TEAM FINANCIAL INC /KS
Form SC 13D
August 21, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Initial Filing)*

Team Financial, Inc.

(Name of Issuer)

Common Stock, no par value

(Title of Class of Securities)

87815X109

(CUSIP Number)

Wallace E. Brockhoff

LATHROP & GAGE L.C.

2345 Grand Avenue, Suite 2800

Kansas City, Missouri 64108-2684

(816) 292-2000

(Name, Address and Telephone Number of Person

Authorized to Receive Notices and Communications)

August 11, 2006

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. ?

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

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*The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (**"Act"**) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Page 1 of 11 Pages

CUSIP No. 87815X109

(1) Names of Reporting Persons.

I.R.S. Identification Nos. of Above Persons (entities only).

O. Gene Bicknell

(2) Check the appropriate box if a member of a Group (See Instructions)

(a) Y
(b)

(3) SEC Use Only

(4) Source of Funds (See Instructions)

PF

(5) Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e)

(6) Citizenship or Place of Organization

United States

Number of Shares Beneficially Owned by Each Reporting Person With	(7)	Sole Voting Power	0
	(8)	Shared Voting Power	182,792.84
	(9)	Sole Dispositive Power	0
	(10)	Shared Dispositive Power	182,792.84

(11) Aggregate Amount Beneficially Owned by Each Reporting Person 182,792.84

(12) Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) o

(13) Percent of Class Represented by Amount in Row (11) 5.1% *

(14) Type of Reporting Person (See Instructions)

IN

* Assumed a total of 3,591,084 shares outstanding, based on the number reported in the Issuer's Report on Form 8-K filed as of August 8, 2006.

CUSIP No. 87815X109

(1) Names of Reporting Persons.

I.R.S. Identification Nos. of Above Persons (entities only)

Mariner Wealth Advisors, LLC

20-4553256

(2) Check the appropriate box if a member of a Group (See Instructions)

(a) Y
(b)

(3) SEC Use Only

(4) Source of Funds (See Instructions)

PF

(5) Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e)

(6) Citizenship or Place of Organization

Kansas

Number of Shares Beneficially Owned by Each Reporting Person With	(7)	Sole Voting Power	0
	(8)	Shared Voting Power	185,809.05
	(9)	Sole Dispositive Power	0
	(10)	Shared Dispositive Power	185,809.05

(11) Aggregate Amount Beneficially Owned by Each Reporting Person
185,809.05

(12) Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) x

(13) Percent of Class Represented by Amount in Row (11) 5.2% *

(14) Type of Reporting Person (See Instructions)

IA

* Assumed a total of 3,591,084 shares outstanding, based on the number reported in the Issuer's Report on Form 8-K filed as of August 8, 2006.

CUSIP No. 87815X109

(1) Names of Reporting Persons.

I.R.S. Identification Nos. of Above Persons (entities only).

Martin C. Bicknell

(2) Check the appropriate box if a member of a Group (See Instructions)

(a) Y
(b)

(3) SEC Use Only

(4) Source of Funds (See Instructions)

PF

(5) Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e)

(6) Citizenship or Place of Organization

United States.

Number of Shares Beneficially Owned by Each Reporting Person With	(7)	Sole Voting Power	0
	(8)	Shared Voting Power	185,809.05
	(9)	Sole Dispositive Power	0
	(10)	Shared Dispositive Power	185,809.05

(11) Aggregate Amount Beneficially Owned by Each Reporting Person

185,809.05

(12) Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) x

(13) Percent of Class Represented by Amount in Row (11) 5.2%*

(14) Type of Reporting Person (See Instructions)

IN

* Assumed a total of 3,591,084 shares outstanding, based on the number reported in the Issuer's Report on Form 8-K filed as of August 8, 2006.

CUSIP No. 87815X109

(1) Names of Reporting Persons.

I.R.S. Identification Nos. of Above Persons (entities only).

Cherona Bicknell

(2) Check the appropriate box if a member of a Group (See Instructions)

(a) Y
(b)

(3) SEC Use Only

(4) Source of Funds (See Instructions)

PF

(5) Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e)

(6) Citizenship or Place of Organization

United States.

Number of Shares Beneficially	(7)	Sole Voting Power	0
Owned by Each Reporting	(8)	Shared Voting Power	3,016.21
Person With	(9)	Sole Dispositive Power	0
	(10)	Shared Dispositive Power	3,016.21

(11) Aggregate Amount Beneficially Owned by Each Reporting Person

3,016.21

(12) Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) o

(13) Percent of Class Represented by Amount in Row (11) 0.1%*

(14) Type of Reporting Person (See Instructions)

IN

* Assumed a total of 3,591,084 shares outstanding, based on the number reported in the Issuer's Report on Form 8-K filed as of August 8, 2006.

Explanatory Note

Item 1. Security and Issuer.

The name of the issuer is Team Financial, Inc., a Kansas corporation (the "Issuer"). The address of the Issuer's offices is 8 West Peoria, Suite 200, Paola, Kansas, 66071. This Schedule 13D relates to the Issuer's Common Stock, no par value (the "Common Stock").

Item 2. Identity and Background.

(a) (c), (f). This statement is filed by O. Gene Bicknell, Mariner Wealth Advisors, LLC, Martin C. Bicknell and Cherona Bicknell (the Reporting Persons).

The business address of each of the Reporting Persons is c/o Mariner Wealth Advisors, LLC, 7400 College Boulevard, Suite 205, Overland Park, Kansas 66210.

Mariner Wealth Advisors, LLC is a registered investment advisor and consequently may be deemed to have voting control and investment discretion with respect to securities owned by Mariner Wealth Advisor clients.

Martin C. Bicknell is the manager of Mariner Wealth Advisors and consequently may be deemed to have voting control and investment discretion with respect to securities owned by Mariner Wealth Advisor clients. Martin C. Bicknell is also the son of O. Gene Bicknell and the husband of Cherona Bicknell.

O. Gene Bicknell is an entrepreneur and investor and is also the father of Martin C. Bicknell.

Cherona Bicknell is an investor and is also the wife of Martin C. Bicknell.

(d) (e). Each Reporting Person states that the Reporting Person has not, during the last five years, (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) and (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws of finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration

Each Reporting Person states that it acquired the securities owned by it with its own funds and that, to its knowledge, each of the other Reporting Persons acquired the securities owned by such other Reporting Person with its own funds. The aggregate amount paid for shares of Common Stock reported in this Schedule 13D is approximately $2,737,160.40**.**

Item 4. Purpose of Transaction

The Reporting Persons are investors. From time to time, one or more of the Reporting Persons may hold discussions with third parties or with management of the Issuer in which the Reporting Persons may suggest or take a position with respect to potential changes in the operations, management or capital structure of the Issuer as a means of enhancing shareholder value. Such suggestions or positions may relate to one or more of the transactions specified in clauses (a) through (j) of Item 4 of Schedule 13D of the Exchange Act, including, without limitation, such matters as

disposing of or selling all or a portion of the Issuer or acquiring another company or business, changing operating or marketing strategies, adopting or not adopting certain types of anti-takeover measures and restructuring the Issuer's capitalization or dividend policy. None of the Reporting Persons have held any discussions with the Issuer s management as of the date of this Schedule 13D.

Except as set forth above, the Reporting Persons do not have any present plans or proposals that relate to or would result in any of the actions required to be described in Item 4 of Schedule 13D. Each of the Reporting Persons may, at any time, review or reconsider its position with respect to the Issuer and formulate plans or proposals with respect to any of such matters, but has no present intention of doing so.

Item 5. Interest in Securities of the Issuer.

(a) (b) In the aggregate, the reporting persons beneficially own 185,809.05 shares of the Issuer's Common Stock, representing 5.2% of its outstanding shares as calculated pursuant to Rule 13d-3. Set forth below is specified information with respect to shares of the Issuer beneficially owned by each of the Reporting Persons as of the date hereof.

O. Gene Bicknell may be deemed to be the beneficial owner of 182,792.84 shares of Common Stock, which represents approximately 5.1% of the outstanding shares of Common Stock. O. Gene Bicknell shares voting power and dispositive power with Mariner Wealth Advisors, LLC and Martin C. Bicknell.

Cherona Bicknell may be deemed to be the beneficial owner of 3,016.21 shares of Common Stock, which represents approximately 0.1% of the outstanding shares of Common Stock. Cherona Bicknell shares voting power and dispositive power with Mariner Wealth Advisors, LLC and Martin C. Bicknell.

Mariner Wealth Advisors, LLC, as a registered investment advisor with dispositive power and certain voting power with respect to the shares of Common Stock held in managed accounts for O. Gene Bicknell and Cherona Bicknell, may be deemed to beneficially own the 185,809.05 shares of Common Stock beneficially owned by O. Gene Bicknell and Cherona Bicknell, which represents approximately 5.2% of the outstanding shares of Common Stock.

