U NITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2015

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the Transition period from _____ to _____ .

Commission File Number 001-36803

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**20-0640002**
(State or other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

5 Penn Plaza (4th Floor)
New York, New York 10001
Telephone: (212) 246-6700
(Address, zip code, and telephone number, including area code, of registrant's principal executive office.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 27, 2015, there were 24,879,897 shares of Common Stock of the registrant outstanding.

FORM 10-Q
For the Quarter Ended September 30, 2015

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TOWN SPORTS INTERNATIONAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2015 and December 31, 2014
(All figures in thousands except share and per share data)
(Unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 88,286	$ 93,452
Accounts receivable (less allowance for doubtful accounts of $2,814 and $2,511 as of September 30, 2015 and December 31, 2014, respectively)	2,428	3,656
Inventory	456	573
Deferred tax assets	533	724
Prepaid corporate income taxes	9,843	11,588
Prepaid expenses and other current assets	15,809	12,893
Total current assets	117,355	122,886
Fixed assets, net	206,255	233,644
Goodwill	1,055	32,593
Intangible assets, net	182	394
Deferred tax assets	217	—
Deferred membership costs	4,443	7,396
Other assets	12,454	12,920
Total assets	$ 341,961	$ 409,833
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current portion of long-term debt	$ 3,114	$ 3,114
Accounts payable	5,422	2,873
Accrued expenses	28,927	26,702
Accrued interest	129	376
Dividends payable	173	291
Deferred revenue	43,657	36,950
Deferred tax liabilities	229	300
Total current liabilities	81,651	70,606
Long-term debt	295,394	296,757
Building financing arrangement	83,900	83,400
Dividends payable	123	211
Deferred lease liabilities	52,292	53,847
Deferred tax liabilities	577	11,999
Deferred revenue	1,571	2,455
Other liabilities	10,343	8,642
Total liabilities	525,851	527,917
Commitments and Contingencies (Note 12)		
Stockholders' deficit:		
Preferred stock, $0.001 par value; no shares issued and outstanding at both September 30, 2015 and December 31, 2014		
Common stock, $0.001 par value; issued and outstanding 24,879,897 and 24,322,249 shares at September 30, 2015 and December 31, 2014, respectively	24	24
Additional paid-in capital	(8,586)	(10,055)
Accumulated other comprehensive (loss) income	(923)	395
Accumulated deficit	(174,405)	(108,448)

Total stockholders' deficit	(183,890)	(118,084)
Total liabilities and stockholders' deficit	$ 341,961	$ 409,833

See notes to condensed consolidated financial statements.

TOWN SPORTS INTERNATIONAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Months Ended September 30, 2015 and 2014
(All figures in thousands except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Club operations	$ 102,119	$ 110,956	$ 318,748	$ 339,600
Fees and other	1,645	1,565	4,736	4,521
	103,764	112,521	323,484	344,121
Operating Expenses:				
Payroll and related	42,889	43,994	135,886	133,329
Club operating	49,280	46,664	151,386	144,877
General and administrative	6,696	7,813	23,144	23,600
Depreciation and amortization	12,190	11,638	36,042	35,289
Impairment of fixed assets	12,420	—	14,571	4,513
Impairment of goodwill	—	—	31,558	137
	123,475	110,109	392,587	341,745
Operating (loss) income	(19,711)	2,412	(69,103)	2,376
Interest expense	5,204	4,519	15,562	13,927
Equity in the earnings of investees and rental income	(571)	(580)	(1,761)	(1,820)
Loss before benefit for corporate income taxes	(24,344)	(1,527)	(82,904)	(9,731)
Benefit for corporate income taxes	(2,338)	(660)	(17,066)	(4,430)
Net loss	$ (22,006)	$ (867)	$ (65,838)	$ (5,301)
Basic and diluted loss per share	$ (0.89)	$ (0.04)	$ (2.68)	$ (0.22)
Weighted average number of shares used in calculating loss per share	24,654,267	24,301,677	24,554,390	24,251,682
Dividends declared per common share	$ —	$ —	$ —	$ 0.32

See notes to condensed consolidated financial statements.

TOWN SPORTS INTERNATIONAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Three and Nine Months Ended September 30, 2015 and 2014
(All figures in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Statements of Comprehensive Loss:				
Net loss	$ (22,006)	$ (867)	$ (65,838)	$ (5,301)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments, net of tax of $0 for each of the three and nine months ended September 30, 2015 and 2014	(238)	(364)	(44)	(253)
Interest rate swap, net of tax of $0 for each of the three and nine months ended September 30, 2015 and 2014, respectively, and ($333) and $193 for the comparable prior-year periods	(558)	433	(1,274)	(250)
Total other comprehensive (loss) income, net of tax	(796)	69	(1,318)	(503)
Total comprehensive loss	$ (22,802)	$ (798)	$ (67,156)	$ (5,804)

See notes to condensed consolidated financial statements.

TOWN SPORTS INTERNATIONAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2015 and 2014
(All figures in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (65,838)	$ (5,301)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	36,042	35,289
Impairment of fixed assets	14,571	4,513
Impairment of goodwill	31,558	137
Amortization of debt discount	972	978
Amortization of debt issuance costs	588	443
Amortization of building financing costs	95	—
Non-cash rental income, net of non-cash rental expense	(2,694)	(4,913)
Share-based compensation expense	1,187	1,563
Net change in deferred taxes	(11,519)	(23,567)
Net change in certain operating assets and liabilities	12,961	(10,172)
Decrease in deferred membership costs	2,953	930
Landlord contributions to tenant improvements	296	1,302
Increase in insurance reserves	689	760
Other	340	(60)
Total adjustments	88,039	7,203
Net cash provided by operating activities	22,201	1,902
Cash flows from investing activities:		
Capital expenditures	(24,073)	(29,196)
Change in restricted cash	(1,100)	—
Net cash used in investing activities	(25,173)	(29,196)
Cash flows from financing activities:		
Proceeds from building financing arrangement	500	83,400
Principal payments on 2013 Term Loan Facility	(2,335)	(3,160)
Debt issuance costs	(350)	(2,437)
Cash dividends paid	(82)	(7,666)
Redemption paid pursuant to the Rights Plan	(246)	—
Proceeds from stock option exercises	282	47
Tax benefit from restricted stock vesting	—	1,692
Net cash (used in) provided by financing activities	(2,231)	71,876
Effect of exchange rate changes on cash	37	(229)
Net (decrease) increase in cash and cash equivalents	(5,166)	44,353
Cash and cash equivalents beginning of period	93,452	73,598
Cash and cash equivalents end of period	$ 88,286	$ 117,951
Summary of the change in certain operating assets and liabilities:		
Decrease (increase) in accounts receivable	$ 943	$ (44)
Decrease (increase) in inventory	118	(90)
Increase in prepaid expenses and other current assets	(781)	(1,496)
Increase (decrease) in accounts payable, accrued expenses and accrued interest	5,052	(4,612)
Change in prepaid corporate income taxes and corporate income taxes payable	1,806	(6,166)
Increase in deferred revenue	5,823	2,236

Net change in certain working capital components	$ 12,961	$ (10,172)
Supplemental disclosures of cash flow information:		
Cash payments for interest, net of capitalized interest	$ 12,981	$ 12,741
Cash payments for income taxes	$ 88	$ 23,552

See notes to condensed consolidated financial statements.

TOWN SPORTS INTERNATIONAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share and per share data)
(Unaudited)

1. Basis of Presentation

As of September 30, 2015 , Town Sports International Holdings, Inc. (the "Company" or "TSI Holdings"), through its wholly-owned subsidiary, Town Sports International, LLC ("TSI, LLC"), operated 153 fitness clubs ("clubs") and three BFX Studio locations. The clubs are composed of 105 clubs in the New York metropolitan market under the "New York Sports Clubs" brand name, 27 clubs in the Boston market under the "Boston Sports Clubs" brand name, 13 clubs (two of which are partly-owned) in the Washington, D.C. market under the "Washington Sports Clubs" brand name, five clubs in the Philadelphia market under the "Philadelphia Sports Clubs" brand name and three clubs in Switzerland.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The condensed consolidated financial statements should be read in conjunction with the Company's December 31, 2014 consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 . The year-end condensed consolidated balance sheet data included within this Form 10-Q was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("US GAAP"). Certain information and footnote disclosures that are normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to SEC rules and regulations. The information reflects all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the interim periods set forth herein. The results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results for the entire year ending December 31, 2015 .

Change in Estimated Average Membership Life

The Company completed the introduction of a new pricing model to a substantial majority of its clubs in the second quarter of 2015. As of September 30, 2015 , approximately 80% of its clubs were operating under this new pricing model, with the remaining clubs principally comprising the Company's passport-only model. Prior to introducing this model, the Company tracked membership life of restricted members (primarily students and teachers) separately from unrestricted members. The Restricted Membership was discontinued as clubs transitioned and therefore the Company now aggregates all members for purposes of tracking average membership life. For the three and nine months ended September 30, 2015 and the full-year ended December 31, 2014, the average membership life was 22 months . The Company monitors factors that might affect the estimated average membership life including retention trends, attrition trends, membership sales volumes, membership composition, competition, and general economic conditions, and adjusts the estimate as necessary on a quarterly basis.

Initiation and processing fees, as well as related direct and incremental expenses of membership acquisition, which include sales commissions, bonuses and related taxes and benefits, are currently deferred and recognized, on a straight-line basis, in operations over the estimated average membership life or 12 months to the extent these costs are related to the first annual fee paid at the time of enrollment. Annual fees are amortized over 12 months .

2. Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". This standard changes the presentation of debt issuance costs in the financial statements to present such costs as a direct deduction from the related debt liability rather than as an asset. Amortization of debt issuance costs will be reported as interest expense. In August 2015, the FASB issued ASU No. 2015-15, "Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements". ASU 2015-15 clarifies that the U.S. Securities Exchange and Commission would not object to the deferral and presentation of debt issuance costs as an asset and subsequent amortization of debt issuance costs over the term of the line-of-credit arrangement, whether or there are any outstanding borrowings on the line-of-credit arrangement. These standards are effective for annual reporting periods beginning after December 15, 2015. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 35-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If an arrangement includes a software license, the accounting for the license will be consistent with licenses of other intangible assets. If the arrangement does not include a license, the arrangement will be accounted for as a service contract. ASU 2015-05 is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the effect this standard will have on its financial statements.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." This guidance eliminates the concept of extraordinary items from GAAP. As a result, an entity will no longer be required to segregate extraordinary items from the results of ordinary operations, to separately present an extraordinary item on its income statement, net of tax, after income from continuing operations or to disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the ASU does not affect the reporting and disclosure requirements for an event that is unusual in nature or infrequent in occurrence. This guidance is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

In November 2014, the FASB issued ASU No. 2014-16, "Derivatives and Hedging" (Topic 815): "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity, which provides guidance on identifying whether the nature of the host contract in a hybrid instrument is in the form of debt or equity". This standard requires management to consider the stated and implied substantive terms and features of the hybrid financial instrument, including the embedded derivative features, in order to determine whether the nature of the host contract is more akin to debt or to equity. The ASU is effective for annual periods and interim periods with those annual periods beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The standard requires management to evaluate, at each annual and interim reporting period, the Company's ability to continue as a going concern within one year of the date the financial statements are issued and provide related disclosures. This accounting guidance is effective for the Company on a prospective basis for the annual period ending December 31, 2016 and is not expected to have a material effect on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers”. The standard provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes current revenue recognition guidance. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The new standard also includes enhanced disclosures which are significantly more comprehensive than those in existing revenue standards. In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers” (Topic 606): “Deferral of the Effective Date”, which defers the effective date of ASU No. 2014-09 for all entities by one year, to annual reporting periods beginning after December 15, 2017. Early adoption will be permitted for annual reporting periods beginning after December 15, 2016. The standard allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Company is evaluating the impact of this standard on its financial statements.

