 31,		
	2015	2014	2013
	(in thousands)		
Balance of unrecognized tax benefits at beginning of period	\$11,652	\$10,848	\$12,882
Additions for tax positions taken during current period	1,345	1,524	873
Additions for tax positions taken during prior periods	543	116	1,965
Reductions for tax positions taken during prior periods	(6,258)	(527)	(4,068)
Settlements	—	(309)	(804)
Balance of unrecognized tax benefits at end of period	\$7,282	\$11,652	\$10,848

The Company's liability for uncertain tax positions decreased by \$3.3 million during the current year due in part to the expiration of certain statutes of limitation with respect to the 2011 fiscal year, which was recorded as a reduction to income tax expense. The Company's liability for uncertain tax positions also decreased by \$3.0 million with a corresponding reduction to receivables.

As of December 31, 2015, the Company is not aware of any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. Accrued interest and penalties were \$1.8 million and \$4.2 million at December 31, 2015 and 2014, respectively. At December 31, 2015, the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$9.1 million, including the impact of accrued interest and penalties. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes that its unrecognized tax benefits reflect the most likely outcome. The Company adjusts these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position could require the use of cash. Favorable resolution would be recognized as a reduction to the effective income tax rate in the

period of resolution.

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. GOODWILL AND INTANGIBLE ASSETS, NET

Annual Impairment Test

For the 2015 annual goodwill impairment assessment, management concluded that the Company's reporting units had fair values estimated using a discounted cash flow method (income approach) substantially in excess of their respective carrying values, except for approximately \$12 million of goodwill associated with the Lucky Vitamin reporting unit, which had an estimated fair value that exceeded its carrying value by less than 15%. If actual market conditions are less favorable than those projected, or if events occur or circumstances change that would reduce the fair value of the Lucky Vitamin reporting unit below its carrying value, management may be required to conduct an interim test or possibly recognize impairment charges in future periods. With the exception of the Discount Supplements reporting unit, no other goodwill impairments have been recorded to date. Management also performed a quantitative impairment test for its indefinite-lived brand intangible assets and concluded that the fair values under the income approach were substantially in excess of their respective carrying values.

Discount Supplements

Acquisition

On October 2, 2013, the Company acquired the assets and assumed the liabilities of Discount Supplements, which was accounted for as a business combination. The total purchase price for this acquisition was approximately \$33.3 million, of which \$24.6 million, \$9.6 million, \$0.9 million was allocated to goodwill, definite-lived intangible assets and other net liabilities, respectively.

Impairment Charge

During the third quarter of 2015, the Company evaluated the financial results of key strategic initiatives, which were undertaken as a result of declining results in the first half of 2015 and continued deterioration of market share. Based on the financial results for the quarter ended September 30, 2015, the Company concluded that these strategic measures were unsuccessful. As a result, the Company determined the Discount Supplements business did not fit into its strategic plan for maximizing long-term shareholder returns based on the Company's expectations of the required investments necessary to improve the financial performance of the business, both in the short and long-term. The current and anticipated financial performance of the business, coupled with the Company's consideration of future strategic options was considered a triggering event requiring an interim goodwill impairment review of the Discount Supplements reporting unit as of September 30, 2015.

The Company determined the fair value of the Discount Supplements reporting unit at September 30, 2015 using a discounted cash flow method (income approach). The key assumptions used were as follows:

Future cash flow assumptions - The Company's projections for Discount Supplements were based on organic growth and were derived from historical experience and assumptions regarding future growth and profitability trends. These projections also took into account the current economic climate in the United Kingdom where Discount Supplements operated, and the extent to which the regulatory environment was expected to impact future growth opportunities. The Company's analysis incorporated an assumed period of cash flows of five years with a terminal value.

Discount rate - The discount rate was based on Discount Supplements' estimated weighted average cost of capital ("WACC"). The components of WACC are the cost of equity and the cost of debt, each of which requires judgment by management to estimate. The Company developed its cost of equity estimate based on perceived risks and predictability of future cash flows. At September 30, 2015, the WACC used to estimate the fair value of the Discount Supplements reporting unit was 16.5%.

As a result of the review, the Company concluded that the carrying value of the Discount Supplements reporting unit exceeded its fair value and proceeded to step two of the impairment analysis. Based on the results of step two, the Company concluded that this reporting unit was fully impaired; as a result, a goodwill impairment charge of \$23.3 million was recorded in the third quarter of 2015.