Martin C. Bicknell, as manager of Mariner Wealth Advisors, LLC, may be deemed to be a beneficial owner of any shares of Common Stock of which Mariner Wealth Advisors, LLC is a beneficial owner. Martin C. Bicknell is also the joint tenant with Cherona Bicknell of the shares of Common Stock held by her. Accordingly, Martin C. Bicknell may be deemed to beneficially own the 185,809.05 shares of Common Stock beneficially owned by O. Gene Bicknell and Cherona Bicknell, which represents approximately 5.2% of the outstanding shares of Common Stock. In addition, Martin C. Bicknell is the son of O. Gene Bicknell and the husband of Cherona Bicknell.

The foregoing is not an admission by Mariner Wealth Advisors, LLC or Martin C. Bicknell as to the beneficial ownership of the shares of Common Stock beneficially owned by O. Gene Bicknell and Cherona Bicknell. In addition to the shares of Common Stock disclosed in this Schedule 13D, Mariner Wealth Advisors, LLC clients own approximately 20,000 additional shares of Common Stock, but Mariner Wealth Advisors and Martin C. Bicknell disclaim beneficial ownership of such shares.

All percentage calculations contained in this Schedule 13D are based on an assumed total of 3,591,084 shares of Common Stock outstanding, based on the number reported in the Issuer's Report on Form 8-K filed as of August 8, 2006.

(c) Schedule A annexed hereto lists all transactions in the Common Stock during the past 60 days by the Reporting Persons, all of which were effected in the open market.

(d) Not applicable
(e) Not applicable

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

There are no contracts, arrangements, understandings or relationships known to any of the Reporting Persons or between the Reporting Persons and any other person with respect to any securities of the Issuer.

Item 7. Material to be filed as Exhibits.

99.1 Joint Filing Agreement and Power of Attorney

SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

/s/ O. Gene Bicknell
O. Gene Bicknell

Dated: August 21, 2006

/s/ Martin C. Bicknell
Martin C. Bicknell

Dated: August 21, 2006

/s/ O. Cherona Bicknell
Cherona Bicknell

Dated: August 21, 2006

MARINER WEALTH ADVISORS, LLC

By: /s/ Martin C. Bicknell

The fair values of fixed assets evaluated for impairment were calculated using Level 3 inputs using discounted cash flows, which are based on internal budgets and forecasts through the end of each respective lease. The most significant assumptions in those budgets and forecasts relate to estimated membership and ancillary revenue, attrition rates, and capital expenditures, which are estimated at approximately 3% of total revenues.

9. Goodwill and Other Intangibles

Goodwill has been allocated to reporting units that closely reflect the regions served by our four trade names: New York Sports Clubs (NYSC), Boston Sports Clubs (BSC), Washington Sports Clubs (WSC) and Philadelphia Sports Clubs (PSC), with certain more remote clubs that do not benefit from a regional cluster being considered single reporting units (Outlier Clubs) and our three clubs located in Switzerland being considered a single reporting unit (SSC). The Company has one Outlier Club with goodwill. As of September 30, 2011, the BSC, WSC and PSC regions do not have goodwill balances.

As of February 28, 2011 and 2010, the Company performed its annual impairment test. The February 28, 2011 and 2010 impairment tests supported the recorded goodwill balances and as such no impairment of goodwill was required. The valuation of reporting units requires assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows and discount rates.

The Company s next annual impairment test will be performed as of February 29, 2012 or earlier, if any such change constitutes a triggering event outside the quarter when the annual goodwill impairment test is performed. It is not possible at this time to determine if any such future impairment charge would result. There were no triggering events in the three months ended September 30, 2011. As of February 28, 2011, the estimated fair value of NYSC was 49% greater than book value and the estimated fair value of SSC was 79% greater than book value.

The changes in the carrying amount of goodwill from January 1, 2010 through September 30, 2011 are detailed in the charts below.

	NYSC	BSC	SSC	Outlier Clubs	Total
Balance as of January 1, 2010					
Goodwill	$ 31,403	$ 15,766	$ 1,096	$ 3,982	$ 52,247
Accumulated impairment of goodwill		(15,766)		(3,845)	(19,611)
	31,403		1,096	137	32,636
Changes due to foreign currency exchange rate fluctuations			158		158
Balance as of December 31, 2010					

Goodwill	31,403	15,766	1,254	3,982	52,405
Accumulated impairment of goodwill		(15,766)		(3,845)	(19,611)
	31,403		1,254	137	32,794
Changes due to foreign currency exchange rate fluctuations			46		46
Balance as of September 30, 2011					
Goodwill	31,403	15,766	1,300	3,982	52,451
Accumulated impairment of goodwill		(15,766)		(3,845)	(19,611)
	$ 31,403	$	$ 1,300	$ 137	$ 32,840

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Intangible assets as of September 30, 2011 and December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
Covenants-not-to-compete	$ 1,508	$ 1,508
Accumulated amortization	(1,508)	(1,464)
	$	$ 44

10. Income Taxes

The Company determined its income tax provision for the nine months ended September 30, 2011 by estimating its 2011 effective annual tax rate. This is a change from how the Company determined its income tax provision/(benefit) in each of the quarterly reporting periods in 2010. In each of the quarterly reporting periods in 2010, the Company could not reliably estimate its 2010 effective annual tax rate because small changes in annual estimated income before provision for corporate income taxes (pre-tax results) could have had a significant impact on our annual estimated effective tax rate. Accordingly, in 2010 the Company calculated its effective tax rate based on pre-tax results through the nine months ended September 30, 2010. The 2010 annual effective tax rate as of the year ended December 31, 2010 was (33)%.

The Company recorded a provision for corporate income taxes of $1,795 for the nine months ended September 30, 2011 compared to a benefit of $3,146 for the nine months ended September 30, 2010. The Company s effective tax rate was 37% in the nine months ended September 30, 2011 compared to (67)% in the nine months ended September 30, 2010. The Company s provision includes a discrete benefit of $2,096 for the $4,865 loss on extinguishment of debt and $571 of discrete charges in the nine months ended September 30, 2011 that primarily relate to the adjustment of estimated jurisdictional tax rates in effect in 2011. The expected benefits from the Company s Captive Insurance arrangement adjusted the Company s effective tax rate on the Company s pre-tax income in the nine months ended September 30, 2011 from 53% to 37% and changed the Company s effective tax rate on the pre-tax loss for the nine months ended September 30, 2010 from (44)% to (67)%.

As of September 30, 2011, $750 represents the amount of unrecognized tax benefits that, if recognized, would affect the Company s effective tax rate in 2011. This amount could be realized by the Company since the income tax returns may no longer be subject to audit during 2011.

The Company recognizes both interest accrued related to unrecognized tax benefits and penalties in income tax expense, if deemed applicable. As of September 30, 2011, the amount accrued for interest was $236.

The Company files Federal income tax returns, a foreign jurisdiction return, and multiple state and local jurisdiction tax returns. The Internal Revenue Service (IRS) examined the Company s 2005, 2006, 2007, 2008 and 2009 Federal income tax returns and concluded those audits with no findings.

The Company is no longer subject to examinations of its Federal income tax returns by the IRS for 2009 and prior years. The following state and local jurisdictions are currently examining the Company s respective returns for the years indicated: New York State (2006, 2007), New York City (2006, 2007, 2008), and Connecticut (2007, 2008). The Company has not been notified of any findings regarding any of these examinations.

As of September 30, 2011, the Company has net deferred tax assets of $39,086. Quarterly, the Company assesses the weight of all available positive and negative evidence to determine whether the net deferred tax asset is realizable. In 2010, the Company incurred a slight loss, but returned to profitability in 2011. The Company has historically been a taxpayer and expects that it will be in a three year cumulative income position, excluding non-recurring items, as of December 31, 2011. In addition, the Company, based on recent trends, projects improved performance and future income sufficient to realize the deferred tax assets during the periods when the temporary tax deductible differences reverse. The Company has Federal and state net operating loss (NOL) carry-forwards which the Company believes will be realized within the available carry-forward period, except for a small operating loss carry-forward in Rhode Island due to the short carry-forward period in that state. Accordingly, the Company concluded that it is more likely than not that the deferred tax assets will be realized. If actual results do not meet the Company s forecasts and the Company incurs lower than expected income or losses in 2011 or beyond, then a valuation allowance against the deferred tax assets may be required in the future. In addition, with exception of the deductions related to the Company s captive insurance for state taxes, state taxable income has been and is projected to be the same as Federal. Since the Company expects the captive insurance company to be discontinued in 2012, the assessment of the realizability of the state deferred tax assets is consistent with the Federal tax analysis above. The state net deferred tax asset balance as of September 30, 2011 is $20,618.