3 . Long-Term Debt

	September 30, 2015	December 31, 2014
2013 Term Loan Facility outstanding principal balance	$ 305,949	$ 308,284
Less: Unamortized discount	(7,441)	(8,413)
Less: Current portion due within one year	(3,114)	(3,114)
Long-term portion	$ 295,394	$ 296,757

2013 Senior Credit Facility

On November 15, 2013, TSI, LLC, an indirect, wholly-owned subsidiary, entered into a $370,000 senior secured credit facility (“2013 Senior Credit Facility”), among TSI, LLC, TSI Holdings II, LLC, a newly-formed, wholly-owned subsidiary of the Company (“Holdings II”), as a Guarantor, the lenders party thereto, Deutsche Bank AG, as administrative agent, and Keybank National Association, as syndication agent. The 2013 Senior Credit Facility consists of a $325,000 term loan facility maturing on November 15, 2020 (“2013 Term Loan Facility”) and a $45,000 revolving loan facility maturing on November 15, 2018 (“2013 Revolving Loan Facility”). Proceeds from the 2013 Term Loan Facility of $323,375 were issued, net of an original issue discount (“OID”) of 0.5% , or $1,625 . Debt issuance costs recorded in connection with the 2013 Senior Credit Facility were $5,119 and are being amortized as interest expense and are included in other assets in the accompanying condensed consolidated balance sheets. The Company also recorded additional debt discount of $4,356 related to creditor fees. The proceeds from the 2013 Term Loan Facility were used to pay off amounts outstanding under the Company’s previously outstanding long-term debt facility originally entered into on May 11, 2011 (as amended from time to time), and to pay related fees and expenses. None of the revolving loan facility was drawn upon as of the closing date on November 15, 2013, but loans under the 2013 Revolving Loan Facility may be drawn from time to time pursuant to the terms of the 2013 Senior Credit Facility. The borrowings under the 2013 Senior Credit Facility are guaranteed and secured by assets and pledges of capital stock by Holdings II, TSI, LLC, and, subject to certain customary exceptions, the wholly-owned domestic subsidiaries of TSI, LLC.

Borrowings under the 2013 Term Loan Facility and the 2013 Revolving Loan Facility, at TSI, LLC’s option, bear interest at either the administrative agent’s base rate plus 2.5% or a LIBOR rate adjusted for certain additional costs (the “Eurodollar Rate”) plus 3.5% , each as defined in the 2013 Senior Credit Facility. With respect to the outstanding initial term loans, the Eurodollar Rate has a floor of 1.00% and the base rate has a floor of 2.00% . Commencing with the last business day of the quarter ended March 31, 2014, TSI, LLC is required to pay 0.25% of the principal amount of the term loans each quarter, which may be reduced by voluntary prepayments. As of September 30, 2015 , TSI LLC has made a total of $19,051 in principal payments on the 2013 Term Loan Facility.

The terms of the 2013 Senior Credit Facility provide for a financial covenant in the situation where the total utilization of the revolving loan commitments (other than letters of credit up to $5,500 at any time outstanding) exceeds 25% of the aggregate amount of those commitments. In such event, TSI, LLC is required to maintain a total leverage ratio, as defined in the 2013 Senior Credit Facility, of no greater than 4.50:1.00. While not subject to the total leverage ratio covenant as of September 30, 2015 as the Company's only utilization of the 2013 Revolving Loan Facility as of September 30, 2015 was $2,850 of issued and outstanding letters of credit thereunder, because the Company's total leverage ratio as of September 30, 2015 was in excess of 4.50 :1.00, the Company is currently not able to utilize more than 25% of the 2013 Revolving Loan Facility. The Company will continue not to be able to utilize more than 25% of the 2013 Revolving Loan Facility until it has a total leverage ratio of no greater than 4.50 :1.00. The 2013 Senior Credit Facility also contains certain affirmative and negative covenants, including covenants that may limit or restrict TSI, LLC and Holdings II's ability to, among other things, incur indebtedness and other liabilities; create liens; merge or consolidate; dispose of assets; make investments; pay dividends and make payments to shareholders; make payments on certain indebtedness; and enter into sale leaseback transactions, in each case, subject to certain qualifications and exceptions. In addition, at any time when the total leverage ratio is greater than 4.50 :1.00, there are additional limitations on the ability of TSI, LLC and Holdings II to, among other things, make certain distributions of cash to TSI Holdings. The 2013 Senior Credit Facility also includes customary events of default (including non-compliance with the covenants or other terms of the 2013 Senior Credit Facility) which may allow the lenders to terminate the commitments under the 2013 Revolving Loan Facility and declare all outstanding term loans and revolving loans immediately due and payable and enforce its rights as a secured creditor.

TSI, LLC may prepay the 2013 Term Loan Facility and 2013 Revolving Loan Facility without premium or penalty in accordance with the 2013 Senior Credit Facility. Mandatory prepayments are required relating to certain asset sales, insurance recovery and incurrence of certain other debt and commencing in 2015 in certain circumstances relating to excess cash flow (as defined) for the prior fiscal year, as described below, in excess of certain expenditures. Pursuant to the terms of the 2013 Senior Credit Facility, the Company is required to apply net proceeds in excess of $30,000 from sales of assets in any fiscal year towards mandatory prepayments of outstanding borrowings. In connection with the sale of the East 86t h Street property, accounted for as a building financing arrangement, described in Note 5 – Building Financing Arrangement, the Company received approximately $43,500 in net sales proceeds (after taxes, before giving effect to utilization of net operating losses and carryforwards) during the third quarter of 2014. Accordingly, the Company made a mandatory prepayment of $13,500 on the 2013 Term Loan Facility in November 2014. In connection with this mandatory prepayment, during the year ended December 31, 2014, the Company recorded loss on extinguishment of debt of $493 , consisting of the write-off of unamortized debt issuance costs and debt discount of $119 and $374 , respectively. To the extent the proceeds of the sale of the East 86th Street property are not reinvested, the Company may be required to use such amounts, other than amounts used in 2014 to repay debt, to pay down its outstanding debt, as provided under the terms of its 2013 Senior Credit Facility. Based on increased capital expenditures related to the building of new clubs and new BFX Studio locations, the Company does not expect to be required to make a payment at any time. In addition, the 2013 Senior Credit Facility contains provisions that require excess cash flow payments, as defined, to be applied against outstanding 2013 Term Loan Facility balances. The excess cash flow is calculated annually for each fiscal year ending December 31 and paid 95 days after the fiscal year end. 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 flow. The applicable excess cash flow repayment percentage is 50% when the total leverage ratio, as defined in the 2013 Senior Credit Facility, exceeds or is equal to 2.50 :1.00; 25% when the total leverage ratio is greater than or equal to 2.00 :1.00 but less than 2.50 :1.00 and 0% when the total leverage ratio is less than 2.00 :1.00. The first excess cash flow payment would have been due in April 2015. The excess cash flow calculation performed as of December 31, 2014 did not result in any required payments in April 2015. The second excess cash flow payment is due in April 2016, if applicable. Based on the Company's unit growth projection and capital expenditures related to club renovations, the building of new clubs and new BFX Studio locations, together with its operating forecast, the Company does not expect there will be an excess cash flow payment required at that time.

As of September 30, 2015 , the 2013 Term Loan Facility has a gross principal balance of $305,949 and a balance of $298,508 net of unamortized debt discount of $7,441 which is comprised of the unamortized portions of the OID recorded in connection with the May 11, 2011 debt issuance and the unamortized balance of the additional debt discounts recorded in connection with the first amendment and second amendment to the 2011 Senior Credit Facility. The unamortized debt discount balance 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. As of September 30, 2015 , the unamortized balance of debt issuance costs of $3,127 is being amortized as interest expense, and is included in other assets in the accompanying condensed consolidated balance sheets.

As of September 30, 2015 , there were no outstanding 2013 Revolving Loan Facility borrowings and outstanding letters of credit issued totaled $2,850 . The unutilized portion of the 2013 Revolving Loan Facility as of September 30, 2015 was $42,150 and the available unutilized portion, based on the Company's total leverage ratio exceeding 4.50 :1.00, was $11,250 .

On January 30, 2015, the 2013 Senior Credit Facility was amended (the "Amendment") to permit TSI Holdings to purchase term loans under the Credit Agreement. Any term loans purchased by TSI Holdings will be cancelled. The Company may from time to time purchase term loans in market transactions, privately negotiated transactions or otherwise; however the Company is under no obligation to make any such purchases. Any such transactions, and the amounts involved, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Fair Market Value

Based on quoted market prices, the 2013 Term Loan Facility had a fair value of approximately $183,569 and $221,964 at September 30, 2015 and December 31, 2014 , respectively, and is classified within level 2 of the fair value hierarchy. Level 2 is based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. The fair value for the Company's 2013 Term Loan Facility is determined using observable current market information such as the prevailing Eurodollar interest rate and Eurodollar yield curve rates and includes consideration of counterparty credit risk.

For the fair market value of the Company's interest rate swap instrument refer to Note 4 — Derivative Financial Instruments.

4 . Derivative Financial Instruments

In its normal operations, the Company is exposed to market risks relating to fluctuations in interest rates. In order to minimize the possible negative impact of such fluctuations on the Company's cash flows the Company may enter into derivative financial instruments ("derivatives"), such as interest-rate swaps. Derivatives are not entered into for trading purposes and the Company only uses commonly traded instruments. Currently, the Company has used derivatives solely relating to the variability of cash flows from interest rate fluctuations.

The Company originally entered into an interest rate swap arrangement on July 13, 2011 in connection with the Company's previous credit facility. Effective as of November 15, 2013, the closing date of the 2013 Senior Credit Facility, the interest rate swap arrangement had a notional amount of $160,000 and will mature on May 15, 2018. The swap effectively converts $160,000 of the $325,000 total variable-rate debt under the 2013 Senior Credit Facility to a fixed rate of 5.384% , when including the applicable 3.50% margin. As permitted by FASB Accounting Standards Codification ("ASC") 815, Derivatives and Hedging, the Company has designated this swap as a cash flow hedge, the effects of which have been reflected in the Company's condensed consolidated financial statements as of and for the three and nine months ended September 30, 2015 and 2014 . The objective of this hedge is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged.

When the Company's derivative instrument was executed, hedge accounting was deemed appropriate and it was designated as a cash flow hedge at inception with re-designation being permitted under ASC 815, Derivatives and Hedging. 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, the Company performs a quarterly assessment of the hedge effectiveness of the hedge relationship and measures and recognizes any hedge ineffectiveness in the condensed consolidated statements of operations. For the three and nine months ended September 30, 2015 and 2014 , hedge ineffectiveness was evaluated using the hypothetical derivative method. There was no hedge ineffectiveness for the three and nine months ended September 30, 2015 and 2014 .

Accounting guidance on fair value measurements specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1—Quoted prices for *identical* instruments in active markets.
- Level 2—Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable .

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The fair value for the Company's interest rate swap is determined using observable current market information such as the prevailing Eurodollar interest rate and Eurodollar yield curve rates and include consideration of counterparty credit risk. The following table presents the aggregate fair value of the Company's derivative financial instrument:

		Fair Value Measurements Using:		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap liability as of September 30, 2015	$ 2,568	$ —	$ 2,568	$ —
Interest rate swap liability as of December 31, 2014	$ 1,294	$ —	$ 1,294	$ —

The swap contract liability of $2,568 and $1,294 are recorded as a component of other liabilities as of September 30, 2015 and December 31, 2014 , respectively, with the offset to accumulated other comprehensive income ($1,451 and $1,215 , net of taxes, as of September 30, 2015 and December 31, 2014 , respectively) on the accompanying condensed consolidated balance sheet.

There were no significant reclassifications out of accumulated other comprehensive income during the three and nine months ended September 30, 2015 and 2014 and the Company does not expect that significant derivative losses included in accumulated other comprehensive income at September 30, 2015 will be reclassified into earnings within the next 12 months .