As a result of the impairment indicators, the Company also performed an impairment analysis with respect to the definite-long-lived assets of Discount Supplements, consisting of trade name and website intangibles and property and equipment. The fair value of these assets were determined using various income approaches. Based on the results of the analyses, the Company recorded impairment charges of \$4.4 million on the trade name and website intangible assets and \$0.6 million on property and

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

equipment. All of the aforementioned charges totaling \$28.3 million are recorded in long-lived asset impairments in the consolidated statement of operations for the year ended December 31, 2015.

Asset Sale

The Company completed an asset sale of Discount Supplements on December 31, 2015, resulting in a loss of \$2.7 million recorded within other income, net on the consolidated statement of income primarily consisting of the release of cumulative translation losses to earnings, lease-related exit costs and inventory losses primarily related to packaging materials. The Company considers the Discount Supplements legal entity to be substantially liquidated as there are no future ongoing operations. The proceeds from the sale of \$1.3 million were received in the first quarter of 2016.

Current and Prior Years Activity

The following table summarizes the Company's goodwill activity by reportable segment:

	Retail (in thousands)	Franchising	Manufacturing/Wholesale	Total
Balance at December 31, 2013	\$346,202	\$117,303	\$202,841	\$666,346
Acquired franchise stores	1,372	—	—	1,372
Acquisition of The Health Store	6,853	—	—	6,853
Translation effect of exchange rates	(2,278)	) —	—	(2,278)
Balance at December 31, 2014	\$352,149	\$117,303	\$202,841	\$672,293
Acquired franchise stores	1,935	—	—	1,935
Translation effect of exchange rates	(1,077)	) —	—	(1,077)
Goodwill impairment - Discount Supplements	(23,259)	) —	—	(23,259)
Balance at December 31, 2015	\$329,748	\$117,303	\$202,841	\$649,892

Intangible assets, net consisted of the following:

	Retail Brand (in thousands)	Franchise Brand	Operating Agreements	Other Intangibles	Total
Balance at December 31, 2013	\$500,000	\$220,000	\$125,665	\$17,109	\$862,774
Acquired franchise stores	—	—	—	781	781
Acquisition of The Health Store	—	—	—	788	788
Amortization expense	—	—	(6,653)	) (4,222)	) (10,875)
Translation effect of exchange rates	—	—	—	(476)	) (476)
Balance at December 31, 2014	\$500,000	\$220,000	\$119,012	\$13,980	\$852,992
Acquired franchise stores	—	—	—	963	963
Amortization expense	—	—	(6,653)	) (3,599)	) (10,252)
Translation effect of exchange rates	—	—	—	(138)	) (138)
Impairment charge - Discount Supplements	—	—	—	(4,361)) (4,361)
Balance at December 31, 2015	\$500,000	\$220,000	\$112,359	\$6,845	\$839,204

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table reflects the gross carrying amount and accumulated amortization/impairment for each major intangible asset:

	Weighted-Average Life	December 31, 2015			December 31, 2014		
		Gross	Accumulated Amortization/Impairment	Carrying Amount	Gross	Accumulated Amortization	Carrying Amount
		(in thousands)					
Goodwill	Indefinite	\$673,151	\$ (23,259)	\$649,892	\$672,293	\$—	\$672,293
Brands—retail	Indefinite	500,000	—	500,000	500,000	—	500,000
Brands—franchise	Indefinite	220,000	—	220,000	220,000	—	220,000
Retail agreements	30.3	31,000	(9,407)	21,593	31,000	(8,354)	22,646
Franchise agreements	25.0	70,000	(24,617)	45,383	70,000	(21,817)	48,183
Manufacturing agreements	25.0	70,000	(24,617)	45,383	70,000	(21,817)	48,183
Other intangibles	11.8	10,222	(4,560)	5,662	20,457	(7,427)	13,030
Franchise rights	3.0	7,206	(6,023)	1,183	6,243	(5,293)	950
Total		\$1,581,579	\$ (92,483)	\$1,489,096	\$1,589,993	\$ (64,708)	\$1,525,285

The following table represents future amortization expense of definite-lived intangible assets at December 31, 2015:

Years ending December 31,	Amortization expense (in thousands)
2016	\$8,108
2017	7,544
2018	7,369
2019	7,257
2020	7,204
Thereafter	81,722
Total future amortization expense	\$119,204

For the years ended December 31, 2015, 2014 and 2013, the Company acquired 44, 25 and 16 franchise stores, respectively. These acquisitions are accounted for utilizing the acquisition method of accounting, and the Company allocated the purchase price by recognizing acquired inventory, fixed assets, franchise rights and other net assets at fair value with any excess being recognized as goodwill. For the years ended December 31, 2015, 2014 and 2013, the total purchase prices associated with these acquisitions was \$6.2 million, \$3.7 million and \$2.9 million, respectively. On April 17, 2014, the Company acquired the assets and assumed the liabilities of The Health Store, which was accounted for as a business combination. The total purchase price for this acquisition was approximately \$8.9 million, of which \$6.9 million, \$0.8 million, and \$1.2 million was allocated to goodwill, definite-lived intangible assets and other net assets, respectively.