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In connection with the redemption of the Senior Discount Notes in May 2011, the Company will realize a $63,063 accreted interest deduction on its 2011 Federal tax return. The Company believes that this benefit, in conjunction with the additional 100% bonus depreciation deduction available in 2011 and 2012 and the existing NOL carry-forward from 2010, will result in no cash taxes paid to the Federal government until 2013.

11. Contingencies

On or about March 1, 2005, in an action styled *Sarah Cruz, et al v. Town Sports International, d/b/a New York Sports Club* , plaintiffs commenced a purported class action against TSI, LLC in the Supreme Court, New York County, seeking unpaid wages and alleging that TSI, LLC violated various overtime provisions of the New York State Labor Law with respect to the payment of wages to certain trainers and assistant fitness managers. On or about June 18, 2007, the same plaintiffs commenced a second purported class action against TSI, LLC in the Supreme Court of the State of New York, New York County, seeking unpaid wages and alleging that TSI, LLC violated various wage payment and overtime provisions of the New York State Labor Law with respect to the payment of wages to all New York purported hourly employees. On September 17, 2010, TSI, LLC made motions to dismiss the class action allegations of both lawsuits for plaintiffs failure to timely file motions to certify the class actions. Oral argument on the motions occurred on November 10, 2010. A decision is still pending. While it is not possible to estimate the likelihood of an unfavorable outcome or a range of loss in the case of an unfavorable outcome to TSI, LLC at this time, the Company intends to contest these cases vigorously. Depending upon the ultimate outcome, these matters may have a material adverse effect on TSI, LLC s and the Company s consolidated results of operations, or cash flows.

On September 22, 2009, in an action styled *Town Sports International, LLC v. Ajilon Solutions* , a division of Ajilon Professional Staffing LLC (Supreme Court of the State of New York, New York County, 602911-09), TSI, LLC brought an action in the Supreme Court of the State of New York, New York County, against Ajilon for breach of contract, conversion and replevin, seeking, among other things, money damages against Ajilon for breaching its agreement to design and deliver to TSI, LLC a new sports club enterprise management system known as GIMS, including failing to provide copies of the computer source code written for GIMS, related documentation, properly identified requirements documents and other property owned and licensed by TSI, LLC. Subsequently, on October 14, 2009, Ajilon brought a counterclaim against TSI, LLC alleging breach of contract, alleging, among other things, failure to pay outstanding invoices in the amount of $2,900. On March 3, 2011, Ajilon amended its counterclaims to include additional claims for breach of contract and for unjust enrichment, including claims for unspecified additional damages for work allegedly performed by one of its subcontractors. On March 7, 2011, TSI amended its complaint against Ajilon to add new allegations and claims for fraudulent inducement, negligent misrepresentation, fraud, and breach of the implied covenant of good faith and fair dealing (the additional claims). On March 28, 2011, Ajilon moved to dismiss the additional claims; TSI prepared its opposition and the motion is still pending. Other than the pending dismissal motion, the litigation is

currently in the discovery phase. We believe at this time the likelihood of an unfavorable outcome is not probable. TSI, LLC intends to prosecute vigorously its claims against Ajilon and defend against Ajilon s counterclaims.

On February 7, 2007, in an action styled *White Plains Plaza Realty, LLC v. TSI, LLC et al* ., the landlord of one of TSI, LLC s former health and fitness clubs filed a lawsuit in state court against it and two of its health club subsidiaries alleging, among other things, breach of lease in connection with the decision to close the club located in a building owned by the plaintiff and leased to a subsidiary of TSI, LLC, and take additional space in the nearby facility leased by another subsidiary of TSI, LLC. The trial court granted the landlord damages against its tenant in the amount of approximately $700 including interest and costs (Initial Award). TSI, LLC was held to be jointly liable with the tenant for the amount of approximately $488, under a limited guarantee of the tenant s lease obligations. The landlord subsequently appealed the trial court s award of damages, and on December 21, 2010, the appellate court reversed, in part, the trial court s decision and ordered the case remanded to the trial court for an assessment of additional damages, of approximately $750 plus interest and costs (the Additional Award). On February 7, 2011, the landlord moved for re-argument of the appellate court s decision, seeking additional damages plus attorneys fees. On April 8, 2011, the appellate court denied the landlord s motion. On August 29, 2011, the Additional Award (amounting to approximately $900), was entered against the tenant. TSI, LLC does not believe it is probable that TSI, LLC or any of its subsidiaries will be held liable to pay for any amount of the Additional Award. Separately, TSI, LLC is party to an agreement with a third-party developer, which by its terms provides indemnification for the full amount of any liability of any nature arising out of the lease described above, including attorneys fees incurred to enforce the indemnity. In connection with the Initial Award (and in furtherance of the indemnification agreement), TSI, LLC and the developer have entered into an agreement pursuant to which the developer has agreed to pay the amount of the Initial Award in installments over time. The indemnification agreement also covers the Additional Award. The developer to date has not paid the amount of the Additional Award to the landlord, and the landlord has commenced a special proceeding in the Supreme Court of the State of New York, Westchester County, to collect the additional award directly from the developer.

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In addition to the litigation discussed above, we are involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business, including personal injury and employee relations claims. The results of litigation are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. The results of these other lawsuits, claims and proceedings cannot be predicted with certainty.

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Item 2. ***Management s Discussion and Analysis of Financial Condition & Results of Operations***

Introduction

In this Form 10-Q, unless otherwise stated or the context otherwise indicates, references to TSI Holdings, Town Sports, TSI, the Company, we, our and similar references refer to Town Sports International Holdings, Inc. and its subsidiaries, and references to TSI, LLC refer to Town Sports International, LLC, our wholly-owned operating subsidiary.

Based on the number of clubs, we are one of the leading owners and operators of fitness clubs in the Northeast and Mid-Atlantic regions of the United States and one of the largest fitness club owners and operators in the United States. As of September 30, 2011, the Company, through its subsidiaries, operated 158 fitness clubs. These clubs collectively served approximately 522,000 members, including 39,000 members under our new restricted student and teacher memberships as of September 30, 2011. We are the largest fitness club owner and operator in Manhattan with 37 locations (more than twice as many as our nearest competitor) and owned and operated a total of 106 clubs under the New York Sports Clubs brand name within a 120-mile radius of New York City as of September 30, 2011. We owned and operated 25 clubs in the Boston region under our Boston Sports Clubs brand name, 18 clubs (two of which are partly-owned) in the Washington, D.C. region under our Washington Sports Clubs brand name and six clubs in the Philadelphia region under our Philadelphia Sports Clubs brand name as of September 30, 2011. In addition, we owned and operated three clubs in Switzerland as of September 30, 2011. We employ localized brand names for our clubs to create an image and atmosphere consistent with the local community and to foster recognition as a local network of quality fitness clubs rather than a national chain.

We develop clusters of clubs to serve densely populated major metropolitan regions and we service such populations by clustering clubs near the highest concentrations of our target customers areas of both employment and residence. Our clubs are located for maximum convenience to our members in urban or suburban areas, close to transportation hubs or office or retail centers. The majority of our members is between the ages of 21 and 60 and has an annual income of between $50,000 and $150,000. We believe that this mid-value segment of the market is the broadest segment. Our goal is to be the most recognized health club network in each of the four major metropolitan regions that we serve. We believe that our strategy of clustering clubs provides significant benefits to our members and allows us to achieve strategic operating advantages. In each of our markets, we have developed clusters by initially opening or acquiring clubs located in the more central urban markets of the region and then branching out from these urban centers to suburbs and neighboring communities.

Revenue and operating expenses

We have two principal sources of revenue:

Membership revenue: Our largest sources of revenue are dues and joining fees paid by our members. These dues and fees comprised 78.7% of our total revenue for the nine months ended September 30, 2011. We recognize revenue from membership dues in the month when the

services are rendered. Approximately 97% of our members pay their monthly dues by Electronic Funds Transfer, or EFT, while the balance is paid annually in advance. We recognize revenue from joining fees over the expected average life of the membership.

Ancillary club revenue: For the nine months ended September 30, 2011, we generated 13.5% of our revenue from personal training and 6.8% of our revenue from other ancillary programs and services consisting of programming for children, group fitness training and other member activities, as well as sales of miscellaneous sports products.

We also receive revenue (approximately 1.0% of our total revenue for the nine months ended September 30, 2011) from the rental of space in our facilities to operators who offer wellness-related offerings, such as physical therapy and juice bars. In addition, we sell in-club advertising and sponsorships and generate management fees from certain club facilities that we do not wholly own. We refer to this revenue as Fees and Other revenue.

Our financial performance is dependent on our ability to continually attract and retain members at our clubs. We experience attrition at our clubs and must attract new members to maintain our membership and revenue levels. In the three months ended September 30, 2011, our monthly average attrition rate was 3.7% compared to 3.8% in the three months ended September 30, 2010.