5 . Building Financing Arrangement

On September 12, 2014, the Company completed the legal sale of its property (building and land) on East 86th Street, New York City, to an unaffiliated third-party for gross proceeds of $85,650 , which includes $150 of additional payments to the Company. Concurrent with the closing of the transaction, the Company leased back the portion of the property comprising its health club. The Company expects to lease ("Initial Lease") the premises to at least March 2016 and then, upon at least 120 days notice from the purchaser/landlord, the Initial Lease will terminate and the Company will vacate the property while the purchaser/landlord demolishes the existing building and the adjacent building and builds a new luxury, high-rise multi-use building. In connection with vacating the property, the Company intends to enter into a new lease ("New Club Lease") for approximately 24,000 square feet in the new building for the purpose of operating a health club upon completion of construction by the purchaser/landlord. The term of the Initial Lease is 10 years, and at the end of this initial term, the Company has two options at its sole discretion to renew the lease; the first for an additional 10 year period and a second for an additional five year period (although the Company expects that the purchaser/landlord will exercise its right to early terminate the Initial Lease so that it may commence the construction of the new building). Under the Initial Lease (and New Club Lease if entered into), the purchaser/landlord has agreed to pay the Company liquidated damages if the new club is not available by a certain date. The latest date that the liquidated damages would begin to be paid would be April 13, 2020 and would continue until the new club is available. For accounting purposes, the nature of these potential liquidated damages constitutes continuing involvement with the purchaser/landlord's development of the property. As a result of this continuing involvement, the sale-leaseback transaction is currently required to be accounted for as a financing arrangement rather than as a completed sale. Under this treatment, the Company has included the proceeds received as a financing arrangement on its balance sheet. Except for payments under the Initial Lease and the New Club Lease, the Company does not expect to make any cash payments to the purchaser/landlord with respect to the building financing arrangement. The Company recorded a taxable (for federal and state income tax purposes) gain on the sale of the property and made estimated tax payments in September 2014 in this regard. In March 2015, the Company received the remaining proceeds held in escrow of $500 , which was included in the Company's cash flow statement for the nine months ended September 30, 2015 as a financing cash inflow.

As of September 30, 2015 , the total financing arrangement was $83,900 , which is net of $1,750 held in escrow for the Company's former tenant. Because the transaction is characterized as a financing for accounting purposes rather than a sale, the rental payments and related transaction costs are treated as interest on the financing arrangement. As these interest amounts are less than the interest that would be charged under a typical financing, the financing is characterized as an interest only financing with no reduction in the principal throughout the Initial Lease term until any continuing involvement has ceased. Until such time, even though the Company no longer has legal title to the building and the land, the building, building improvements and land remain on the Company's consolidated balance sheet and the building and building improvements will continue to be depreciated over their remaining useful lives. Similarly, the Company does not have a loan or borrowing arrangement with the purchaser/landlord but the building financing arrangement will remain on the Company's balance sheet until any continuing involvement has ceased.

As of September 30, 2015 , the net book value of the building and building improvements was $2,865 and the book value of the land was $986 . As part of the transaction, the Company incurred $3,160 of real property transfer taxes, broker fees and other costs which will be deferred and amortized over the term of the Initial Lease of 25 years , which includes the option periods. The net fees are recorded in Other assets on the accompanying condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014.

Payments made under the Initial Lease, including rental income related to the Company's tenant in the building that was assigned to the purchaser/landlord, are recognized as interest expense in the underlying financing arrangement. Included in the table below is the Company's future lease commitment of $750 per year under the remaining term of the Initial Lease, which includes the options periods and will be recorded as interest expense.

12 months ending September 30,		
2016	$	750
2017		750
2018		750
2019		750
2020		750
2021 and thereafter		14,208
Minimum lease commitments	$	17,958

Not included in the table above are the cash rent portion of rental income related to the Company's former tenant in the building ranging between $1,883 and $2,617 per year through March 2028 and the amortization of the deferred costs of $126 per year through September 2039, and such amounts will be recorded as interest expense (unless the purchaser/landlord exercises its right to terminate the lease before the end of the 10 -year Initial Lease).

6. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and the interest rate swap. Although the Company deposits its cash with more than one financial institution, as of September 30, 2015 , $75,558 of the cash balance of $88,286 was held at two financial institutions. The Company has not experienced any losses on cash and cash equivalent accounts to date, and the Company believes that, based on the credit ratings of these financial institutions, it is not exposed to any significant credit risk related to cash at this time.

The counterparty to the Company's interest rate swap is a major banking institution with a credit rating of investment grade or better and no collateral is required, and there are no significant risk concentrations. The Company believes the risk of incurring losses on derivative contracts related to credit risk is unlikely.

7. Loss Per Share

Basic earnings (loss) per share ("EPS") is computed by dividing net earnings (loss) applicable to common stockholders by the weighted average numbers of shares of common stock outstanding during the period. Diluted EPS is computed similarly to basic EPS, except that the denominator is increased for the assumed exercise of dilutive stock options and unvested restricted stock calculated using the treasury stock method.

For the three and nine months ended September 30, 2015 and 2014 , there was no effect of dilutive stock options and unvested restricted common stock on calculation of diluted EPS as the Company had a net loss for these periods. As a result, the Company reported basic and diluted loss per share of $0.89 and $2.68 for the three and nine months ended September 30, 2015 , respectively, and $0.04 and $0.22 for the comparable prior-year periods. If the Company had not been in a net loss position, there would have been anti-dilutive shares of 807,228 and 329,847 in the three and nine months ended September 30, 2015 , respectively, and 366,417 and 383,956 in the comparable prior-year periods.

8. Stock-Based Compensation

The Company's 2006 Stock Incentive Plan, as amended and restated (the "2006 Plan") in May 2008, authorizes the Company to issue up to 3,000,000 shares of common stock to employees, non-employee directors and consultants pursuant to awards of stock options, stock appreciation rights, restricted stock, in payment of performance shares or other stock-based awards. In April 2015, the Company further amended the 2006 Plan to increase the aggregate number of shares of Common Stock issuable under the 2006 Plan by 500,000 shares to a total of 3,500,000 .

Under the 2006 Plan, stock options must be granted at a price not less than the fair market value of the stock on the date the option is granted, generally are not subject to re-pricing, and will not be exercisable more than ten years after the date of grant. Options granted under the 2006 Plan generally qualify as "non-qualified stock options" under the U.S. Internal Revenue Code. Certain options granted under the Company's 2004 Common Stock Option Plan, as amended (the "2004 Plan"), generally qualified as "incentive stock options" under the U.S. Internal Revenue Code; the exercise price of a stock option is equal to the fair market value of the Company's common stock on the option grant date. As of September 30, 2015 , there were 702,352 shares available to be issued under the 2006 Plan.

At September 30, 2015 , the Company had no stock options outstanding under the 2004 Plan while the 2006 Plan had 849,866 stock options outstanding and 324,243 shares of restricted stock outstanding.

Effective December 31, 2014, the Company's Board of Directors adopted a stockholder rights plan (the "Rights Plan"). Pursuant to the Rights Plan, the Board of Directors declared a dividend distribution of one preferred share right (a "Right") for each share of Common Stock held as of January 12, 2015. Each Right entitled the holder to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock (the "Preferred Shares") at an initial exercise price of $15 , subject to certain adjustments. On March 24, 2015, the Company entered into a nomination and standstill agreement (the "Nomination and Standstill Agreement"). Pursuant to the Nomination and Standstill Agreement, the Company agreed to redeem, effective immediately, the rights issued pursuant to the Rights Plan. Pursuant to the terms of the Rights Plan, the Company paid a redemption price to the holders of the rights equal to $0.01 per right in cash, or $246 , on April 20, 2015.

Stock Option Awards

On August 19, 2015, the Company granted an award of non-qualified options to purchase 250,000 shares of its common stock to its Chief Operating Officer ("COO") under the Company's 2006 Plan. In addition to awards granted under the 2006 Plan, the Company granted its COO an award of non-qualified options to purchase 450,000 shares ("Non-Plan Options") of its common stock. These Non-Plan Options were granted outside of any shareholder-approved plan as an inducement to accept employment with the Company. The options granted on August 19, 2015 shall vest in three equal installments on each of the first three anniversaries of the date of grant and have a term of five years. These options have an exercise price of $2.61 per share, equal to the closing price of the Company's common stock on the date of grant.

The Company calculated the expected term of stock options to be 3.50 years, which represents the period of time that options are expected to be outstanding. The risk free interest rate for periods within the contractual life of the option is based on the U.S. treasury yield in effect at the time of grant. The volatility is determined based on management's estimate or historical volatilities of comparable companies.

The estimated fair value of the options as of the grant date was $0.98 per underlying share. The fair value of the stock option award is estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Grant Date	Risk-free Interest Rate	Expected Dividend Yield	Expected Term (Years)	Expected Volatility
August 19, 2015	1.05%	—%	3.50	50.70%

Total compensation cost, classified within payroll and related on the condensed consolidated statements of operations, related to stock options outstanding was $28 for both the three and nine months ended September 30, 2015 , versus $61 and $273 for the comparable prior-year periods.

As of September 30, 2015 , a total of $647 in unrecognized compensation expense related to stock options is expected to be recognized over a weighted-average period of 2.9 years .

Restricted Stock Awards

On August 19, 2015, the Company issued 300,000 shares of restricted stock to its COO (“Non-Plan RSA”). These Non-Plan RSA were granted outside of any shareholder-approved plan as an inducement to accept employment with the Company. The fair value of the Non-Plan RSA was $2.61 per share, representing the closing stock price on the date of grant. These shares will vest in three equal installments on each of the first three anniversaries of the date of grant.

On March 2, 2015 , the Company issued 207,000 shares of restricted stock to employees under the 2006 Plan. The fair value for these awards was $6.68 per share, representing the closing stock price on the date of grant. These shares will vest 25% per year over four years on the anniversary dates of the respective grants.

The total compensation expense, classified within payroll and related on the condensed consolidated statements of operations, related to restricted stock was $186 and $714 for the three and nine months ended September 30, 2015 , respectively, versus $369 and $1,045 for the comparable prior-year periods. In the three months ended September 30, 2015 , the Company adjusted the forfeiture estimates to reflect actual forfeitures. The actual forfeitures experienced in the third quarter of 2015 differ from the Company's previous estimate mainly due to the termination of one of its executive management level employees in August 2015. The impact of forfeiture adjustment reduced stock-based compensation expense by $191 for the three months ended September 30, 2015 .

As of September 30, 2015 , a total of $2,175 in unrecognized compensation expense related to restricted stock awards is expected to be recognized over a weighted-average period of 2.8 years .

Stock Grants

In the nine months ended September 30, 2015 , the Company issued shares of common stock to members of the Company’s Board of Directors in respect of their annual retainer. The total fair value of the shares issued was expensed upon the date of grant. The total compensation expense, classified within general and administrative expenses, related to Board of Director common stock grants was $445 and $245 for the nine months ended September 30, 2015 and 2014 , respectively. There was no compensation expense related to Board of Director common stock grants for the three months ended September 30, 2015 and 2014 .

Total shares issued to members of the Company's Board of Directors during the nine months ended September 30, 2015 were:

Grant Date	Number of Shares	Price Per Share	Aggregate Grant Date Fair Value
February 2, 2015	35,764	$ 6.85	$ 245
March 24, 2015	31,845	$ 6.28	$ 200

9 . Fixed Asset Impairment

Fixed assets are evaluated for impairment periodically whenever events or changes in circumstances indicate that related carrying amounts may not be recoverable from undiscounted cash flows in accordance with FASB guidance. The Company’s long-lived assets and liabilities are grouped at the individual club level, which is the lowest level for which there are identifiable cash flows. To the extent that estimated future undiscounted net cash flows attributable to the assets are less than the carrying amount, an impairment charge equal to the difference between the carrying value of such asset and their fair values is recognized.

In the three months ended September 30, 2015 , the Company tested its underperforming clubs and recorded an impairment charge of $12,420 on leasehold improvements and furniture and fixtures at nine clubs that experienced decreased profitability and sales levels below expectations during this period. This charge was recorded within the Traditional Clubs segment. The remaining clubs tested that did not have impairment charges had an aggregate of $22,712 of net leasehold improvements and furniture and fixtures remaining as of September 30, 2015 . The Company will continue to monitor the results and changes in expectations of these clubs closely during the remainder of 2015 to determine if additional fixed asset impairment charges will be necessary.