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

	December 31,	
	2015	2014
	(in thousands)	
Land, buildings and improvements	\$70,487	\$69,165
Machinery and equipment	150,809	140,939
Leasehold improvements	139,448	132,378
Furniture and fixtures	106,722	101,823
Software	54,506	42,909
Construction in progress	6,340	4,628
Total property, plant and equipment	528,312	491,842
Less: accumulated depreciation	(297,777)	(259,445)
Net property, plant and equipment	\$230,535	\$232,397

The Company recognized depreciation expense on property, plant and equipment of \$47.0 million, \$45.5 million and \$42.8 million for the years ended December 31, 2015, 2014 and 2013, respectively, which is included in occupancy expense as part of cost of sales and selling, general and administrative expense on the consolidated statements of income.

NOTE 7. LONG-TERM DEBT / INTEREST EXPENSE

Long-term debt consisted of the following:

	December 31,	
	2015	2014
	(in thousands)	
Term Loan Facility (net of \$2.2 million and \$3.3 million discount)	\$1,174,369	\$1,342,165
Revolving Credit Facility	43,000	—
Convertible senior notes	235,085	—
Other	—	213
Total debt	\$1,452,454	\$1,342,378
Less: current maturities	(4,550)	(4,740)
Total long-term debt	\$1,447,904	\$1,337,638

At December 31, 2015, the Company's future annual contractual principal payments on long-term debt were as follows:

Years Ending December 31,	Term Loan Facility ⁽¹⁾	Revolving Credit Facility	Convertible Notes ⁽²⁾	Total
	(in thousands)			
2016	\$4,550	\$—	\$—	\$4,550
2017	4,550	43,000	—	47,550
2018	4,550	—	—	4,550
2019	1,162,958	—	—	1,162,958
2020	—	—	287,500	287,500
Total future principal payments	\$1,176,608	\$43,000	\$287,500	\$1,507,108

(1) Includes the unamortized original issuance discount of \$2.2 million.

(2) Includes unamortized conversion feature of \$46.3 million and original issuance discount of \$6.1 million.

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Senior Credit Facility

In March 2011, General Nutrition Centers, Inc. ("Centers"), a wholly owned subsidiary of Holdings, entered into the Senior Credit Facility, consisting of the Term Loan Facility and the Revolving Credit Facility. The Senior Credit Facility permits the Company to prepay a portion or all of the outstanding balance without incurring penalties (except London Interbank Offering Rate ("LIBOR") breakage costs). GNC Corporation, the Company's indirect wholly owned subsidiary ("GNC Corporation"), and Centers' existing and future domestic subsidiaries have guaranteed Centers' obligations under the Senior Credit Facility. In addition, the Senior Credit Facility is collateralized by first priority pledges (subject to permitted liens) of substantially all of Centers' assets, including its equity interests and the equity interests of its domestic subsidiaries.

During the fourth quarter of 2013, Centers amended and restated the Senior Credit Facility to, among other amendments, increase the size of the Term Loan Facility by \$252.5 million, increase the amount available for borrowings under the Revolving Credit Facility from \$80 million to \$130 million, extend the Revolving Credit Facility maturity date to March 2017, and extend the maturity of the Term Loan Facility to March 2019. This amendment resulted in a \$5.7 million loss on debt refinancing recorded within interest expense, net on the accompanying consolidated statement of income consisting of the write-off of deferred financing fees and an original issuance discount. The amendment also included changes to ABR, LIBOR, and Applicable Margin rates.

As of December 31, 2015 and 2014, the Company's interest rate on its Term Loan Facility was 3.25%. As of December 31, 2015, the Company had \$43.0 million outstanding on its Revolving Credit Facility with a weighted average interest rate of 2.6%. The Company is also required to pay an annual fee of 2.50% on outstanding letters of credit and an annual commitment fee of 0.5% on the undrawn portion of the Revolving Credit Facility. The Company had \$85.9 million available under its revolving credit facility at December 31, 2015 after taking into effect amounts drawn, including \$1.1 million of letters of credit.

The Senior Credit Facility contains customary covenants, including incurrence covenants and certain other limitations on the ability of GNC Corporation, Centers, and Centers' subsidiaries to, among other things, make optional payments in respect of other debt instruments, pay dividends or other payments on capital stock, and enter into arrangements that restrict their ability to pay dividends or grant liens. As of December 31, 2015, the Company believes that it is in compliance with all covenants under the Senior Credit Facility.