Our operating and selling expenses are comprised of both fixed and variable costs. Fixed costs include club and supervisory and other salary and related expenses, occupancy costs, including most elements of rent, utilities, housekeeping and contracted maintenance expenses, as well as depreciation. Variable costs are primarily related to payroll associated with ancillary club revenue, membership sales compensation, advertising, certain facility maintenance, and club supplies.

General and administrative expenses include costs relating to our centralized support functions, such as accounting, insurance, information and communication systems, purchasing, member relations, legal and consulting fees and real estate development expenses. Payroll and related expenses are included in a separate line item on the condensed consolidated statement of operations and are not included in general and administrative expenses.

As clubs mature and increase their membership base, fixed costs are typically spread over an increasing revenue base and operating margins tend to improve. Conversely, when our membership base declines, our operating margins are negatively impacted. As of September 30, 2011, all of our clubs have been open over 24 months. Increases in our membership base have increased our operating margins in 2011 compared to 2010.

As of September 30, 2011, 156 of the existing fitness clubs were wholly-owned by us and our condensed consolidated financial statements include the operating results of all such clubs. Two clubs in Washington, D.C. were partly-owned and operated by us, with our profit sharing percentages approximating 20% (after priority distributions) and 45%, respectively, and are treated as unconsolidated affiliates for which we apply the equity method of accounting. In addition, we provide management services at four fitness clubs located in colleges and universities in which we have no equity interest.

Restricted Memberships

As part of our efforts to drive member sales, in April 2010 we began offering a new, favorably-priced, restricted-use month-to-month membership available to students. We also began offering restricted memberships to teachers and first responders in April 2011 and September 2011, respectively. Usage fees of $7.50 to $10.00 per visit are applied if a restricted member uses a club during peak hours. In years prior to 2010, we offered a three-month summer membership targeted at students generally priced at $199.00 for the entire summer. The new membership is a month-to-month membership with dues ranging from $20.00 to $29.00 per month with $138.00 in joining fees at the time of enrollment. As of September 30, 2011, we had approximately 39,000 restricted members.

Rate Lock Guarantee / Annual Maintenance Fee

In May 2011, we implemented a combined rate lock guarantee and maintenance fee of $29.00 for all new memberships going forward. This annual fee will be collected in January 2012 for all members joining after May 2011, and will support average monthly dues revenue per member in 2012 and beyond.

Historical Club Count

The following table sets forth the changes in our club count during each of the quarters in 2010, the full-year 2010 and the first, second and third quarters of 2011.

	2010					2011		
	Q1	**Q2**	**Q3**	**Q4**	**Full-Year**	**Q1**	**Q2**	**Q3**
Wholly owned clubs operated at beginning of	159	159	159	158	159	158	157	156

period								
Clubs closed, relocated or merged			(1)			(1)	(1)	(1)	
Wholly owned clubs at end of period	159	159	158	158	158	157	156	156
Total clubs operated at end of period (1)	161	161	160	160	160	159	158	158

(1) Includes wholly-owned and partly-owned clubs. In addition to the above, during all periods presented, we managed four university fitness clubs in which we did not have an equity interest.

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Comparable Club Revenue

We define comparable club revenue as revenue at those clubs that were operated by us for over 12 months. We also define comparable club revenue increases and decreases as revenue for the 13th month and thereafter as applicable as compared to the same period of the prior year.

Key determinants of the comparable club revenue increases (decreases) shown in the table below are new memberships, member retention rates, pricing and ancillary revenue.

2010	
Three months ended March 31, 2010	(6.0)%
Three months ended June 30, 2010	(4.2)%
Three months ended September 30, 2010	(5.0)%
Three months ended December 31, 2010	(1.7)%
2011	
Three months ended March 31, 2011	(0.5)%
Three months ended June 30, 2011	1.5%
Three months ended September 30, 2011	3.0%

As shown above, comparable club revenue decreases lessened throughout the year ended December 31, 2010 and in the first quarter of 2011 and began to increase in the second and third quarters of 2011. We expect continued modest improvements in comparable club revenue in the remainder of the year ending December 31, 2011.

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Results of Operations

The following table sets forth certain operating data as a percentage of revenue for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Payroll and related	37.3	39.3	38.1	40.6
Club operating	39.1	39.3	37.9	37.8
General and administrative	5.3	6.2	5.6	6.4
Depreciation and amortization	10.9	11.6	11.0	11.5
Impairment of fixed assets				1.0
	92.6	96.4	92.6	97.3
Operating income	7.4	3.6	7.4	2.7
Loss on extinguishment of debt			1.3	
Interest expense	5.2	4.7	5.2	4.5
Interest income				
Equity in the earnings of investees and rental income	(0.5)	(0.4)	(0.5)	(0.4)
Income (loss) before provision for corporate income taxes	2.7	(0.7)	1.4	(1.4)
Provision (benefit) for corporate income taxes	1.0	(0.6)	0.5	(0.9)
Net income (loss)	1.7%	(0.1)%	0.9%	(0.5)%

Revenue (in thousands) was comprised of the following for the periods indicated:

	Three Months Ended September 30,				
	2011		2010		
	Revenue	% Revenue	Revenue	% Revenue	% Variance
Membership dues	$ 89,816	77.3%	$ 89,075	78.8%	0.8%
Joining fees	1,602	1.4%	1,239	1.0%	29.3%
Membership revenue	91,418	78.7%	90,314	79.8%	1.2%

Personal training revenue	14,852	12.8%	13,837	12.2%	7.3%
Other ancillary club revenue	8,612	7.4%	7,819	7.0%	10.1%
Ancillary club revenue	23,464	20.2%	21,656	19.2%	8.3%
Fees and other revenue	1,256	1.1%	1,157	1.0%	8.6%
Total revenue	$ 116,138	100.0%	$ 113,127	100.0%	2.7%

Revenue increased 2.7% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010.

Joining fees increased in the three months ended September 30, 2011 as we have started to recognize revenue from increased amounts collected that we initially deferred over the estimated average membership life. Beginning in the second quarter of 2010, we began to collect an increased amount of joining fees as compared with the previous two years, however because we recognize these fees into revenue over the estimated average membership life, we were not seeing these increases in revenue. As the 2009 and first quarter of 2010 months are no longer included in the calculation of the recognizing of these fees, we expect we will continue to see increases in Joining fees revenue.

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Personal training revenue increased 7.3% primarily due to increased member interest resulting from improved products and additional marketing.

Other ancillary club revenue improved 10.1% in the three months ended September 30, 2011 compared to the same period in the prior year due to management focus and increased interest in our small group training programs.

Comparable club revenue increased 3.0% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010. Increases in membership levels accounted for 3.8% and increases in ancillary club revenue accounted for 1.9%. These increases were offset by decreases in the pricing of club memberships of 2.7%.

Operating expenses (in thousands) were comprised of the following for the periods indicated:

	Three Months Ended September 30,		%
	2011	**2010**	**Variance**
Payroll and related	$ 43,286	$ 44,409	(2.5)%
Club operating	45,496	44,451	2.4%
General and administrative	6,139	7,049	(12.9)%
Depreciation and amortization	12,642	13,151	(3.9)%
Operating expenses	$ 107,563	$ 109,060	(1.4)%

Operating expenses for the three months ended September 30, 2011 were impacted by a 1.3% decrease in the total months of club operations from 474 to 468, the effects of which are included in the additional descriptions of changes in operating expenses below.

Payroll and related. This change was primarily impacted by the following:

Payroll related to club staffing decreased $1.8 million from staffing efficiencies realized in the three months ended September 30, 2011 compared to the same period in 2010.

Offsetting this decrease was a $1.2 million increase in payroll costs directly related to our personal training, group fitness training, and programming for children due to an increase in demand for these programs.

As a percentage of total revenue, payroll and related expenses decreased to 37.3% in the three months ended September 30, 2011 from 39.3% in the three months ended September 30, 2010.

Club operating. This change was primarily impacted by the following:

Occupancy-related expenses increased $896,000.

Laundry and towel-related expenses increased $268,000.

Utilities expense decreased $557,000.

As a percentage of total revenue, club operating expenses decreased slightly to 39.1% in the three months ended September 30, 2011 from 39.3% in three months ended September 30, 2010.

General and administrative. This change was impacted primarily by the following:

General liability insurance expense decreased $497,000.

Consulting and legal expenses decreased $439,000.

As a percentage of total revenue, general and administrative expenses decreased to 5.3% in the three months ended September 30, 2011 from 6.2% in three months ended September 30, 2010.

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Depreciation and amortization. In the three months ended September 30, 2011 compared to the three months ended September 30, 2010, depreciation and amortization decreased due to the closing of two clubs subsequent to September 30, 2010. In addition, in the year ended December 31, 2010, we recorded fixed asset impairment charges, decreasing the balance of fixed assets to be depreciated in the three months ended September 30, 2011.

As a percentage of total revenue, depreciation and amortization expenses decreased to 10.9% in the three months ended September 30, 2011 from 11.6% in the three months ended September 30, 2010.