In the nine months ended September 30, 2015 , the Company recorded a total of $14,571 fixed asset impairment charges compared to impairment charges of $4,513 in the nine months ended September 30, 2014 . The fixed asset impairment charges are included as a component of operating expenses in a separate line on the condensed consolidated statements of operations.

In determining the recoverability of fixed assets, Level 3 inputs were used in determining undiscounted cash flows, which are based on internal budgets and forecasts through the end of the life of the primary asset in the asset group which is normally the life of leasehold improvements. The most significant assumptions in those budgets and forecasts relate to estimated membership and ancillary revenue, attrition rates, estimated results related to new program launches and maintenance capital expenditures, which are generally estimated at approximately 3% to 5% of total revenues depending upon the conditions and needs of a given club. The fair value of fixed assets evaluated for impairment is determined considering a combination of a market approach and a cost approach.

10. Goodwill and Other Intangibles

Goodwill has been allocated to reporting units that closely reflect the regions served by the Company's 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"), the Company's three clubs located in Switzerland being considered a single reporting unit ("SSC"), and our BFX Studio ("BFX Studio"). As of September 30, 2015 , only the SSC region has a remaining goodwill balance.

The Company's annual goodwill impairment test is performed on the last day of February, or more frequently, should circumstances change which would indicate the fair value of goodwill is below its carrying amount. The determination as to whether a triggering event exists that would warrant an interim review of goodwill and whether a write-down of goodwill is necessary involves significant judgment based on short-term and long-term projections of the Company. As a result of the significant decrease in market capitalization and a decline in the Company's current performance primarily due to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates, the Company performed an interim impairment test as of May 31, 2015.

The Company's current year annual goodwill impairment test as of February 28, 2015 and the interim test performed as of May 31, 2015 were performed using the two-step goodwill impairment analysis. Step 1 involves comparing the fair value of the Company's reporting units to their carrying amounts. If the estimated fair value of the reporting unit is greater than its carrying amount, there is no requirement to perform step two of the impairment test, and there is no impairment. If the reporting unit's carrying amount is greater than the estimated fair value, the second step must be completed to measure the amount of impairment, if any. Step 2 calculates the implied fair value of goodwill by deducting the estimated fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit from the estimated fair value of the reporting unit as determined in Step 1. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment charge is recognized equal to the difference.

As a result of the May 31, 2015 interim impairment test, the Company concluded that there would be no remaining implied fair value of goodwill attributable to the NYSC and BSC regions. Accordingly, in June 2015, the Company wrote off $31,558 of goodwill associated with these reporting units. The Company did not have a goodwill impairment charge in the SSC region as a result of the interim test given the profitability of this unit. The February 28, 2015 annual impairment test supported the recorded goodwill balance and as such no impairment of goodwill was required. The February 28, 2014 annual impairment test resulted in a goodwill impairment charge of $137 associated with the Outlier Clubs in the nine months ended September 30, 2014 .

For the May 31, 2015 and February 28, 2015 impairment tests, fair value was determined by using a weighted combination of two market-based approaches (weighted 50% collectively) and an income approach (weighted 50%), as this combination was deemed to be the most indicative of the Company's fair value in an orderly transaction between market participants. Under the market-based approaches, the Company utilized information regarding the Company, the Company's industry as well as publicly available industry information to determine earnings multiples and sales multiples that are used to value the Company's reporting units. Under the income approach, the Company determined fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn, which are unobservable Level 3 inputs, and taking into account the firm offer. The discounted estimates of future cash flows include significant management assumptions such as revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions. The estimated weighted-average cost of capital of NYSC and SSC were 9.2% and 11.2% as of May 31, 2015, respectively, compared to 13.3% and 13.9% as of February 28, 2015. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates and future market conditions, among others. These assumptions were determined separately for each reporting unit. The Company believes its assumptions are reasonable, however, there can be no assurance that the Company's estimates and assumptions made for purposes of the Company's goodwill impairment testing as of May 31, 2015 and February 28, 2015 will prove to be accurate predictions of the future. If the Company's assumptions regarding forecasted revenue or margin growth rates of certain reporting units are not achieved, the Company may be required to record goodwill impairment charges in future periods, whether in connection with the Company's next annual impairment testing or prior to that, 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. The estimated fair value of SSC was greater than book value by 65% as of May 31, 2015 and 84% as of February 28, 2015.

Solely for purposes of establishing inputs for the fair value calculation described above related to goodwill impairment testing, the Company made the following assumptions. The Company developed long-range financial forecasts (three years) for all reporting units and assumed known changes in the existing club base. Terminal growth rates were calculated for years beyond the five year forecast. As of May 31, 2015, the Company used discount rates ranging from 8.2% to 11.2% and terminal growth rates ranging from 1.0% to 3.0% . As of February 28, 2015, the Company used discount rates ranging from 13.2% to 13.9% and terminal growth rates ranging from 0.5% to 3.0% . These assumptions are developed separately for each reporting unit.

The Company's next annual impairment test will be performed as of February 28, 2016 o r earlier, if any such change constitutes a triggering event outside the quarter when the annual goodwill impairment test is performed. The Company determined a triggering event did not occur in the three months ended September 30, 2015 .

The changes in the carrying amount of goodwill from December 31, 2014 through September 30, 2015 are detailed in the charts below.

	NYSC	BSC	SSC	Outlier Clubs	Total
Goodwill, net of accumulated amortization	$ 31,549	$ 9	$ 1,035	$ 137	$ 32,730
Less: accumulated impairment of goodwill	—	—	—	(137)	(137)
Balance as of December 31, 2014	31,549	9	1,035	—	32,593
Changes due to foreign currency exchange rate fluctuations	—	—	20	—	20
Less: impairment of goodwill	(31,549)	(9)	—	—	(31,558)
Balance as of September 30, 2015	$ —	$ —	$ 1,055	$ —	$ 1,055

Amortization expense was $11 and $213 for the three and nine months ended September 30, 2015 , respectively, versus $128 and $385 for the comparable prior-year periods. Intangible assets are as follows:

	As of September 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
Membership lists	$ 11,344	$ (11,344)	$ —
Management contracts	250	(102)	148
Trade names	40	(6)	34
	$ 11,634	$ (11,452)	$ 182

	As of December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
Membership lists	$ 11,344	$ (11,163)	$ 181
Management contracts	250	(73)	177
Trade names	40	(4)	36
	$ 11,634	$ (11,240)	$ 394

11. Income Taxes

For the nine months ended September 30, 2015 , the Company recorded an income tax benefit of $17,066 inclusive of valuation allowance compared with an income tax benefit of $4,430 for the nine months ended September 30, 2014 , reflecting an effective income tax rate of 21% for the nine months ended September 30, 2015 and 46% for the nine months ended September 30, 2014 . For the nine months ended September 30, 2015 and 2014, the Company has determined its income tax benefit on a discrete basis since the potential impact of fluctuations in the Company's forecast may have a significant impact on the estimated annual effective tax rate.

As of September 30, 2015 and December 31, 2014, the Company had a net deferred tax liability of $61 and $11,576 , respectively. The state net deferred tax liability was $17 and $3,274 as of September 30, 2015 and December 31, 2014, respectively. As of September 30, 2015 and December 31, 2014, the Company maintained a full valuation allowance against its U.S. net deferred tax assets.

As of September 30, 2015 and December 31, 2014, the Company had $1,187 of unrecognized tax benefits and it is reasonably possible that the entire amount could be realized by the Company in the year ending December 31, 2015 since the income tax returns may no longer be subject to audit in 2015.

The following state and local jurisdictions are currently examining the Company's respective income tax returns for the years indicated: New York State (2006 through 2011) and New York City (2006 through 2011). On April 9, 2015, the Company received a "no change" letter from the Commonwealth of Massachusetts for the periods ended December 31, 2009 and 2010. On March 26, 2014, the Company received from the State of New York a revised assessment related to tax years 2006-2009 in the amount of $3,500 , inclusive of $1,174 of interest. In a letter dated June 1, 2015, the Company has requested a meeting with New York State Department of Finance and Taxation to resolve the examination. This meeting is scheduled to be held in early 2016. The Company continues to evaluate the merits of the proposed assessment as new information becomes available during continued discussions with the State of New York. The Company has not recorded a tax reserve related to the proposed assessment. It is difficult to predict the final outcome or timing of resolution of any particular matter regarding these examinations; however, it may be reasonably possible that one or more of these examinations may result in a change in the reserve for uncertain tax positions over the next twelve months.

12 . Commitments and Contingencies

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, the tenant, and take additional space in a nearby facility leased by another subsidiary of TSI, LLC. Following a determination of an initial award, which TSI, LLC and the tenant have paid in full, the landlord appealed the trial court's award of damages, and on August 29, 2011, an additional award (amounting to approximately $900) (the "Additional Award"), was entered against the tenant, which has recorded a liability. 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. As a result, the developer reimbursed TSI, LLC and the tenant the amount of the initial award in installments over time and also agreed to be responsible for the payment of the Additional Award, and the tenant has recorded a receivable related to the indemnification for the Additional Award. The developer and the landlord are currently litigating the payment of the Additional Award and judgment was entered against the developer on June 5, 2013 in the amount of approximately $1,045 , plus interest, which judgment was upheld by the appellate court on April 29, 2015. TSI, LLC does not believe it is probable that TSI, LLC will be required to pay for any amount of the Additional Award.

On or about October 4, 2012, in an action styled James Labbe, et al. v. Town Sports International, LLC, plaintiff commenced a purported class action in New York State court on behalf of personal trainers employed in New York State. Labbe is seeking unpaid wages and damages from TSI, LLC and alleges violations of various provisions of the New York State labor law with respect to payment of wages and TSI, LLC's notification and record-keeping obligations. The Court has bifurcated class and merits discovery. The deadline for the completion of pre-class certification document discovery was December 31, 2014. On June 12, 2015, the plaintiff made a motion for class certification. On July 24, 2015, the court indefinitely adjourned the plaintiff's motion for class certification to allow the court to first decide a motion for sanctions by TSI, LLC against Labbe. TSI, LLC made that motion for sanctions on June 30, 2015. The motion seeks dismissal of Labbe's complaint, and reimbursement of certain of TSI, LLC's legal fees, on the ground that Labbe has not complied with his discovery obligations and the court's discovery orders. TSI, LLC's motion for sanctions remains pending. TSI, LLC has proposed a settlement offer and the parties are working towards a resolution of this matter. If the parties are unsuccessful in these settlement negotiations, TSI, LLC intends to continue to contest this case vigorously.

In addition to the litigation discussed above, the Company is involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business, including personal injury, employee relations claims and landlord tenant disputes. The results of litigation are inherently unpredictable. Any claims against the Company, 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. The Company establishes accruals for loss contingencies when it has determined that a loss is probable and that the amount of loss, or range of loss, can be reasonably estimated. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances. The Company concluded that an accrual for any such matters is not required as of September 30, 2015 .

13. Reportable Segments

The Company's operating segments are New York Sports Clubs, Boston Sports Clubs, Philadelphia Sports Clubs, Washington Sports Clubs, Swiss Sports Clubs and BFX Studio, which is the level at which the chief operating decision makers review discrete financial information and make decisions about segment profitability based on earnings before income tax depreciation and amortization. The Company has historically determined that these clubs have similar economic characteristics and meet the criteria which permit them to be aggregated into one reportable segment. During the fourth quarter of 2014, BFX Studio started to be managed separately and reported as a separate reportable segment as it does not meet the aggregation criteria to be aggregated with the clubs. Geographically, the Company operates its fitness clubs mainly in the United States. Segment information on geographic regions is not material for presentation.

The following tables set forth the Company's financial performance by reportable segment for the three and nine months ended September 30, 2015 and 2014 .