Convertible Debt

Summary of Terms. On August 10, 2015, the Company issued \$287.5 million principal amount of 1.5% convertible senior notes due 2020 (the "Notes") in a private offering. The Notes are governed by the terms of an indenture between the Company and BNY Mellon Trust Company, N.A., as the Trustee (the "Indenture"). The Notes will mature on August 15, 2020, unless earlier purchased by the Company or converted. The Notes will bear interest at a rate of 1.5% per annum, and additionally will be subject to special interest in connection with any failure of the Company to perform certain of its obligations under the Indenture.

The Notes are unsecured obligations and do not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by the Company or any of its subsidiaries. Certain events are considered "events of default" under the Notes, which may result in the acceleration of the maturity of the Notes, as described in the indenture governing the Notes. The Notes are fully and unconditionally guaranteed by certain operating subsidiaries of the Company ("Subsidiary Guarantors") and are subordinated to the Subsidiary Guarantors obligations from time to time with respect to the Senior Credit Facility and ranks equal in right of payment with respect to the Subsidiary Guarantor's other obligations.

The initial conversion rate applicable to the Notes is 15.1156 shares of common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$66.16 per share. The conversion rate will be subject to adjustment upon the occurrence of certain specified events, but will not be adjusted for any accrued and unpaid special interest. In addition, upon the occurrence of a "make-whole fundamental change" as defined in the Indenture, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change.

Prior to May 15, 2020, the Notes will be convertible only under the following circumstances: (1) during any calendar quarter commencing after September 30, 2015, if, for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on the last trading day of the immediately preceding calendar quarter, the last reported sale price of the Company's common stock on such trading day is greater than or equal to 130% of the applicable conversion price on such trading day; (2) during the 5 consecutive business day period after any 10 consecutive trading day period in which, for each day of that period, the trading price per \$1,000 principal amount of Notes for such trading day was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on such trading day; or (3) upon the

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

occurrence of specified corporate transactions. On and after May 15, 2020, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or a portion of their Notes at any time, regardless of the foregoing circumstances. Upon conversion, the Notes will be settled, at the Company's election, in cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock. If the Company has not delivered a notice of its election of settlement method prior to the final conversion period it will be deemed to have elected combination settlement with a dollar amount per note to be received upon conversion of \$1,000.

Accounting Treatment. Under GAAP, certain convertible debt instruments that may be settled in cash on conversion are required to be separately accounted for as liability and equity components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. Accordingly, in accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component, which is recognized as a debt discount recorded as additional paid-in capital on the consolidated balance sheet represents the difference between the proceeds from the issuance of the Notes and the fair value of the liability component of the Notes and will be amortized to interest expense together with debt issuance costs described below using an effective interest rate of 6.1% over the term of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The Company recorded a deferred tax liability in connection with the convertible debt instrument, which represents the difference between the carrying value of the debt for book purposes and tax purposes, the latter of which excludes the conversion feature bifurcation. The recognition of this deferred tax liability was recorded as a reduction to additional paid-in capital on the accompanying consolidated balance sheet. Refer to Note 4, "Income Taxes" for more information. In accounting for the debt issuance costs related to the issuance of the Notes, the Company allocated the total amount incurred to the liability and equity components based on their relative values. Debt issuance costs attributable to the liability component are amortized to interest expense using the effective interest method over the term of the Notes, and debt issuance costs attributable to the equity component are netted with the equity component in stockholders' equity. Debt issuance costs related to the Notes were comprised of discounts and commissions payable to the initial purchasers of \$7.9 million and third party offering costs of \$0.3 million. Discounts and commissions payable to the initial purchasers attributable to the liability component were recorded as a contra-liability and are presented net against the convertible senior notes balance on the consolidated balance sheet. Third party offering costs attributable to the liability component were recorded as an asset and are presented in other long-term assets on the consolidated balance sheet. The Notes consist of the following components as of December 31, 2015 (in thousands):

Liability component		
Principal	\$287,500	
Conversion feature	(46,271)
Discount related to debt issuance costs	(6,144)
Net carrying amount	\$235,085	
Equity component		
Conversion feature	\$49,680	
Discount related to debt issuance costs	(1,421)
Deferred taxes	(17,750)
Net amount recorded in additional paid-in capital	\$30,509	

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest Expense

The Company's net interest expense was as follows:

	For the year ended		
	December 31,		
	2015	2014	2013
	(in thousands)		
Senior Credit Facility:			
Term Loan coupon	\$42,147	\$44,427	\$42,020
Revolver	805	682	680
Loss on debt refinancing	—	—	5,712
Amortization of discount and deferred financing fees (*)	2,583	1,729	4,712
Subtotal: Senior Credit Facility	45,535	46,838	53,124
Convertible Senior Notes:			
Coupon	1,702	—	—
Amortization of conversion feature	3,410	—	—
Amortization of discount and deferred financing fees	412	—	—
Subtotal: Convertible Senior Notes	5,524	—	—
Mortgage and other interest expense	81	123	159
Interest income	(204	) (253	) (254
Interest expense, net	\$50,936	\$46,708	\$53,029

(*) In connection with the partial pay-down of \$164.3 million of the Term Loan Facility, the Company recorded \$0.8 million in accelerated amortization, which represents the pro-rata portion of the original issuance discount and deferred financing fees associated with the paid-down balance.

NOTE 8. DEFERRED REVENUE AND OTHER CURRENT LIABILITIES

Deferred revenue and other current liabilities consisted of the following:

	December 31,	
	2015	2014
	(in thousands)	
Deferred revenue	\$45,018	\$47,823
Accrued compensation and related benefits	31,091	24,958
Accrued real estate taxes, utilities and other occupancy	3,352	3,028
Accrued sales tax	3,659	4,628
Accrued interest	2,210	374
Accrued income taxes	1,181	564
Dividends payable	222	152
Other current liabilities	34,329	25,012
Total deferred revenue and other current liabilities	\$121,062	\$106,539

Deferred revenue consists primarily of Gold Card membership fees and gift card sales. During 2014, the Company incurred \$7.8 million of expenses associated with changes among the executive leadership team. These expenses relating to management realignment consisted principally of executive severance. In October 2013, the Company transitioned to a third-party product transportation network and moved away from the Company's existing private fleet. The cost related to this transition was \$12.2 million, consisting of early lease termination on transportation equipment of \$9.8 million and employee severance and other costs of \$2.4 million. At December 31, 2015, the Company had no liability relating to the above restructuring costs.

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

Accounting Standards Codification 820, Fair Value Measurements and Disclosures defines fair value as a market-based measurement that should be determined based on the assumptions that marketplace participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1 — observable inputs such as quoted prices in active markets for identical assets and liabilities;

Level 2 — observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other inputs that are observable, or can be corroborated by observable market data; and

Level 3 — unobservable inputs for which there are little or no market data, which require the reporting entity to develop its own assumptions.

The carrying amounts of cash and cash equivalents, receivables, accounts payable, accrued liabilities and the revolving credit facility approximate their respective fair values. Based on the interest rates currently available and their underlying risk, the carrying value of franchise notes receivable approximates its fair value.

The carrying value and estimated fair value of the Notes (excluding the equity component classified in stockholders' equity) and Term Loan Facility were as follows:

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Term Loan Facility	\$1,174,369	\$1,145,010	\$1,342,378	\$1,288,683
Convertible senior notes	235,085	188,940	—	—

The fair value of the Term Loan Facility was determined using the instrument's trading value in markets that are not active, which are considered Level 2 inputs. The fair value of the Notes was determined based on quoted market prices and bond terms and conditions, which are considered Level 2 inputs.

As described in Note 5, "Goodwill and Intangible Assets, Net," the Company recorded asset impairments during the third quarter of 2015 which resulted in goodwill and definite-long-lived assets for Discount Supplements being measured at fair value on a non-recurring basis using Level 3 inputs at September 30, 2015.

NOTE 10. LONG-TERM LEASE OBLIGATIONS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's rent expense, which is recorded within cost of sales on the consolidated statements of income, was as follows:

	Year ended December 31,		
	2015	2014	2013
	(in thousands)		
Company-owned and franchised retail stores:			
Rent on operating leases	\$197,114	\$189,369	\$174,756
Sublease income	(43,569)	(41,696)	(37,680)
Landlord related taxes	21,854	21,247	19,552
Common operating expenses	38,663	37,284	34,978
Percent rent	20,775	22,185	23,943
Total company-owned and franchised retail stores	234,837	228,389	215,549
Truck fleet	—	—	4,491
Other	16,495	15,606	13,484
Total rent expense	\$251,332	\$243,995	\$233,524

Minimum future obligations for non-cancelable operating leases, excluding optional renewal periods, with initial or remaining terms of at least one year in effect at December 31, 2015 were as follows for the years ending December 31.