Interest expense

In the three months ended September 30, 2011 compared to the three months ended September 30, 2010, interest expense increased due to refinancing of our debt outstanding on May 11, 2011. Interest expense related to the 2011 Term Loan Facility increased approximately $700,000 in the three months ended September 30, 2011 when compared to interest expense related to the Senior Discount Notes and 2007 Term Loan Facility in the three months ended September 30, 2010 due to the higher weighted average interest rate on the 2011 Term Loan Facility.

Provision (Benefit) for Corporate Income Taxes

We determined our income tax provision for the three months ended September 30, 2011 by estimating the 2011 effective annual tax rate. This is a change from how we determined its income tax provision (benefit) in each of the quarterly reporting periods in 2010. In each of the quarterly reporting periods, we could not reliably estimate its 2010 effective annual tax rate because small changes in annual estimated income before provision for corporate income taxes (pre-tax results) could have had a significant impact on our annual estimated effective tax rate. Accordingly, in 2010, we calculated our effective tax rate based on pre-tax results in the nine months ended September 30, 2010.

We recorded a provision for corporate income taxes of $1.2 million for the three months ended September 30, 2011 compared to a benefit of $680,000 for the three months ended September 30, 2010. Our effective tax rate was 37% in the nine months ended September 30, 2011 compared to (67)% in the nine months ended September 30, 2010. The expected benefits from our captive insurance arrangement changed our effective tax rate on our pre-tax income in the three months ended September 30, 2011 from 43% to 38% and changed our effective tax rate on the pre-tax loss for the three months ended September 30, 2010 from (44)% to (97)%. We expect the captive insurance company to be discontinued in 2012. In 2012, we expect that our effective tax rate will approximate 40% to 43%.

Revenue (in thousands) was comprised of the following for the periods indicated:

	Nine Months Ended September 30,				
	2011		**2010**		
	Revenue	**% Revenue**	**Revenue**	**% Revenue**	**% Variance**
Membership dues	$ 271,824	77.4%	$ 273,871	78.6%	(0.7)%

Joining fees	4,583	1.3%	5,695	1.7%	(19.5)%
Membership revenue	276,407	78.7%	279,566	80.3%	(1.1)%
Personal training revenue	47,252	13.5%	44,218	12.7%	6.9%
Other ancillary club revenue	24,000	6.8%	20,953	6.0%	14.5%
Ancillary club revenue	71,252	20.3%	65,171	18.7%	9.3%
Fees and other revenue	3,469	1.0%	3,585	1.0%	(3.2)%
Total revenue	$ 351,128	100.0%	$ 348,322	100.0%	0.8%

Revenue increased 0.8% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

Personal training revenue increased 6.9% primarily due to increased member interest resulting from improved products and additional marketing.

Other ancillary club revenue improved 14.5% in the nine months ended September 30, 2011 compared to the same period in the prior year due to focused attention and increased interest in our small group training programs.

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Joining fees collected in the nine months ended September 30, 2011 were $10.3 million compared to $6.2 million in the same period in 2010. However, since joining fees revenue are recognized over estimated average member life, joining fee revenue decreased due to the decline in joining fees collected in 2009 and 2010 relative to fees collected in prior periods. As the 2009 and 2010 months are no longer included in the calculation, joining fees revenue is expected to increase.

Comparable club revenue increased 1.3% for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. Of this 1.3% increase, 2.5% was due to an increase in membership and 1.5% was due to an increase in ancillary club revenue, initiation fees and other revenue. These increases were partly offset by a 2.7% decrease in pricing of memberships.

Operating expenses (in thousands) were comprised of the following for the periods indicated:

	Nine Months Ended September 30,		
	2011	**2010**	**% Variance**
Payroll and related	$ 133,639	$ 141,525	(5.6)%
Club operating	132,983	131,723	1.0%
General and administrative	19,655	22,280	(11.8)%
Depreciation and amortization	38,829	40,212	(3.4)%
Impairment of fixed assets		3,254	(100.0)%
Operating expenses	$ 325,106	$ 338,994	(4.1)%

Operating expenses for the nine months ended September 30, 2011 were impacted by a 1.2% decrease in the total months of club operation from 1,428 to 1,411, the effects of which are included in the additional descriptions of changes in operating expenses below.

Payroll and related. This change was primarily impacted by the following:

Payroll related to our membership consultants decreased $3.1 million. The amount of membership consultant commissions deferred over the prior two years had been declining with our decline in joining fees collected. We limit the amount of payroll costs that we defer to the amount of joining fees collected. This resulted in a decrease in membership consultant commissions, expensed in the nine months ended September 30, 2011, relating to deferrals established in prior periods. In the second quarter of 2010, we began increasing joining fees collected and we are now starting to see the effects of this increase in payroll expense. In this third quarter of 2011, we began to see a shift in the effect of the increased joining fees on payroll expense to an increase in membership consultant payroll and in the fourth quarter of 2011 and into 2012, we expect to continue to see a shift to an increase. Also contributing to this decrease was an increase in the amount of payroll costs deferred in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 with the increase in joining

fees collected.

Payroll related to club staffing, excluding membership consultants, decreased $4.7 million from staffing efficiencies realized in the nine months ended September 30, 2011 to the same period in 2010.

Payroll related to severance decreased $1.0 million related to employee reductions in the nine months ended September 30, 2010.

As a percentage of total revenue, payroll and related expenses decreased to 38.1% in the nine months ended September 30, 2011 from 40.6% in the nine months ended September 30, 2010.

Club operating. This change was primarily impacted by the following:

Occupancy-related expenses increased $2.6 million.

Utilities decreased $1.1 million.

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Advertising expenses decreased $828,000 in the nine months ended September 30, 2011 compared with the same period last year due to efforts to spend more productively and adjusting the focus toward media advertising beginning in the second half of 2010.

As a percentage of total revenue, club operating expenses increased slightly to 37.9% in the nine months ended September 30, 2011 from 37.8% in the nine months ended September 30, 2010.

General and administrative. The decrease in general and administrative expenses for the nine months ended September 30, 2011 when compared to the nine months ended September 30, 2010 was attributable to decreases in general liability insurance expense due to further reduction in claims activity and a related reduction of claims reserves as well as decreases in legal and related fees for various litigations. In addition, in the nine months ended September 30, 2010, we incurred costs related to a leadership conference, that was not held in 2011.

As a percentage of total revenue, general and administrative expenses decreased to 5.6% in the nine months ended September 30, 2011 from 6.4% in the nine months ended September 30, 2010.

Depreciation and amortization. In the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, depreciation and amortization decreased due to the closing of two clubs subsequent to September 30, 2010.

As a percentage of total revenue, depreciation and amortization expenses decreased to 11.0% in the nine months ended September 30, 2011 from 11.5% in nine months ended September 30, 2010.

Impairment of fixed assets. In the nine months ended September 30, 2010, we recorded fixed asset impairment charges totaling $3.3 million, representing $1.6 million of fixed assets at three underperforming clubs and $1.7 million related to the planned closure of one club prior to lease expiration date. There were no such impairment charges in the nine months ended September 30, 2011.

Loss on extinguishment of debt

For the nine months ended September 30, 2011, loss on extinguishment of debt was $4.9 million. The proceeds from the 2011 Senior Credit Facility entered into on May 11, 2011 were used to repay the remaining outstanding principal amount of the 2007 Senior Credit Facility of $164.0 million and the remaining outstanding principal amount of the Senior Discount Notes of $138.45 million. We incurred $2.5 million of call premium on the Senior Discount Notes together with the write-off of $2.4 million of net deferred financing costs related to the debt extinguishment. There were no such costs in the nine months ended September 30, 2010.

Interest expense

In the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, interest expense increased primarily due to the refinancing of our outstanding debt on May 11, 2011. Pursuant to the indenture governing the Senior Discount Notes and in connection with the retirement of these notes, we paid an additional $1.3 million of interest, representing the 30-day notification requirement. In addition, the net effect of the interest expense related to the 2011 Term Loan Facility from May 11, 2011 through September 30, 2011 and the interest expense related to the

Senior Discount Notes and 2007 Term Loan Facility from January 1, 2011 through May 10, 2011 increased approximately $1.0 million compared to the 2007 Term Loan Facility and the Senior Discount Notes in the nine months ended September 30, 2010.

Provision (Benefit) for Corporate Income Taxes

We determined our income tax provision for the nine months ended September 30, 2011 by estimating the 2011 effective annual tax rate. This is a change from how we determined our income tax provision/(benefit) in each of the quarterly reporting periods in 2010. In each of the quarterly reporting periods, we could not reliably estimate its 2010 effective annual tax rate because small changes in annual estimated income before provision for corporate income taxes (pre-tax results) could have had a significant impact on our annual estimated effective tax rate. Accordingly, in 2010 we calculated our effective tax rate based on pre-tax results in the nine months ended September 30, 2010.