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Clubs	$ 103,075	$ 112,419	$ 321,875	$ 344,019
BFX Studio	689	102	1,609	102
Total Revenues	$ 103,764	$ 112,521	$ 323,484	$ 344,121

The Company presents earnings (loss) before interest expense (net of interest income), provision (benefit) for corporate income taxes, and depreciation and amortization ("EBITDA") as the primary measure of profit and loss for its operating segments in accordance with FASB guidance for segment reporting. Clubs EBITDA includes all corporate overhead expenses and the impact of equity in the earnings of investees and rental income. In the three and nine months ended September 30, 2015 , BFX Studio reported EBITDA loss of $856 and $2,896 , respectively, and $1,060 and $2,624 , respectively, for the comparable prior-year periods, primarily reflecting the rent and occupancy costs, start-up costs and overhead payroll for the Company's three BFX Studio locations opened in September 2014, March 2015 and June 2015, and one other studio location under development.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
EBITDA:				
Clubs	$ (6,094)	$ 15,690	$ (28,404)	$ 42,109
BFX Studio	(856)	(1,060)	(2,896)	(2,624)
Total reportable segments	(6,950)	14,630	(31,300)	39,485
Depreciation and amortization	12,190	11,638	36,042	35,289
Interest expense	5,204	4,519	15,562	13,927
Loss before benefit for corporate income taxes	$ (24,344)	$ (1,527)	$ (82,904)	$ (9,731)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Capital Expenditures:				
Clubs	$ 5,468	$ 11,594	$ 17,267	$ 25,536
BFX Studio	1,812	1,414	6,806	3,660
Total Capital Expenditures	$ 7,280	$ 13,008	$ 24,073	$ 29,196

14 . Separation Obligation

In March 2015, Robert Giardina's employment with the Company as Executive Chairman was terminated. Mr. Giardina continues to serve as a member of the Board and will be treated as a non-employee director. Pursuant to a letter agreement entered with Mr. Giardina in February 2015, Mr. Giardina was entitled to receive payment of $1,100 in accordance with the terms of the agreement, which has been placed by the Company in a Rabbi Trust, and the Company accrued an additional $208 of payroll taxes and medical benefits related to this agreement. These amounts were classified within payroll and related as well as general and administrative on the condensed consolidated statements of operations for the nine months ended September 30, 2015 . Of the $1,100 separation obligation, $679 was paid in April 2015, $140 was paid in September 2015 and the remaining balance of $281 will be paid over a 12 -month period beginning October 2015. The $281 remaining separation obligation was included in Prepaid expenses and other current assets on the accompanying condensed consolidated balance sheets as of September 30, 2015 . The $281 is classified as restricted cash as of September 30, 2015 and is restricted in its use as noted above.

In June 2015, Daniel Gallagher's employment with the Company as Chief Executive Officer and President was terminated. Pursuant to a letter agreement entered with Mr. Gallagher in June 2015, Mr. Gallagher received payment of $150 in June 2015, and is entitled to receive severance payment of $550 , payable over a 12 -month period beginning July 2015. The Company also accrued an additional $76 of payroll taxes and medical benefits related to this agreement. These amounts were classified within payroll and related on the condensed consolidated statements of operations for the nine months ended September 30, 2015 . Of the $550 severance payment, $138 was paid in the third quarter of 2015 and the remaining balance of $412 was included in Accrued Expenses on the accompanying condensed consolidated balance sheets as of September 30, 2015 .

In connection with Mr. Gallagher's termination, the Company's Board of Directors named Patrick Walsh, then Chairman of the Board of the Company, to serve as Executive Chairman, on an interim basis, in which capacity Mr. Walsh is responsible for the general management and control of the affairs and business of the Company while the Board of Directors conducts a search for the Company’s next Chief Executive Officer. In exchange for his service as Executive Chairman, Mr. Walsh is entitled to receive compensation of $30 per month, payable from June 19, 2015. In the three and nine months ended September 30, 2015, the Company incurred compensation expense of $90 and $101 , respectively, to Mr. Walsh in connection with this arrangement.

In September 2015, Paul Barron's employment with the Company as Chief Information Officer was terminated. Pursuant to a letter agreement entered with Mr. Barron in February 2015, Mr. Barron will receive payments totaling $402 with $83 payable in December 2015, and $319 payable over a 12 -month period beginning December 2015. The Company also accrued an additional $44 of payroll taxes and medical benefits related to this agreement. These amounts were classified within payroll and related on the condensed consolidated statements of operations for the three and nine months ended September 30, 2015 , and were included in accrued expenses on the condensed consolidated balance sheets as of September 30, 2015 .

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

Introduction

In this Form 10-Q, unless otherwise stated or the context otherwise indicates, references to "Town Sports," "TSI," "the Company," "we," "our" and similar references refer to Town Sports International Holdings, Inc. and its subsidiaries, references to "TSI Holdings" refers to Towns Sports International Holdings, Inc., 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, 2015 , the Company, through its subsidiaries, operated 153 fitness clubs ("clubs") and three BFX Studio locations. Our clubs collectively served approximately 534,000 members as of September 30, 2015 . We owned and operated a total of 105 clubs under the "New York Sports Clubs" brand name within a 120-mile radius of New York City as of September 30, 2015 , including 37 locations in Manhattan where we are the largest fitness club owner and operator. We owned and operated 27 clubs in the Boston region under our "Boston Sports Clubs" brand name, 13 clubs (two of which are partly-owned) in the Washington, D.C. region under our "Washington Sports Clubs" brand name and five clubs in the Philadelphia region under our "Philadelphia Sports Clubs" brand name as of September 30, 2015 . In addition, we owned and operated three clubs in Switzerland as of September 30, 2015 . 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. Our members include a wide age demographic covering the student market to the active mature market. 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.

In the second quarter of 2015, we completed the introduction of a new low price model to a substantial majority of our clubs. As of September 30, 2015 , approximately 80% of our clubs were operating under this new pricing model, with the remaining clubs principally comprised of our passport-only model. Monthly dues at the clubs under the new pricing model are offered at reduced prices and advertising cost were initially increased. These clubs offer the same level of service and amenities as our traditional clubs but at a lower price point giving us an opportunity to recapture market share and compete against low cost gyms that have opened in our markets. We believe our offerings are more compelling than other low cost operators because we include exciting group exercise classes, top of the line equipment, pools and courts with price of certain memberships, when available.

The clubs under the new pricing model are expected to experience continued earnings pressure in the near-term related to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates. The effect of existing members opting for lower dues and new members enrolling at lower rates have only partially been offset by an increase in membership sales volume. Our total member count increased 14,000 to 534,000 in the three months ended September 30, 2015 compared to a decrease of 9,000 in the same prior-year period. In the nine months ended September 30, 2015 , our total member count increased 55,000 compared to a decrease of 18,000 in the nine months ended September 30, 2014 . We continue to consider pricing adjustments in order to increase revenue while also driving membership growth.

We completed the conversion from our internally developed Club Management legacy system to a third-party developed software system. This conversion resulted in a one-time adjustment to our historical legacy member count of approximately 5,000 members. We believe this adjustment was non-revenue generated and therefore no impact on our consolidated financial statements.

Due to the rise in popularity of private studio offerings, we introduced our BFX Studio brand in 2014. We currently have three BFX Studio locations and expect to open one additional location in early 2016. This three-dimension luxury studio brand takes advantage of the rise in consumer demand for studio experiences. BFX Studio includes three unique offerings: Ride Republic, which is indoor cycling, Private Sessions for personal training and Master Class for certain group exercise classes. BFX Studio is staffed with high caliber instructors in each of the three core offerings and the studios are designed to appeal to all ages and all experience levels of metropolitan, active healthy lifestylers. This studio concept requires approximately 9,000 to 12,000 square feet of space per studio which compares to the approximately 26,000 square feet aggregate average size of our clubs.

Revenue and operating expenses

We have two principal sources of revenue:

- *Membership revenue:* Our largest sources of revenue are dues inclusive of monthly membership fees, annual maintenance fees, initiation and processing fees paid by our members. In addition, we collect usage fees on a per visit basis for non-passport members using non-home clubs. These dues and fees comprised 76.0% of our total revenue for the nine months ended September 30, 2015 . We recognize revenue from membership dues in the month when the services are rendered. Approximately 98% 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 initiation and processing fees over the estimated average membership life and annual fees over a twelve month period.
- *Ancillary club revenue:* For the nine months ended September 30, 2015 , we generated 17.1% of our revenue from personal training and 5.4% of our revenue from other ancillary programs and services consisting of BFX Studio classes, programming for children, Small Group Training and other member activities, as well as sales of miscellaneous sports products. We continue to grow ancillary club revenue by building on ancillary programs such as our personal training membership product and our fee-based Small Group Training programs.

We also receive revenue (approximately 1.5% of our total revenue for the nine months ended September 30, 2015) 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 also collect laundry related revenue for the laundering of towels for third parties. We refer to these revenues as Fees and other revenue.

In September 2014, we completed the legal sale of our East 86th Street property to an unaffiliated third-party, which housed one of our New York Sports Clubs as well as our former retail tenant that generated rental income for us. Because the transaction is characterized for accounting purposes as a financing rather than a sale, the rental payments are treated as interest on the financing arrangement. Further, we will continue to account for the rental income from this former retail tenant until the tenant's lease is terminated. Rental income from this former retail tenant was approximately $1.5 million for each of the nine months ended September 30, 2015 and 2014 . Refer to Note 5 - Building Financing Arrangement to our condensed consolidated financial statements.

Our performance is dependent in part on our ability to continually attract and retain members at our clubs. In the three months ended September 30, 2015 and 2014 , our monthly average attrition rate was 4.4% and 4.0% , respectively.

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 repairs 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 statements of operations and are not included in general and administrative expenses. Approximately 40% of general and administrative expenses relate directly to club operations including phone and data lines, computer maintenance, business licenses, office and sales supplies, general liability insurance, recruiting and training.

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, 2015 , 151 of our fitness clubs were wholly-owned by us and our condensed consolidated financial statements include the operating results of all such clubs. Two locations 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 private fitness locations where we do not have an equity interest which include three fitness clubs located in colleges and universities and eight managed sites.

Historical Club Count

The following table sets forth the changes in our club count during each of the quarters in 2014 , the full-year 2014 , and the first, second and third quarters of 2015 .

	2014					2015		
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3
Wholly owned clubs operated at beginning of period	160	160	161	156	160	156	156	152
New clubs opened	—	1	—	3	4	1	—	—
Clubs closed, relocated or merged	—	—	(5)	(3)	(8)	(1)	(4)	(1)
Wholly owned clubs at end of period	160	161	156	156	156	156	152	151
Total clubs operated at end of period (1) (2)	162	163	158	158	158	158	154	153

(1) Includes wholly-owned and partly-owned clubs. Not included in the total club count are locations that are managed by us in which we do not have an equity interest. These managed sites include three fitness clubs located in colleges and universities and eight managed sites.
(2) Excludes three BFX Studio locations.

Comparable Club Revenue

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

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

	2014				2015		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Comparable club revenue	(4.7)%	(4.5)%	(4.5)%	(3.9)%	(3.5)%	(5.4)%	(7.1)%

The comparable club revenue declines experienced in 2014 are primarily due to the impact of membership declines. We experienced an overall member loss of 13,000 in the year ended December 31, 2014. The decline in comparable club revenue for the nine months ended September 30, 2015 is mainly driven by lower membership revenue due to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates under our new pricing model. The effect of existing members opting for lower dues and new members enrolling at lower rates was only partially offset by an increase in membership sales volume. In the nine months ended September 30, 2015 , our total member count increased 55,000 compared to a decrease of 18,000 in the nine months ended September 30, 2014 . We continue to consider pricing adjustments in order to increase revenue while also driving membership growth.