	Company-Owned Retail Stores (in thousands)	Franchise Retail Stores	Sublease Income	Other	Total
2016	\$143,706	\$31,209	\$(31,209)	\$5,226	\$148,932
2017	118,617	25,608	(25,608)	4,480	123,097
2018	89,722	18,689	(18,689)	2,431	92,153
2019	63,664	12,325	(12,325)	1,853	65,517
2020	43,968	7,019	(7,019)	1,669	45,637
Thereafter	96,341	8,876	(8,876)	10,647	106,988
Total future obligations	\$556,018	\$103,726	\$(103,726)	\$26,306	\$582,324

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is engaged in various legal actions, claims and proceedings arising in the normal course of business, including claims related to breach of contracts, products liabilities, intellectual property matters and employment-related matters resulting from the Company's business activities.

The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. Currently, none of the Company's accruals for outstanding legal matters are material individually or in the aggregate to the Company's financial position. However, if the Company ultimately is required to make a payment in connection with an adverse outcome in any of the matters discussed below, it is possible that it could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The Company's contingencies are subject to substantial uncertainties, including for each such contingency the following, among other factors: (i) the procedural status of the case; (ii) whether the case has or may be certified as a class action suit; (iii) the outcome of preliminary motions; (iv) the impact of discovery; (v) whether there are

significant factual issues to be determined or resolved; (vi) whether the proceedings involve a large number of parties and/or parties and claims in multiple jurisdictions or

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

jurisdictions in which the relevant laws are complex or unclear; (vii) the extent of potential damages, which are often unspecified or indeterminate; and (viii) the status of settlement discussions, if any, and the settlement posture of the parties. Consequently, except as otherwise noted below with regard to a particular matter, the Company cannot predict with any reasonable certainty the timing or outcome of the legal matters described below, and the Company is unable to estimate a possible loss or range of loss.

As a manufacturer and retailer of nutritional supplements and other consumer products that are ingested by consumers or applied to their bodies, the Company has been and is currently subjected to various product liability claims.

Although the effects of these claims to date have not been material to the Company, it is possible that current and future product liability claims could have a material adverse effect on its business or financial condition, results of operations or cash flows. The Company currently maintains product liability insurance with a deductible/retention of \$4.0 million per claim with an aggregate cap on retained loss of \$10.0 million. The Company typically seeks and has obtained contractual indemnification from most parties that supply raw materials for its products or that manufacture or market products it sells. The Company also typically seeks to be added, and has been added, as an additional insured under most of such parties' insurance policies. The Company is also entitled to indemnification by Numico for certain losses arising from claims related to products containing ephedra or Kava Kava sold prior to December 5, 2003. However, any such indemnification or insurance is limited by its terms and any such indemnification, as a practical matter, is limited to the creditworthiness of the indemnifying party and its insurer, and the absence of significant defenses by the insurers. Consequently, the Company may incur material products liability claims, which could increase its costs and adversely affect its reputation, revenue and operating income.

DMAA/Aegeline Claims. Prior to December 2013, the Company sold products manufactured by third parties that contained derivatives from geranium known as 1,3-dimethylpentylamine/ dimethylamylamine/1,3-dimethylamylamine, or "DMAA," which were recalled from the Company's stores in November 2013, and/or Aegeline, a compound extracted from bael trees. As of December 31, 2014, the Company was named in 28 personal injury lawsuits involving products containing DMAA and/or Aegeline.

As a general matter, the proceedings associated with these personal injury cases, which generally seek indeterminate money damages, are in the early stages, and any losses that may arise from these matters are not probable or reasonably estimable at this time. The case captioned *Leanne Sparling and Michael Sparling on behalf of Michael Sparling, deceased v. USPLabs, GNC Corporation et al.*, which previously was scheduled for trial in February 2016, was dismissed with prejudice.

The Company is contractually entitled to indemnification by its third-party vendors with regard to these matters, although the Company's ability to obtain full recovery in respect of any such claims against it is dependent upon the creditworthiness of the vendors and/or their insurance coverage and the absence of any significant defenses available to its insurer.

California Wage and Break Claim. In July 2011, Charles Brewer, on behalf of himself and all others similarly situated, sued General Nutrition Corporation in federal court, alleging state and federal wage and hour claims. In October 2011, plaintiff filed an eight-count amended complaint alleging, among other matters, meal, rest break and overtime violations on behalf of sales associates and store managers. In January 2013, the Court conditionally certified a Fair Labor Standards Act ("FLSA") class with respect to one of Plaintiff's claims, and in November 2014, the Court granted in part and denied in part the plaintiff's motion to certify a California class and granted the Company's motion for decertification of the FLSA class. In May 2015, plaintiffs filed a motion for partial summary judgment as to the Company's alleged liability for non-compliant wage statements, which was granted in part and denied in part in September 2015. On February 5, 2016, the Company and attorneys representing the putative class agreed to class-wide settlements of the Brewer case and an additional, immaterial case raising similar claims, pursuant to which the Company agreed to pay up to \$9.5 million in the aggregate, including attorneys' fees and costs. The settlement agreement remains subject to Court approval, and the Court has scheduled a preliminary hearing in April 2016. As a result of this settlement, the Company recorded a charge of \$6.3 million in the fourth quarter of 2015, in addition to \$3.2 million previously accrued in the first quarter of 2015.