We recorded a provision for corporate income taxes of $1.8 million for the nine months ended September 30, 2011 compared to a benefit of $3.1 million for the nine months ended September 30, 2010. Our effective tax rate was 37% in the nine months ended September 30, 2011 compared to (67)% in the nine months ended September 30, 2010. Our provision

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includes a discrete benefit of $2.1 million for the $4.9 million loss on extinguishment of debt and $571,000 of discrete charges that primarily relate to the adjustment of estimated jurisdictional tax rates in effect in 2011. The expected benefits from our Captive Insurance arrangement decreased our effective tax rate on our pre-tax income in the nine months ended September 30, 2011 and increased the benefit on the pre-tax loss in the nine months ended September 30, 2010.

As of September 30, 2011, we had net deferred tax assets of $39.1 million. Quarterly, we assess the weight of all available positive and negative evidence to determine whether the net deferred tax asset is realizable. In 2010, we incurred a slight loss, but returned to profitability in Q1 2011, Q2 2011 and in Q3 2011, when excluding discrete events. We have historically been a taxpayer and expect that it will be in a three year cumulative income position, excluding non-recurring items, as of December 31, 2011. In addition, we, based on recent trends, projects improved performance and future income sufficient to realize the deferred tax assets during the periods when the temporary tax deductible differences reverse. We have Federal and state net operating loss (NOL) carry-forwards which we believe will be realized within the available carry-forward period, except for a small operating loss carry-forward in Rhode Island due to the short carry-forward period in that state. Accordingly, we concluded that it is more likely than not that the deferred tax assets will be realized. If actual results do not meet our forecasts and we incur lower than expected income or losses in 2011 or beyond, then a valuation allowance against the deferred tax assets may be required in the future. In addition, with exception of the deductions related to our captive insurance for state taxes, state taxable income has been and is projected to be the same as Federal. Because we expect the captive insurance company to be discontinued in 2012, the assessment of the realizability of the state deferred tax assets is consistent with the Federal tax analysis above. We expect the captive insurance company to be discontinued in 2012. In 2012, we expect our effective tax rate to approximate 40% to 43%.

In connection with the redemption of the Senior Discount Notes in May 2011, we will realize a $63.1 million accreted interest deduction on our 2011 Federal tax return. We believe that this benefit, in conjunction with the additional 100% bonus depreciation deduction available in 2011 and 2012 and the existing NOL carry-forward from 2010, will result in no cash taxes paid to the Federal government until 2013.

Liquidity and Capital Resources

Historically, we have satisfied our liquidity needs through cash generated from operations and borrowing arrangements. Principal liquidity needs have included the acquisition and development of new clubs, debt service requirements and other capital expenditures necessary to upgrade, expand and renovate existing clubs. We believe that we can satisfy our current and longer-term debt obligations and capital expenditure requirements primarily with cash flow from operations and our borrowing arrangements for at least the next 12 months, although there can be no assurance as to such sources of liquidity and capital resources.

Operating Activities. Net cash provided by operating activities for the nine months ended September 30, 2011 increased 40.0%, or $15.2 million

compared to the nine months ended September 30, 2010. This increase was partially related to the increase in overall earnings. In the nine months ended September 30, 2011, due to the timing of payments, prepaid rent decreased $4.1 million, while in the nine months ended September 30, 2010 the cash flow effect related to prepaid rent was minimal. In addition, income tax refunds, net of cash paid for income taxes, increased $9.4 million in the nine months ended September 30, 2011, compared to the same period in 2010. Cash paid for interest increased $4.4 million, partially offsetting the cash increases.

Investing Activities. Net cash used in investing activities increased $11.7 million in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. Investing activities in both nine month periods consisted of expanding and remodeling existing clubs, and the purchase of new fitness equipment. In the nine months ended September 30, 2011, the Company also began construction on two clubs, both of which are to open in the fourth quarter of 2011. There were no future clubs under construction in the nine months ended September 30, 2010. For the year ending December 31, 2011, we estimate that we will invest $29.0 million to $32.0 million in capital expenditures, which represents an increase from $22.0 million of capital expenditures in 2010. This amount includes approximately $8.0 million related to the two club openings in the fourth quarter of 2011, approximately $15.5 million to continue to upgrade existing clubs and $3.5 million principally related to major renovations at clubs with recent lease renewals and upgrading our in-club entertainment system network. We also expect to invest $3.0 million to $3.5 million to enhance our management information and communication systems. These expenditures will be funded by cash flow provided by operations, available cash on hand and, to the extent needed, borrowings from our revolving credit facility.

Financing Activities. Net cash used in financing activities increased $30.4 million for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. In the nine months ended September 30, 2011, we made principal payments of $14.1 million on the 2007 Term Loan Facility and in the nine months ended September 30, 2010, we

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made principal payments of $1.4 million against that facility. On May 11, 2011, we refinanced our long-term debt. In accordance with the refinancing, we repaid the remaining principal amounts of the 2007 Term Loan Facility of $164.0 million and the Senior Discount Notes of $138.5 million and received $297.0 million under the 2011 Term Loan Facility, net of the original issue discount of $3.0 million. In connection with the refinancing, we paid $8.1 million in debt issuance costs. In addition, in the nine months ended September 30, 2011, we repaid $4.5 million in principal on the 2011 Term Loan Facility.

As of September 30, 2011, we had $39.0 million of cash and cash equivalents. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. Although we deposit our cash with more than one financial institution, as of September 30, 2011 approximately $19.1 million was held at one financial institution. We have not experienced any losses on cash and cash equivalent accounts to date and we do not believe that, based on the credit ratings of these financial institutions, we are exposed to any significant credit risk related to cash at this time.

As of September 30, 2011, our total consolidated debt was $292.6 million, net of an unamortized original issue discount of $2.9 million. This substantial amount of debt could have significant consequences, including the following:

- making it more difficult to satisfy our obligations;
- increasing our vulnerability to general adverse economic conditions;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions of new clubs and other general corporate requirements;
- requiring cash flow from operations for the payment of interest on our credit facility and the payment of principal pursuant to excess cash flow requirements and reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions of new clubs and general corporate requirements; and
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

These limitations and consequences may place us at a competitive disadvantage to other less-leveraged competitors.

2011 Senior Credit Facility

On May 11, 2011, TSI, LLC entered into the 2011 Senior Credit Facility. The 2011 Senior Credit Facility consists of the 2011 Term Loan Facility and the 2011 Revolving Loan Facility. The 2011 Term Loan Facility was issued at an original issue discount (OID) of 1.0%, or $3.0 million. The proceeds were used to pay off amounts outstanding under the 2007 Senior Credit Facility, to pay the redemption price for all of our outstanding Senior Discount Notes, and to pay related fees and expenses. None of the revolving facility was drawn as of the closing date, but loans under the 2011 Revolving Loan Facility may be drawn from time to time pursuant to the terms of the 2011 Senior Credit Facility. The 2011 Term Loan Facility matures on May 11, 2018, and the 2011 Revolving Loan Facility matures on May 11, 2016. The borrowings under the 2011 Senior Credit Facility are guaranteed and secured by assets and pledges of capital stock by TSI, LLC and the

wholly-owned domestic subsidiaries of TSI, LLC.

The $3.0 million OID is recorded as a contra-liability to Long-term debt on the accompanying Condensed Consolidated Balance Sheet, and is being amortized as interest expense using the effective interest method. The unamortized balance of the OID as of September 30, 2011 was $2.9 million.

As of September 30, 2011, there were no outstanding 2011 Revolving Loan Facility borrowings and outstanding letters of credit issued totaled $9.6 million. The unutilized portion of the 2011 Revolving Loan Facility as of September 30, 2011 was $40.4 million.

Borrowings under the 2011 Term Loan Facility, at TSI, LLC s option, bear interest at either the administrative agent s base rate plus 4.5% or its Eurodollar rate plus 5.5% (each as defined in the 2011 Senior Credit Facility). The Eurodollar Rate has a floor of 1.50% and the base rate a floor of 2.50% with respect to the outstanding Term Loans. As of September 30, 2011, the interest rate was 7.0%. TSI, LLC is required to pay 0.25% of principal, or $750 per quarter. However, if, as of the last day of any fiscal quarter of TSI Holdings (commencing with the fiscal quarter ended September 30, 2011), the total leverage ratio is greater than 2.75:1.00, TSI, LLC is required to pay $3.75 million, or 1.25% of principal. As of September 30, 2011, TSI, LLC had a total leverage ratio of 3.17:1.00 and TSI, LLC will be required to make a principal payment of $3.75 million on December 31, 2011. As of September 30, 2011, we have made $4.5 million in principal payments.