Consolidated 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,	
	2015	2014	2015	2014
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Payroll and related	41.3	39.1	42.0	38.7
Club operating	47.5	41.6	46.8	42.1
General and administrative	6.5	6.9	7.2	6.9
Depreciation and amortization	11.7	10.3	11.1	10.3
	107.0	97.9	107.1	98.0
Impairment of fixed assets	12.0	—	4.5	1.3
Impairment of goodwill	—	—	9.8	—
	12.0	—	14.3	1.3
Operating (loss) income	(19.0)	2.1	(21.4)	0.7
Interest expense	5.0	4.0	4.8	4.0
Equity in the earnings of investees and rental income	(0.5)	(0.5)	(0.5)	(0.5)
Loss before benefit for corporate income taxes	(23.5)	(1.4)	(25.7)	(2.8)
Benefit for corporate income taxes	(2.3)	(0.6)	(5.3)	(1.3)
Net loss	(21.2)%	(0.8)%	(20.4)%	(1.5)%

Three Months Ended September 30, 2015 compared to Three Months Ended September 30, 2014

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

	Three Months Ended September 30,				
	2015		2014		
	Revenue	% Revenue	Revenue	% Revenue	% Variance
Membership dues	$ 74,806	72.1%	$ 84,377	75.0%	(11.3)%
Initiation and processing fees	3,373	3.2	2,886	2.6	16.9
Membership revenue	78,179	75.3	87,263	77.6	(10.4)
Personal training revenue	17,868	17.2	17,703	15.7	0.9
Other ancillary club revenue (1)	6,072	5.9	5,990	5.3	1.4
Ancillary club revenue	23,940	23.1	23,693	21.0	1.0
Fees and other revenue (2)	1,645	1.6	1,565	1.4	5.1
Total revenue	$ 103,764	100.0%	$ 112,521	100.0%	(7.8)%

(1) Other ancillary club revenue primarily consists of BFX Studio classes, Small Group Training, Sports Clubs for Kids, and racquet sports.
(2) Fees and other revenue primarily consist of rental income, marketing revenue and management fees.

Revenue decreased $8.8 million , or 7.8% , in the three months ended September 30, 2015 compared to the same prior-year period, as a result of lower membership revenue partially offset by higher ancillary club revenue. Revenue decreased approximately $7.7 million at our clubs opened or acquired prior to September 30, 2013 and $3.1 million at clubs that closed subsequent to September 30, 2013 . These decreases were partially offset by a $2.0 million increase in revenue from our clubs that were opened or acquired subsequent to September 30, 2013 .

Membership dues revenue decreased $9.6 million , or 11.3% , in the three months ended September 30, 2015 compared to the same prior-year period primarily due to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates, both as a result of the new pricing model. These decreases were partially offset by an increase in annual fees recognized of $3.0 million. Beginning in the third quarter of 2014, new memberships charge an annual fee beginning on the first day of membership and on each annual anniversary date thereafter and are deferred and recognized, on a straight-line basis over 12 months. We continue to consider pricing adjustments in order to increase revenue while also driving membership growth.

Initiation and processing fees revenue increased $487,000 , or 16.9% , in the three months ended September 30, 2015 compared to the same prior-year period, primarily reflecting an increased amount of initiation and processing fees under the new pricing model associated with an increase in membership sales volume beginning in the third quarter of 2014. Our total member count increased 14,000 to 534,000 in the three months ended September 30, 2015 compared to a decrease of 9,000 in the same prior-year period. Initiation and processing fees are recognized into revenue over the estimated average membership life.

Personal training revenue increased $165,000 , or 0.9% , in the three months ended September 30, 2015 compared to the same prior-year period, primarily reflecting increased interest on our multi-session personal training membership products and an increase in overall membership level.

Other ancillary club revenue increased $82,000 , or 1.4% in the three months ended September 30, 2015 compared to the same prior-year period primarily driven by increased revenue from our BFX Studio classes, partially offset by decreased revenue from guest fees as guest fees are no longer charged in most of our clubs.

Comparable club revenue decreased 7.1% in the three months ended September 30, 2015 as compared to the same prior-year period. The price of our membership dues and fees decreased which was partially offset by an increase in memberships at our comparable clubs.

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

	Three Months Ended September 30,		
	2015	2014	% Variance
Payroll and related	$ 42,889	$ 43,994	(2.5)%
Club operating	49,280	46,664	5.6
General and administrative	6,696	7,813	(14.3)
Depreciation and amortization	12,190	11,638	4.7
Impairment of fixed assets	12,420	—	N/A
Total operating expenses	$ 123,475	$ 110,109	12.1 %

Operating expenses increased due to the following factors:

Payroll and related. Payroll and related expenses decreased $1.1 million , or 2.5% , in the three months ended September 30, 2015 compared to the same prior-year period. Overhead and club expenses decreased $2.4 million primarily associated with the initial results of our cost savings initiatives, including a headcount reduction. These reductions primarily occurred in September 2015. These decreases were partially offset by severance charges of $954,000 in the 2015 period, including $446,000 in separation obligations related to our former Chief Information Officer. (Note 14 - Separate Obligation to our condensed consolidated financial statements). In addition, personal training payroll increased $307,000, which was related to an increase in personal training revenue.

Club operating. Club operating expenses increased $2.6 million , or 5.6% , in the three months ended September 30, 2015 compared to the same prior-year period. This increase was principally attributable to the following:

- Rent and occupancy expenses increased $1.8 million in the three months ended September 30, 2015 compared to the same period last year principally due to the following:
  - Mature clubs expenses increased $860,000 resulting from rent escalations.
  - Expenses associated with newly opened and future clubs and BFX Studio locations increased $221,000.
  - In the three months ended September 30, 2014, we recognized $2.9 million of gains related to the reversal of deferred rent in connection with leases terminated early which decreased rent and occupancy expenses in that period.
  - Offsetting the above increases were savings of $1.5 million for closed clubs.
  - Lease termination penalties decreased $641,000.

- Electric utilities expense increased $694,000 in the three months ended September 30, 2015 compared to the same prior-year period primarily as a result of rate increases, as well as the warmer weather and therefore higher electricity consumption.

General and administrative. General and administrative expenses decreased $1.1 million , or 14.3% , in the three months ended September 30, 2015 compared to the same period last year, primarily reflecting the initial results of our cost savings initiatives of $1.7 million. The decrease was partially offset by increased general liability insurance expenses of $581,000 associated with an increase in reserves for claims related to prior periods.

Depreciation and amortization. In the three months ended September 30, 2015 compared to the same period last year, depreciation and amortization expense increased $552,000 , or 4.7% , principally due to the addition of new clubs and BFX Studio locations during 2014 and 2015.

Impairment of fixed assets. In the three months ended September 30, 2015 , we recorded a total of $12.4 million fixed asset impairment charges at underperforming clubs. We did not have fixed asset impairment in the three months ended September 30, 2014 .

Interest expense

Interest expense increased $685,000 , or 15.2% , in the three months ended September 30, 2015 compared to the same period last year, primarily reflecting the non-cash rental income related to our former tenant at the East 86th Street property. Because the legal sale of our East 86th Street property is characterized for accounting purposes as a financing rather than a sale, rental income related to our former tenant in the building that was assigned to the purchaser/landlord is treated as interest on the financing arrangement. We will continue to account for the rental income from this former retail tenant as interest expense until the tenant's lease is terminated. This was partially offset by a decrease in interest expense due to principal payments made on our 2013 Term Loan Facility.

Benefit for Corporate Income Taxes

We recorded an income tax benefit of $2.3 million inclusive of valuation allowance and an income tax benefit of $660,000 for the three months ended September 30, 2015 and 2014 , respectively, reflecting an effective income tax rate of 10% for the three months ended September 30, 2015 and 43% for the three months ended September 30, 2014 . For the three months ended September 30, 2015 and 2014, we have determined our income tax provision and benefit on a discrete basis since the potential impact of fluctuations in our forecast may have a significant impact on the estimated annual effective tax rate.

Nine Months Ended September 30, 2015 compared to Nine Months Ended September 30, 2014

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

	Nine Months Ended September 30,				
	2015		2014		
	Revenue	% Revenue	Revenue	% Revenue	% Variance
Membership dues	$ 235,185	72.7%	$ 260,571	75.7%	(9.7)%
Initiation and processing fees	10,650	3.3	9,080	2.7	17.3
Membership revenue	245,835	76.0	269,651	78.4	(8.8)
Personal training revenue	55,527	17.1	52,857	15.3	5.1
Other ancillary club revenue (1)	17,386	5.4	17,092	5.0	1.7
Ancillary club revenue	72,913	22.5	69,949	20.3	4.2
Fees and other revenue (2)	4,736	1.5	4,521	1.3	4.8
Total revenue	$ 323,484	100.0%	$ 344,121	100.0%	(6.0)%

(1) Other ancillary club revenue primarily consists of BFX Studio classes, Small Group Training, Sports Clubs for Kids, and racquet sports.
(2) Fees and other revenue primarily consist of rental income, marketing revenue and management fees.

Revenue decreased $20.6 million , or 6.0% in the nine months ended September 30, 2015 compared to the same prior-year period, as a result of lower membership revenue partially offset by higher ancillary club revenue. Revenue decreased approximately $18.0 million at our clubs opened or acquired prior to September 30, 2013 and $8.8 million at clubs that closed subsequent to September 30, 2013 . These decreases were partially offset by a $6.2 million increase in revenue from our clubs that were opened or acquired subsequent to September 30, 2013 .

Membership dues revenue decreased $25.4 million , or 9.7% , in the nine months ended September 30, 2015 compared to the same prior-year period primarily due to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates, both as a result of the new pricing model. These decreases were partially offset by an increase in annual fees recognized of $6.2 million. Beginning in the third quarter of 2014, new memberships charge an annual fee beginning on the first day of membership and on each annual anniversary date thereafter and are deferred and recognized, on a straight-line basis over 12 months. We continue to consider pricing adjustments in order to increase revenue while also driving membership growth.

Initiation and processing fees revenue increased $1.6 million , or 17.3% , in the nine months ended September 30, 2015 compared to the same prior-year period, primarily reflecting an increased amount of initiation and processing fees under the new pricing model associated with an increase in membership sales volume. Our total member count increased 55,000 to 534,000 in the nine months ended September 30, 2015 compared to a decrease of 18,000 members in the same prior-year period primarily due to the implementation of the new pricing model. Total initiation and processing fees collected in the nine months ended September 30, 2015 were $10.0 million compared to $8.3 million in the same period last year. Initiation and processing fees are recognized into revenue over the estimated average membership life.

Personal training revenue increased $2.7 million , or 5.1% , in the nine months ended September 30, 2015 compared to the same prior-year period, primarily reflecting an increased interest on our multi-session personal training membership products and an increase in overall membership level.

Other ancillary club revenue increased $294,000 , or 1.7% in the nine months ended September 30, 2015 compared to the same prior-year period primarily driven by increased revenue from our BFX Studio classes, partially offset by decreased revenue from guest fees as guest fees are no longer charged in most of our clubs.

Comparable club revenue decreased 5.3% in the nine months ended September 30, 2015 as compared to the same prior-year period. The price of our membership dues and fees decreased which was partially offset by an increase in memberships at our comparable clubs.

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

	Nine Months Ended September 30,		
	2015	2014	% Variance
Payroll and related	$ 135,886	$ 133,329	1.9 %
Club operating	151,386	144,877	4.5
General and administrative	23,144	23,600	(1.9)
Depreciation and amortization	36,042	35,289	2.1
Impairment of fixed assets	14,571	4,513	>100%
Impairment of goodwill	31,558	137	>100%
Total operating expenses	$ 392,587	$ 341,745	14.9 %

Operating expenses increased due to the following factors:

Payroll and related. Payroll and related expenses increased $2.6 million , or 1.9% , in the nine months ended September 30, 2015 compared to the same prior-year period. Personal training payroll increased $1.7 million which was related to the increase in personal training revenue. The increase also included $2.5 million separation obligations related to the departure of certain executive officers and severance charges of $546,000 associated with certain employees. These increases were partially offset by decreased overhead expenses and club expenses of $2.2 million associated with a headcount reduction and other cost savings initiatives. These cost reductions primarily occurred in September 2015, reflecting the initial results of our cost savings initiatives.