On February 29, 2012, former Senior Store Manager, Elizabeth Naranjo, individually and on behalf of all others similarly situated sued General Nutrition Corporation in the Superior Court of the State of California for the County of Alameda. The complaint contains eight causes of action, alleging, among other matters, meal, rest break, and overtime violations. As of December 31, 2015, an immaterial liability has been accrued in the accompanying financial statements.

Jason Olive v. General Nutrition Corp. In April 2012, Jason Olive filed a complaint in the Superior Court of California, County of Los Angeles, for misappropriation of likeness in which he alleges that the Company continued to use his image in stores after the expiration of the license to do so in violation of common law and California statutes. Mr. Olive is seeking compensatory, punitive and statutory damages and attorneys' fees and costs. The trial in this matter previously scheduled for December 2014 was

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

postponed and no new trial date has been set. As of December 31, 2014, an immaterial liability has been accrued in the accompanying financial statements.

Oregon Attorney General. On October 22, 2015, the Attorney General for the State of Oregon sued General Nutrition Corporation in Multnomah County Circuit Court for alleged violations of Oregon's Unlawful Trade Practices Act, in connection with its sale in Oregon of certain third-party products. The Company intends to vigorously defend against these allegations. As any losses that may arise from this matter are not probably or reasonably estimable at this time, no liability has been accrued in the accompanying interim consolidated financial statements. Moreover, the Company does not anticipate that any such losses are likely to have a material impact on the Company, its business or results of operations. The Company is contractually entitled to indemnification and defense by its third-party vendors, which have accepted the Company's tender request for defense and indemnification. Ultimately, however, the Company's ability to obtain full recovery in respect of any such claims against it is dependent upon the creditworthiness of its vendors and/or their insurance coverage and the absence of any significant defenses available to their insurers.

Commitments

In addition to operating leases obtained in the normal course of business, the Company maintains certain purchase commitments with various vendors to ensure its operational needs are fulfilled. As of December 31, 2015, such future purchase commitments consisted of \$40.7 million. Other commitments related to the Company's business operations cover varying periods of time and are not significant. All of these commitments are expected to be fulfilled with no adverse consequences to the Company's operations or financial condition.

Environmental Compliance

In March 2008, the South Carolina Department of Health and Environmental Control (the "DHEC") requested that the Company investigate contamination associated with historical activities at its South Carolina facility. These investigations have identified chlorinated solvent impacts in soils and groundwater that extend offsite from the facility. The Company entered into a Voluntary Cleanup Contract with the DHEC regarding the matter on September 24, 2012. Pursuant to such contract, the Company has completed additional investigations with the DHEC's approval and the DHEC is currently reviewing the results. The Company will consult with the DHEC on the next steps in the work after their review of the results of the investigation is complete. At this stage of the investigation, however, it is not possible to estimate the timing and extent of any remedial action that may be required, the ultimate cost of remediation, or the amount of the Company's potential liability, therefore no liability has been recorded in the accompanying consolidated balance sheet.

In addition to the foregoing, the Company is subject to numerous federal, state, local and foreign environmental and health and safety laws and regulations governing its operations, including the handling, transportation and disposal of the Company's non-hazardous and hazardous substances and wastes, as well as emissions and discharges from its operations into the environment, including discharges to air, surface water and groundwater. Failure to comply with such laws and regulations could result in costs for remedial actions, penalties or the imposition of other liabilities. New laws, changes in existing laws or the interpretation thereof, or the development of new facts or changes in their processes could also cause the Company to incur additional capital and operating expenditures to maintain compliance with environmental laws and regulations and environmental permits. The Company is also subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment without regard to fault or knowledge about the condition or action causing the liability. Under certain of these laws and regulations, such liabilities can be imposed for cleanup of previously owned or operated properties, or for properties to which substances or wastes that were sent in connection with current or former operations at its facilities. The presence of contamination from such substances or wastes could also adversely affect the Company's ability to sell or lease its properties, or to use them as collateral for financing. From time to time, the Company has incurred costs and obligations for correcting environmental and health and safety noncompliance matters and for remediation at or relating to certain of the Company's properties or properties at which the Company's waste has been disposed. However, compliance with the provisions of national, state and local environmental laws and regulations has not had a material effect upon the Company's capital expenditures, earnings, financial position, liquidity or competitive position.