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The terms of the 2011 Senior Credit Facility provide for financial covenants which require TSI, LLC to maintain a total leverage ratio (as defined) of no greater than 5.00:1.00 as of September 30, 2011, with step-downs of 0.25 in each of the next two quarters arriving at an ultimate total leverage ratio requirement of 4.50:1.00 or less effective as of March 31, 2012 and thereafter; an interest expense coverage ratio of no less than 2.00:1.00; and a covenant that limits capital expenditures to $40,000 for the four quarters ending in any quarter during which the total leverage ratio is greater than 3.00:1.00 and to $50,000 for the four quarters ending in any quarter during which the ratio is less than or equal to 3.00:1.00 but greater than 2.50:1.00. This covenant does not limit capital expenditures if the ratio is less than or equal to 2.50:1.00. TSI, LLC was in compliance with these covenants as of September 30, 2011 with a total leverage ratio of 3.17:1:00 and an interest coverage ratio of 3.79:1.00.

TSI, LLC may prepay the 2011 Term Loan Facility and 2011 Revolving Loan Facility without premium or penalty in accordance with the 2011 Senior Credit Facility, except that a prepayment premium of 2.0% is payable prior to May 11, 2012 and a prepayment premium of 1.0% is payable from May 11, 2012 to May 11, 2013. Mandatory prepayments are required in certain circumstances relating to cash flow in excess of certain expenditures, asset sales, insurance recovery and incurrence of certain other debt. The 2011 Senior Credit Facility contains provisions that require excess cash flow payments, as defined, to be applied against outstanding 2011 Term Loan Facility balances. The excess cash flow is calculated as of December 31 and paid on March 31. The applicable excess cash flow repayment percentage is applied to the excess cash flow when determining the excess cash flow payment. Earnings, changes in working capital and capital expenditure levels all impact the determination of any excess cash flows. The applicable excess cash flow repayment percentage is 75% when the total leverage ratio exceeds 3.00:1.00; 50% when the total leverage ratio is greater than 2.50:1.00 but less than 3.00:1.00; 25% when the total leverage ratio is greater than 2.00:1.00 but less than 2.50:1.00 and 0% when the total leverage ratio is less than or equal to 2.00:1.00. As of September 30, 2011, the 2011 Term Loan Facility has a balance of $292.6 million, net of the unamortized OID.

Debt issuance costs related to the 2011 Senior Credit Facility were $8.1 million, of which, $7.3 million is being amortized as interest expense, and are included in Other assets in the accompanying Condensed Consolidated Balance Sheets. Unamortized loan costs of $1.6 million related to the 2007 Senior Credit Facility and the Senior Discount Notes and $777,000 of costs related to the 2011 Senior Credit Facility were written off on May 11, 2011 and are included in Loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Operations for the nine months ended September 30, 2011.

Repayment of 2007 Senior Credit Facility

Contemporaneously with entering into the 2011 Senior Credit Facility, TSI, LLC repaid the outstanding principal amount of the 2007 Term Loan Facility of $164.0 million. The 2007 Term Loan Facility was set to expire on the earlier of February 27, 2014 and August 1, 2013, if the Senior Discount Notes were still outstanding. There were no outstanding amounts under the

2007 Revolving Loan Facility as of this date. The 2007 Term Loan Facility was redeemed for face value plus accrued and unpaid interest of $447,000 and fees related to the letters of credit of $27,000. The total cash paid in connection with the redemption was $164.5 million as of May 11, 2011 with no early repayment penalty. We determined that the 2011 Senior Credit Facility was not substantially different than the 2007 Senior Credit facility for certain lenders based on the less than 10% difference in cash flows of the respective debt instruments. A portion of the transaction was therefore accounted for as a modification of the 2007 Senior Credit Facility and a portion was accounted for as an extinguishment. As of May 11, 2011, we recorded refinancing charges of approximately $634,000, representing the write-off of the remaining unamortized debt costs related to the 2007 Senior Credit Facility, which is included in Loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Operations for the nine months ended September 30, 2011.

Redemption of Senior Discount Notes

A portion of the proceeds from the 2011 Senior Credit Facility was used to pay the remaining principal amount on the Senior Discount Notes of $138.45 million plus a call premium of 1.833% of the principal amount thereof totaling approximately $2.5 million and accrued interest of $5.5 million. The accrued interest included interest through May 11, 2011 of $4.2 million, plus 30 days of additional interest of $1.3 million, representing the interest charge during the 30 day notification period. We determined that the 2011 Senior Credit Facility was substantially different than the Senior Discount Notes. As of May 11, 2011, we wrote-off unamortized deferred financing costs of approximately $916,000 related to the redemption of the Senior Discount Notes, which is included in Loss on extinguishment of debt in the accompanying Condensed Consolidated Statements of Operations for the nine months ended September 30, 2011.

Financial Instruments

In its normal operations, we are exposed to market risks relating to fluctuations in interest rates. In order to minimize the negative impact of such fluctuations on the company s cash flows we may enter into derivative financial instruments

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(derivatives), such as interest-rate swaps. Any instruments are not entered into for trading purposes and we only commonly traded instruments. Currently, we only enter into derivatives relating to the variability of cash-flow from interest rate fluctuations.

When a derivative is executed and hedge accounting is appropriate, it is designated as a cash flow hedge. Interest rate swaps are designated as cash flow hedges for accounting purposes since they are being used to transform variable interest rate exposure to fixed interest rate exposure on a recognized liability (debt). On an ongoing basis, we assess the hedge effectiveness of all derivatives designated as hedges for accounting purposes to determine if they continue to be highly effective in offsetting changes in cash flows of the underlying hedged items. If it is determined that the hedge is not highly effective, then hedge accounting will be discontinued prospectively.

Counterparties to our derivatives are major banking institutions with credit ratings of investment grade or better and no collateral is required, and there are no significant risk concentrations. We believe the risk of incurring losses on derivative contracts related to credit risk is unlikely.

Our aggregate long-term debt and operating lease obligations as of September 30, 2011 were as follows:

	Payments Due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 295,500	$ 15,000	$ 9,000	$ 6,000	$ 265,500
Interest payments on long-term debt (1)	128,513	21,016	39,984	37,774	29,739
Operating lease obligations (2)	701,463	59,960	152,536	140,174	348,793
Total contractual obligations	$ 1,125,476	$ 95,976	$ 201,520	$ 183,948	$ 644,032

Notes:

(1) Based on interest rates on the 2011 Term Loan Facility as of September 30, 2011.

(2) Operating lease obligations include base rent only. Certain leases provide for additional rent based on real estate taxes, common area maintenance and defined amounts based on the operating results of the lessee.

The following long-term liabilities included on the Condensed Consolidated Balance Sheet are excluded from the table above: income taxes (including uncertain tax positions or benefits), insurance accruals and other accruals. We are unable to estimate the timing of payments for these items.

In recent years, we have typically operated with a working capital deficit. We had a working capital deficit of $30.8 million at September 30, 2011, as compared with $22.9 million at December 31, 2010. Major components of our working capital deficit on the current liability side are deferred revenues,

accrued expenses (including, among others, accrued construction in progress and equipment, payroll and occupancy costs) and the current portion of long-term debt. These current liabilities more than offset the main current assets, which consist of cash and cash equivalents, accounts receivable, and prepaid expenses and other current assets. Payments underlying the current liability for deferred revenue might not be held as cash and cash equivalents, but may be used for the Company s business needs, including financing and investing commitments, which contributes to the working capital deficit. The deferred revenue liability relates to dues and services paid-in-full in advance and joining fees paid at the time of enrollment and totaled $42.6 million and $35.1 million at September 30, 2011 and December 31, 2010, respectively. Joining fees received are deferred and amortized over the estimated average membership life of a club member. Since July 1, 2010, this estimated average membership life was 27 months. Effective as of July 1, 2011, the estimated average membership life was increased to 28 months. Prepaid dues are generally realized over a period of up to twelve months, while fees for prepaid services normally are realized over a period of one to nine months. In periods when we increase the number of clubs open and consequently increase the level of payments received in advance, we anticipate that we will continue to have deferred revenue balances at levels similar to or greater than those currently maintained. By contrast, any decrease in demand for our services or reductions in joining fees collected would have the effect of reducing deferred revenue balances, which would likely require us to rely more heavily on other sources of funding. The increase in joining fees and our cash balance has increased the working capital deficit. In either case, a significant portion of the deferred revenue is not expected to constitute a liability that must be funded with cash. At the time a member joins our club, we incur enrollment costs, a portion of which are deferred over the estimated average membership life. These costs are recorded as a long-term asset and as such do not offset the working capital deficit. We expect to record a working capital deficit in future periods and, as in the past, will

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fund such deficit using cash flows from operations and borrowings under our 2011 Senior Credit Facility or other credit facilities. We believe that these sources will be sufficient to cover such deficit.