Club operating. Club operating expenses increased $6.5 million , or 4.5% , in the nine months ended September 30, 2015 compared to the same prior-year period. This increase was principally attributable to the following:

- Marketing expenses increased $5.0 million in the nine months ended September 30, 2015 compared to the same period in the prior year principally due to increased advertising spend associated with the new pricing model.

- Rent and occupancy expenses increased $2.6 million in the nine months ended September 30, 2015 compared to the same period last year principally due to the following:
  - Mature clubs expenses increased $2.5 million resulting from rent escalations.
  - Expenses associated with newly opened and future clubs and BFX Studio locations had increased $868,000.
  - In the nine months ended September 30, 2014, we recognized $2.9 million of gains related to the reversal of deferred rent in connection with leases terminated early which decreased rent and occupancy expenses in that period.
  - Lease termination penalties increased $230,000.
  - Offsetting the above increases were savings of $3.6 million for closed clubs.

General and administrative. General and administrative expenses decreased $456,000 , or 1.9% , in the nine months ended September 30, 2015 compared to the same period last year, primarily reflecting the initial results of our cost savings initiatives of $1.8 million, partially offset by increased general liability insurance expenses of $425,000 associated with an increase in reserves for claims related to prior periods. In addition, in 2015 there was an increase in costs of $200,000 associated with stock awards granted to the new members of the Board of Directors and $699,000 associated with the changes to our Board of Directors and other related expenses.

Depreciation and amortization. In the nine months ended September 30, 2015 compared to the same period last year, depreciation and amortization expense increased $753,000 , or 2.1% , principally due to the addition of new clubs and BFX Studio locations during 2014 and 2015.

Impairment of fixed assets. In the nine months ended September 30, 2015 , we recorded a total of $14.6 million fixed asset impairment charges compared to $4.5 million in the nine months ended September 30, 2014 all related to underperforming clubs.

Impairment of goodwill. As a result of the significant decrease in market capitalization and a decline in our current performance primarily due to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates, we performed an interim impairment test as of May 31, 2015. We concluded that there would be no remaining implied fair value of goodwill attributable to the NYSC and BSC regions. Accordingly, in June 2015, we wrote off $31.6 million of goodwill associated with these reporting units. The February 28, 2014 annual impairment test resulted in a goodwill impairment charge of $137,000 associated with the Outlier Clubs in the nine months ended September 30, 2014 .

Interest expense

Interest expense increased $1.6 million , or 11.7% , in the nine months ended September 30, 2015 compared to the same period last year, primarily reflecting the non-cash rental income related to our former tenant at the East 86th Street property. Because the legal sale of our East 86th Street property is characterized for accounting purposes as a financing rather than a sale, rental income related to our former tenant in the building that was assigned to the purchaser/landlord are treated as interest on the financing arrangement. We will continue to account for the rental income from this former retail tenant as interest expense until the tenant’s lease is terminated. This was partially offset by a decrease in interest expense due to principal payments made on our 2013 Term Loan Facility.

Benefit for Corporate Income Taxes

We recorded an income tax benefit of $17.1 million inclusive of valuation allowance and an income tax benefit of $4.4 million for the nine months ended September 30, 2015 and 2014 , respectively, reflecting an effective income tax rate of 21% for the nine months ended September 30, 2015 and 46% for the nine months ended September 30, 2014 . For the nine months ended September 30, 2015 and 2014 , we have determined our income tax provision and benefit on a discrete basis since the potential impact of fluctuations in our forecast may have a significant impact on the estimated annual effective tax rate.

Segment Results of Operations

The following discussion sets forth our financial performance by reportable segment for the three and nine months ended September 30, 2015 and 2014 . We present earnings (loss) before interest expense (net of interest income), provision (benefit) for corporate income taxes, and depreciation and amortization ("EBITDA") as the primary measure of profit and loss for our operating segments in accordance with FASB guidance for segment reporting.

Clubs *(New York Sports Clubs, Boston Sports Clubs, Philadelphia Sports Clubs, Washington Sports Clubs, and Swiss Sports Clubs)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	$ 103,075	$ 112,419	$ 321,875	$ 344,019
EBITDA	$ (6,094)	$ 15,690	$ (28,404)	$ 42,109

Three Months Ended September 30, 2015 compared to Three Months Ended September 30, 2014

Clubs revenue decreased $9.3 million , or 8.3% , in the three months ended September 30, 2015 compared to the same prior-year period, mainly driven by lower membership revenue due to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates under our new pricing model. The effect of existing members opting for lower dues and new members enrolling at lower rates was only partially offset by an increase in membership sales volume. These decreases were partially offset by an increase in annual fees recognized of $3.0 million. Our total member count increased 14,000 to 534,000 in the three months ended September 30, 2015 compared to a decrease of 9,000 in the same prior-year period. We continue to consider pricing adjustments in order to increase revenue while also driving membership growth.

In the three months ended September 30, 2015 , Clubs had an EBITDA loss of $6.1 million compared with an EBITDA of $15.7 million in the three months ended September 30, 2014 , primarily reflecting increased fixed asset impairment charges of $12.4 million and the decline in revenue.

Nine Months Ended September 30, 2015 compared to Nine Months Ended September 30, 2014

Clubs revenue decreased $22.1 million , or 6.4% , in the nine months ended September 30, 2015 compared to the same prior-year period, mainly driven by lower membership revenue due to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates under our new pricing model. The effect of existing members opting for lower dues and new members enrolling at lower rates was only partially offset by an increase in membership sales volume. These decreases were partially offset by an increase in annual fees recognized of $6.2 million. Our total member count increased 55,000 to 534,000 in the nine months ended September 30, 2015 compared to a decrease of 18,000 members in the same prior-year period. We continue to consider pricing adjustments in order to increase revenue while also driving membership growth.

In the nine months ended September 30, 2015 , Clubs had an EBITDA loss of $28.4 million compared with an EBITDA of $42.1 million in the nine months ended September 30, 2014 , primarily reflecting increased fixed asset and goodwill impairment charges of $41.5 million and the decline in revenue, as well as increased marketing expenses associated with our new pricing model.

BFX Studio

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	$ 689	$ 102	$ 1,609	$ 102
EBITDA	$ (856)	$ (1,060)	$ (2,896)	$ (2,624)

Three Months Ended September 30, 2015 compared to Three Months Ended September 30, 2014

BFX Studio's revenue was $689,000 in the three months ended September 30, 2015 , reflecting revenue of our three BFX Studio locations which opened in September 2014, March 2015 and June 2015. We currently plan to open one additional BFX Studio location in early 2016.

BFX Studio had an EBITDA loss of $856,000 and $1.1 million for the three months ended September 30, 2015 and 2014 , respectively, primarily reflecting the rent and occupancy costs, start-up costs and overhead payroll for our three BFX Studio locations and one other location with leases executed and development underway.

Nine Months Ended September 30, 2015 compared to Nine Months Ended September 30, 2014

BFX Studio's revenue was $1.6 million in the nine months ended September 30, 2015 , reflecting revenue of our three BFX Studio locations opened in September 2014, March 2015 and June 2015. We currently plan to open one additional BFX Studio location in early 2016.

BFX Studio had an EBITDA loss of $2.9 million and $2.6 million for the nine months ended September 30, 2015 and 2014 , respectively, primarily reflecting the rent and occupancy costs, start-up costs and overhead payroll for our three BFX Studio locations and one other location with leases executed and development underway.

Liquidity and Capital Resources

As of September 30, 2015 , we had $88.3 million of cash and cash equivalents. Financial instruments that potentially subject us 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, 2015 , $75.6 million was held at two financial institutions. 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 the aforementioned institutions, we are exposed to any significant credit risk related to cash at this time.

Historically, we have satisfied our liquidity needs through cash generated from operations and various 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. In March 2014 and June 2014, we paid a cash dividend of $0.16 per share. Any determination to pay future dividends will be made by the board of directors and will take into account such matters as cash on hand, general economic and business conditions, our strategic plans, our financial results and condition, contractual, legal and regulatory restrictions on the payment of dividends by us and our subsidiaries and such other factors as our board of directors may consider to be relevant. We believe that our existing cash and cash equivalents, cash generated from operations and our existing credit facility will be sufficient to fund capital expenditures, working capital needs and other liquidity requirements associated with our operations through at least the next 12 months.

Operating Activities. Net cash provided by operating activities for the nine months ended September 30, 2015 increased $20.3 million compared to the same period last year, primarily related to the total change in cash flow from income taxes of $31.0 million. Cash paid for income taxes decreased $23.5 million mainly related to the legal sale of the East 86th Street property in 2014, which was treated as a financing arrangement for accounting purposes, but recognized as of the date of sale for Federal and State income taxes. Additionally, in the 2015 period we received an income tax refund of $7.5 million. The increase in cash flows also reflected an $13.5 million increase in cash collected for member enrollment in the nine months ended September 30, 2015 related to an increase in memberships sold. The increase in accrued payroll expenses generated a favorable cash flow variance of $6.1 million in the nine months ended September 30, 2015 compared to the same period in 2014 principally due to timing differences in payroll payments. The increase in cash flows also reflected the timing of certain payments and collections made associated with our accrued expenses. These increases were partially offset by a decrease in membership dues collected of $29.0 million in the nine months ended September 30, 2015 .

Investing Activities. Net cash used in investing activities decreased $4.0 million in the nine months ended September 30, 2015 compared to the same prior-year period. The decrease was primarily due to the decreased activity in the building of new clubs. The increase was partially offset by a $1.1 million executive separation obligation related to our former Executive Chairman during the nine months ended September 30, 2015 . Investing activities in the nine months ended September 30, 2015 and 2014 both included capital expenditures related to expanding and remodeling existing clubs, and the purchase of new fitness equipment.

Financing Activities. Net cash used in financing activities for the nine months ended September 30, 2015 was $2.2 million compared to net cash provided by financing activities of $71.9 million in the same period in 2014. In the nine months ended September 30, 2014 , financing activities consisted of $83.4 million in cash proceeds from the sale of the East 86th Street property, partially offset by $3.2 million of real property transfer taxes, broker fees and other costs associated with the property sale. In addition, there was a decrease in cash dividends paid to common stockholders of $7.6 million related to dividends declared prior to 2015.

As of September 30, 2015 , our total principal amount of debt outstanding was $305.9 million . This substantial amount of debt could have significant consequences, including:

- making it more difficult to satisfy our obligations, including with respect to our outstanding indebtedness;
- increasing our vulnerability to general adverse economic and industry 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 a substantial portion of our cash flow from operations for the payment of interest on our debt, which is variable on our 2013 Revolving Loan Facility and partially variable on our 2013 Term Loan Facility, and/or principal pursuant to excess cash flow requirements and reducing our ability to use our cash flow to fund working capital, capital expenditures and acquisitions of new clubs and general corporate requirements;
- increasing our vulnerability to interest rate fluctuations in connection with borrowings under our 2013 Senior Credit Facility, some of which are at variable interest rates;
- limiting our ability to refinance our existing indebtedness on favorable terms, or at all; 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.

We believe that we have, or will be able to, obtain or generate sufficient funds to finance our current operating and growth plans through the next 12 months. Any material acceleration or expansion of our plans through newly constructed clubs or acquisitions (to the extent such acquisitions include cash payments) may require us to pursue additional sources of financing. There can be no assurance that such financing will be available, or that it will be available on acceptable terms.