The Company believes it has complied with, and is currently complying with, its environmental obligations pursuant to environmental and health and safety laws and regulations and that any liabilities for noncompliance will not have a material adverse effect on its business, financial performance or cash flows. However, it is difficult to predict future liabilities and obligations, which could be material.

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. STOCKHOLDERS' EQUITY

Treasury Stock

In August 2015, the Board approved a \$500.0 million multi-year repurchase program in addition to the \$500.0 million multi-year program approved in August 2014, bringing the aggregate share repurchase program to \$1.0 billion of Holdings' common stock. Holdings repurchased \$479.8 million of common stock during 2015. As of December 31, 2015, \$427.0 million remains available for purchase under the program.

Preferred Stock

Holdings is authorized to issue up to 60.0 million shares of preferred stock, par value \$0.001 per share. No shares of preferred stock were issued or outstanding in 2015, 2014 and 2013.

NOTE 13. EARNINGS PER SHARE

The following table represents the Company's basic and dilutive weighted average shares:

	Year ended December 31,		
	2015	2014	2013
	(in thousands)		
Basic weighted average shares	83,927	90,493	96,481
Effect of dilutive employee stock-based compensation awards	259	425	902
Diluted weighted averages shares	84,186	90,918	97,383

For the year ended December 31, 2015 and each of the years ended December 31, 2014 and 2013, the Company had 0.2 million and 0.3 million shares, respectively, that were not included in the computation of diluted earnings per share because the impact of applying the treasury stock method to these options was anti-dilutive.

The Company has the intent and ability to settle the principal portion of its Notes in cash, and as such, has applied the treasury stock method, which has resulted in all underlying convertible shares being anti-dilutive in the current year as the Company's average stock price from the issuance of the Notes through December 31, 2015 is less than the conversion price. Refer to Note 7, "Long-Term Debt / Interest Expense" for more information on the Notes.

NOTE 14. STOCK-BASED COMPENSATION PLANS

Overview

The Company has outstanding stock-based compensation awards that were granted by the compensation committee of Holdings' Board of Directors (the "Compensation Committee") under the following two stock-based employee compensation plans:

the GNC Holdings, Inc. 2015 Stock and Incentive Plan (the "2015 Stock Plan") amended and adopted in May 2015, formerly the GNC Holdings, Inc. 2011 Stock and Incentive Plan (the "2011 Stock Plan") adopted in March 2011; and the GNC Acquisition Holdings Inc. 2007 Stock Incentive Plan adopted in March 2007 (as amended, the "2007 Stock Plan").

Both plans have provisions that allow for the granting of stock options, restricted stock and other stock based awards and are available to certain eligible employees, directors, consultants or advisors as determined by the Compensation Committee. The Company will not grant any additional awards under the 2007 Stock Plan. Up to 11.5 million shares of common stock may be issued under the 2015 Stock Plan (subject to adjustment to reflect certain transactions and events specified in the 2015 Stock Plan for any award grant), of which 8.4 million shares remain available for issuance as of December 31, 2015.

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth a summary of all share awards outstanding under all plans at December 31:

	2015	2014
Time-based stock options	688,083	746,533
Time-based restricted stock awards	194,271	122,681
Performance-based restricted stock awards	140,916	41,656
Total share awards outstanding	1,023,270	910,870

The Company recognized \$6.3 million, \$5.9 million and \$7.8 million of non-cash compensation expense for the years ended December 31, 2015, 2014 and 2013, respectively. At December 31, 2015, there was approximately \$11.6 million of total unrecognized expense related to non-vested stock-based compensation that is expected to be recognized over a weighted average period of approximately 1.3 years.

Cash received from the exercise of options was \$1.7 million, \$22.2 million, and \$14.6 million in 2015, 2014 and 2013, respectively, which was recorded as additional paid-in capital on the accompanying consolidated balance sheets and presented as a cash inflow from financing activities on the accompanying consolidated statements of cash flows. The total tax benefit associated with stock-based compensation resulted in an excess tax benefit of \$0.6 million, \$3.7 million, and \$15.4 million in 2015, 2014 and 2013, respectively, which was recorded as additional paid-in capital and presented as a financing cash inflow.

Stock Options

Stock options were granted with exercise prices at or above fair market value on the date of grant, typically vest over a four- or five-year period and expire seven or ten years from the date of grant. The following table sets forth a summary of stock options under all plans:

	Total Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2014	746,533	\$26.19		\$15,505
Granted	50,815	\$41.10		
Exercised	(80,183)	) \$21.75		\$1,970
Forfeited and expired	(29,082)	) \$27.92		