Recent Changes in or Recently Issued Accounting Pronouncements

See Note 2 Recent Accounting Changes to the condensed consolidated financial statements in this Form 10-Q.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding future financial results and performance, potential sales revenue, legal contingencies and tax benefits, and the existence of adverse litigation and other risks, uncertainties and factors set forth under Item 1A., entitled Risk Factors , in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and in our other reports and documents filed with the SEC. These statements are subject to various risks and uncertainties, many of which are outside our control, including, among others, the level of market demand for our services, economic conditions affecting the Company s business, the geographic concentration of the Company s clubs, competitive pressure, the ability to achieve reductions in operating costs and to continue to integrate acquisitions, environmental matters, any security and privacy breaches involving customer data, the levels and terms of the Company s indebtedness, and other specific factors discussed herein and in other SEC filings by us (including our reports on Forms 10-K and 10-Q filed with the SEC). We believe that all forward-looking statements are based on reasonable assumptions when made; however, we caution that it is impossible to predict actual results or outcomes or the effects of risks, uncertainties or other factors on anticipated results or outcomes and that, accordingly, one should not place undue reliance on these statements. Forward-looking statements speak only as of the date when made and we undertake no obligation to update these statements in light of subsequent events or developments. Actual results may differ materially from anticipated results or outcomes discussed in any forward-looking statement.

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Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Our debt consists of both fixed and variable rates so that we are exposed to market risks resulting from interest rate fluctuations. We regularly evaluate our exposure to these risks and take measures to mitigate these risks on our consolidated financial results. We do not participate in speculative derivative trading.

Borrowings for the 2011 Term Loan Facility are for one-month periods in the case of Eurodollar borrowings. Our exposure to market risk for changes in interest rates relates to interest expense of variable rate debt. Effective July 13, 2011, we had entered into an interest rate swap with a notional amount totaling $150.0 million to hedge one-half of our variable rate debt to a fixed rate. Changes in the fair value of these derivatives will be recorded each period in accumulated other comprehensive income (loss). Based on the amount of our variable rate debt and our interest rate swap agreement as of September 30, 2011, a hypothetical 100 basis point interest increase would not have affected interest expense for the three and nine month periods ended September 30, 2011 as the variable rate debt contains a Eurodollar floor of 1.5%. As of September 30, 2011, we had $295.5 million outstanding on the 2011 Term Loan Facility.

For additional information concerning the terms of our 2011 Term Loan Facility, see Note 3 Long Term Debt to the condensed consolidated financial statements.

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures: We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that the information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives however, any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired controls.

As of September 30, 2011, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2011, our disclosure controls and procedures were determined to be effective at that reasonable assurance level.

Changes in Internal Control Over Financial Reporting: There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. ***Legal Proceedings.***

On or about March 1, 2005, in an action styled *Sarah Cruz, et al v. Town Sports International, d/b/a New York Sports Club* , plaintiffs commenced a purported class action against TSI, LLC in the Supreme Court, New York County, seeking unpaid wages and alleging that TSI, LLC violated various overtime provisions of the New York State Labor Law with respect to the payment of wages to certain trainers and assistant fitness managers. On or about June 18, 2007, the same plaintiffs commenced a second purported class action against TSI, LLC in the Supreme Court of the State of New York, New York County, seeking unpaid wages and alleging that TSI, LLC violated various wage payment and overtime provisions of the New York State Labor Law with respect to the payment of wages to all New York purported hourly employees. On September 17, 2010, TSI, LLC made motions to dismiss the class action allegations of both lawsuits for plaintiffs failure to timely file motions to certify the class actions. Oral argument on the motions occurred on November 10, 2010. A decision is still pending. While it is not possible to estimate the likelihood of an unfavorable outcome or a range of loss in the case of an unfavorable outcome to TSI, LLC at this time, we intend to contest these cases vigorously. Depending upon the ultimate outcome, these matters may have a material adverse effect on TSI, LLC s and the Company s consolidated results of operations, or cash flows.

On September 22, 2009, in an action styled *Town Sports International, LLC v. Ajilon Solutions* , a division of Ajilon Professional Staffing LLC (Supreme Court of the State of New York, New York County, 602911-09), TSI, LLC brought an action in the Supreme Court of the State of New York, New York County, against Ajilon for breach of contract, conversion and replevin, seeking, among other things, money damages against Ajilon for breaching its agreement to design and deliver to TSI, LLC a new sports club enterprise management system known as GIMS, including failing to provide copies of the computer source code written for GIMS, related documentation, properly identified requirements documents and other property owned and licensed by TSI, LLC. Subsequently, on October 14, 2009, Ajilon brought a counterclaim against TSI, LLC alleging breach of contract, alleging, among other things, failure to pay outstanding invoices in the amount of $2.9 million. On March 3, 2011, Ajilon amended its counterclaims to include additional claims for breach of contract and for unjust enrichment, including claims for unspecified additional damages for work allegedly performed by one of its subcontractors. On March 7, 2011, TSI amended its complaint against Ajilon to add new allegations and claims for fraudulent inducement, negligent misrepresentation, fraud, and breach of the implied covenant of good faith and fair dealing (the additional claims). On March 28, 2011, Ajilon moved to dismiss the additional claims; TSI prepared its opposition and the motion is still pending. Other than the pending dismissal motion, the litigation is currently in the discovery phase. We believe at this time the likelihood of an unfavorable outcome is not probable. TSI, LLC intends to prosecute vigorously its claims against Ajilon and defend against Ajilon s counterclaims.

On February 7, 2007, in an action styled *White Plains Plaza Realty, LLC v. TSI, LLC et al* ., the landlord of one of TSI, LLC s former health and fitness

clubs filed a lawsuit in state court against it and two of its health club subsidiaries alleging, among other things, breach of lease in connection with the decision to close the club located in a building owned by the plaintiff and leased to a subsidiary of TSI, LLC, and take additional space in the nearby facility leased by another subsidiary of TSI, LLC. The trial court granted the landlord damages against its tenant in the amount of approximately $700,000, including interest and costs (Initial Award). TSI, LLC was held to be jointly liable with the tenant for the amount of approximately $488,000, under a limited guarantee of the tenant s lease obligations. The landlord subsequently appealed the trial court s award of damages, and on December 21, 2010, the appellate court reversed, in part, the trial court s decision and ordered the case remanded to the trial court for an assessment of additional damages, of approximately $750,000 plus interest and costs (the Additional Award). On February 7, 2011, the landlord moved for re-argument of the appellate court s decision, seeking additional damages plus attorneys fees. On April 8, 2011, the appellate court denied the landlord s motion. On August 29, 2011, the Additional Award (amounting to approximately $900,000), was entered against the tenant. TSI, LLC does not believe it is probable that TSI, LLC or any of its subsidiaries will be held liable to pay for any amount of the Additional Award. Separately, TSI, LLC is party to an agreement with a third-party developer, which by its terms provides indemnification for the full amount of any liability of any nature arising out of the lease described above, including attorneys fees incurred to enforce the indemnity. In connection with the Initial Award (and in furtherance of the indemnification agreement), TSI, LLC and the developer have entered into an agreement pursuant to which the developer has agreed to pay the amount of the Initial Award in installments over time. The indemnification agreement also covers the Additional Award. The developer to date has not paid the amount of the Additional Award to the landlord, and the landlord has commenced a special proceeding in the Supreme Court of the State of New York, Westchester County, to collect the additional award directly from the developer.

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In addition to the litigation discussed above, we are involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business, including personal injury and employee relations claims. The results of litigation are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. The results of these other lawsuits, claims and proceedings cannot be predicted with certainty.

ITEM 1A. ***Risk Factors***

There have not been any material changes to the information related to the ITEM 1A. Risk Factors disclosure in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

ITEM 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Not applicable.

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ITEM 3. ***Defaults Upon Senior Securities.***

Not applicable.

ITEM 4. ***(Removed and Reserved)***

ITEM 5. ***Other Information***

Not applicable.

ITEM 6. ***Exhibits***

Required exhibits are listed in the Index to Exhibits and are incorporated herein by reference.

From time to time we may use our web site as a channel of distribution of material company information. Financial and other material information regarding the Company is routinely posted on and accessible at http://investor.mysportsclubs.com. In addition, you may automatically receive email alerts and other information about us by enrolling your email by visiting the Email Alert section at http://investor.mysportsclubs.com.

The foregoing information regarding our web site and its content is for convenience only. The content of our web site is not deemed to be incorporated by reference into this report nor should it be deemed to have been filed with the SEC.

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SIGNATURES

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

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.

DATE: October 28, 2011

By: /s/ Daniel Gallagher
Daniel Gallagher
Chief Financial Officer
(principal financial and accounting officer)

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INDEX TO EXHIBITS

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit No.	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Town Sports International Holdings, Inc. (incorporated by reference to Exhibit 3.1 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006).
3.2	Second Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K, filed on May 19, 2008).
10.1	Interest Rate Swap Agreement, dated July 8, 2011, between Town Sports International, LLC and Deutsche Bank AG.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a 14(a) and Rule 15d 14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a 14(a) and Rule 15d 14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.