2013 Senior Credit Facility

On November 15, 2013, TSI, LLC, an indirect, wholly-owned subsidiary, entered into a $370.0 million senior secured credit facility ("2013 Senior Credit Facility"), among TSI, LLC, TSI Holdings II, LLC, a newly-formed, wholly-owned subsidiary of the Company ("Holdings II"), as a Guarantor, the lenders party thereto, Deutsche Bank AG, as administrative agent, and Keybank National Association, as syndication agent. The 2013 Senior Credit Facility consists of a $325.0 million term loan facility maturing on November 15, 2020 ("2013 Term Loan Facility") and a $45.0 million revolving loan facility maturing on November 15, 2018 ("2013 Revolving Loan Facility"). Proceeds from the 2013 Term Loan Facility of $323.4 million were issued, net of an original issue discount ("OID") of 0.5% , or $1.6 million . Debt issuance costs recorded in connection with the 2013 Senior Credit Facility were $5.1 million and are being amortized as interest expense and are included in other assets in the accompanying condensed consolidated balance sheets. We also recorded additional debt discount of $4.4 million related to creditor fees. The proceeds from the 2013 Term Loan Facility were used to pay off amounts outstanding under our previously outstanding long-term debt facility originally entered into on May 11, 2011 (as amended from time to time), and to pay related fees and expenses. None of the revolving loan facility was drawn upon as of the closing date on November 15, 2013, but loans under the 2013 Revolving Loan Facility may be drawn from time to time pursuant to the terms of the 2013 Senior Credit Facility. The borrowings under the 2013 Senior Credit Facility are guaranteed and secured by assets and pledges of capital stock by Holdings II, TSI, LLC, and, subject to certain customary exceptions, the wholly-owned domestic subsidiaries of TSI, LLC.

Borrowings under the 2013 Term Loan Facility and the 2013 Revolving Loan Facility, at TSI, LLC's option, bear interest at either the administrative agent's base rate plus 2.5% or a LIBOR rate adjusted for certain additional costs (the "Eurodollar Rate") plus 3.5% , each as defined in the 2013 Senior Credit Facility. With respect to the outstanding initial term loans, the Eurodollar Rate has a floor of 1.00% and the base rate has a floor of 2.00% . Commencing with the last business day of the quarter ended March 31, 2014, TSI, LLC is required to pay 0.25% of the principal amount of the term loans each quarter, which may be reduced by voluntary prepayments. As of September 30, 2015 , we have made a total of $19.1 million in principal payments on the 2013 Term Loan Facility.

The terms of the 2013 Senior Credit Facility provide for a financial covenant in the situation where the total utilization of the revolving loan commitments (other than letters of credit up to $5.5 million at any time outstanding) exceeds 25% of the aggregate amount of those commitments. In such event, TSI, LLC is required to maintain a total leverage ratio, as defined in the 2013 Senior Credit Facility, of no greater than 4.50:1.00. While not subject to the total leverage ratio covenant as of September 30, 2015 as our only utilization of the 2013 Revolving Loan Facility as of September 30, 2015 was $2.9 million of issued and outstanding letters of credit thereunder, because our total leverage ratio as of September 30, 2015 was in excess of 4.50 :1.00, we are currently not able to utilize more than 25% of the 2013 Revolving Loan Facility. We will continue not to be able to utilize more than 25% of the 2013 Revolving Loan Facility until we have a total leverage ratio of no greater than 4.50 :1.00. The 2013 Senior Credit Facility also contains certain affirmative and negative covenants, including covenants that may limit or restrict TSI, LLC and Holdings II's ability to, among other things, incur indebtedness and other liabilities; create liens; merge or consolidate; dispose of assets; make investments; pay dividends and make payments to shareholders; make payments on certain indebtedness; and enter into sale leaseback transactions, in each case, subject to certain qualifications and exceptions. In addition, at any time when the total leverage ratio is greater than 4.50 :1.00, there are additional limitations on the ability of TSI, LLC and Holdings II to, among other things, make certain distributions of cash to TSI Holdings. The 2013 Senior Credit Facility also includes customary events of default (including non-compliance with the covenants or other terms of the 2013 Senior Credit Facility) which may allow the lenders to terminate the commitments under the 2013 Revolving Loan Facility and declare all outstanding term loans and revolving loans immediately due and payable and enforce its rights as a secured creditor.

TSI, LLC may prepay the 2013 Term Loan Facility and 2013 Revolving Loan Facility without premium or penalty in accordance with the 2013 Senior Credit Facility. Mandatory prepayments are required relating to certain asset sales, insurance recovery and incurrence of certain other debt and commencing in 2015 in certain circumstances relating to excess cash flow (as defined) for the prior fiscal year, as described below, in excess of certain expenditures. Pursuant to the terms of the 2013 Senior Credit Facility, we are required to apply net proceeds in excess of $30.0 million from sales of assets in any fiscal year towards mandatory prepayments of outstanding borrowings. In connection with the sale of the East 86t h Street property, accounted for as a building financing arrangement, described in Note 5 – Building Financing Arrangement, we received approximately $43.5 million in net sales proceeds (after taxes, before giving effect to utilization of net operating losses and carryforwards) during the third quarter of 2014. Accordingly, we made a mandatory prepayment of $13.5 million on the 2013 Term Loan Facility in November 2014. In connection with this mandatory prepayment, during the year ended December 31, 2014, we recorded loss on extinguishment of debt of $493,000 , consisting of the write-off of unamortized debt issuance costs and debt discount of $119,000 and $374,000 , respectively. To the extent the proceeds of the sale of the East 86th Street property are not reinvested, we may be required to use such amounts, other than amounts used in 2014 to repay debt, to pay down our outstanding debt, as provided under the terms of our 2013 Senior Credit Facility. Based on increased capital expenditures related to the building of new clubs and new BFX Studio locations, we do not expect to be required to make a payment at any time. In addition, the 2013 Senior Credit Facility contains provisions that require excess cash flow payments, as defined, to be applied against outstanding 2013 Term Loan Facility balances. The excess cash flow is calculated annually for each fiscal year ending December 31 and paid 95 days after the fiscal year end. 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 flow. The applicable excess cash flow repayment percentage is 50% when the total leverage ratio, as defined in the 2013 Senior Credit Facility, exceeds or is equal to 2.50 :1.00; 25% when the total leverage ratio is greater than or equal to 2.00 :1.00 but less than 2.50 :1.00 and 0% when the total leverage ratio is less than 2.00:1.00. The first excess cash flow payment would have been due in April 2015. The excess cash flow calculation performed as of December 31, 2014 did not result in any required payments in April 2015. The second excess cash flow payment is due in April 2016, if applicable. Based on our unit growth projection and capital expenditures related to club renovations, the building of new clubs and new BFX Studio locations, together with our operating forecast, we do not expect there will be an excess cash flow payment required at that time.

As of September 30, 2015 , the 2013 Term Loan Facility has a gross principal balance of $305.9 million and a balance of $298.5 million net of unamortized debt discount of $7.4 million which is comprised of the unamortized portions of the OID recorded in connection with the May 11, 2011 debt issuance and the unamortized balance of the additional debt discounts recorded in connection with the first amendment and second amendment to the 2011 Senior Credit Facility. The unamortized debt discount balance 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. As of September 30, 2015 , the unamortized balance of debt issuance costs of $3.1 million is being amortized as interest expense, and is included in other assets in the accompanying condensed consolidated balance sheets.

As of September 30, 2015 , there were no outstanding 2013 Revolving Loan Facility borrowings and outstanding letters of credit issued totaled $2.9 million . The unutilized portion of the 2013 Revolving Loan Facility as of September 30, 2015 was $42.2 million and the available unutilized portion, based on our total leverage ratio exceeding 4.50:1.00, was $11.3 million .

On January 30, 2015, the 2013 Senior Credit Facility was amended (the “Amendment”) to permit TSI Holdings to purchase term loans under the Credit Agreement. Any term loans purchased by TSI Holdings will be cancelled. We may from time to time purchase term loans in market transactions, privately negotiated transactions or otherwise; however we are under no obligation to make any such purchases. Any such transactions, and the amounts involved, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Financial Instruments

In our normal operations, we are exposed to market risks relating to fluctuations in interest rates. In order to minimize the possible negative impact of such fluctuations on our cash flows we may enter into derivative financial instruments ("derivatives"), such as interest-rate swaps. Derivatives are not entered into for trading purposes and we only use commonly traded instruments. Currently, we have used derivatives solely relating to the variability of cash flows from interest rate fluctuations.

We originally entered into our interest rate swap arrangement on July 13, 2011 in connection with our previous credit facility. Effective as of November 15, 2013, the closing date of the 2013 Senior Credit Facility, the interest rate swap arrangement had a notional amount of $160.0 million and will mature on May 15, 2018. The swap effectively converts $160.0 million of the $325.0 million total variable-rate debt under the 2013 Senior Credit Facility to a fixed rate of 5.384% , when including the applicable 3.50% margin. As permitted by FASB Accounting Standards Codification ("ASC") 815, Derivatives and Hedging, we have designated this swap as a cash flow hedge, the effects of which have been reflected in our condensed consolidated financial statements as of and for the three and nine months ended September 30, 2015 and 2014 . The objective of this hedge is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged.

When our derivative instrument was executed, hedge accounting was deemed appropriate and it was designated as a cash flow hedge at inception with re-designation being permitted under ASC 815, Derivatives and Hedging. 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 perform a quarterly assessment of the hedge effectiveness of the hedge relationship and measure and recognize any hedge ineffectiveness in the condensed consolidated statements of operations. For the three and nine months ended September 30, 2015 and 2014 , hedge ineffectiveness was evaluated using the hypothetical derivative method. There was no hedge ineffectiveness for the three and nine months ended September 30, 2015 and 2014 .

The counterparty to our derivatives is a major banking institution with a credit rating 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.

Building Financing Arrangement

On September 12, 2014, we completed the legal sale of our property (building and land) on East 86th Street, New York City, to an unaffiliated third-party for gross proceeds of $85.7 million , which includes $150,000 of additional payments to us. Concurrent with the closing of the transaction, we leased back the portion of the property comprising our health club. We expect to lease ("Initial Lease") the premises to at least March 2016 and then, upon at least 120 days notice from the purchaser/landlord, the Initial Lease will terminate and we will vacate the property while the purchaser/landlord demolishes the existing building and the adjacent building and builds a new luxury, high-rise multi-use building. In connection with vacating the property, we intend to enter into a new lease ("New Club Lease") for approximately 24,000 square feet in the new building for the purpose of operating a health club upon completion of construction by the purchaser/landlord. The term of the Initial Lease is 10 years, and at the end of this initial term, we have two options at our sole discretion to renew the lease; the first for an additional 10 year period and a second for an additional five year period (although we expect that the purchaser/landlord will exercise its right to early terminate the Initial Lease so that it may commence the construction of the new building). Under the Initial Lease (and New Club Lease if entered into), the purchaser/landlord has agreed to pay us liquidated damages if the new club is not available by a certain date. The latest date that the liquidated damages would begin to be paid would be April 13, 2020 and would continue until the new club is available. For accounting purposes, the nature of these potential liquidated damages constitutes continuing involvement with the purchaser/landlord's development of the property. As a result of this continuing involvement, the sale-leaseback transaction is currently required to be accounted for as a financing arrangement rather than as a completed sale. Under this treatment, we have included the proceeds received as a financing arrangement on our balance sheet. Except for payments under the Initial Lease and the New Club Lease, we do not expect to make any cash payments to the purchaser/landlord with respect to the building financing arrangement. We recorded a taxable (for federal and state income tax purposes) gain on the sale of the property and made estimated tax payments in September 2014 in this regard. In March 2015, we received the remaining proceeds held in escrow of $500,000 , which was included in our cash flow statement for the nine months ended September 30, 2015 as a financing cash inflow.

As of September 30, 2015 , the total financing arrangement was $83.9 million , which is net of $1.8 million held in escrow for our former tenant. The accrued interest on financing arrangement was not material at September 30, 2015 . Because the transaction is characterized as a financing for accounting purposes rather than a sale, the rental payments and related transaction costs are treated as interest on the financing arrangement. As these interest amounts are less than the interest that would be charged under a typical financing, the financing is characterized as an interest only financing with no reduction in the principal throughout the Initial Lease term until any continuing involvement has ceased. Until such time, even though we no longer have legal title to the building and the land, the building, building improvements and land remain on our consolidated balance sheet and the building and building improvements will continue to be depreciated over their remaining useful lives. Similarly, we do not have a loan or borrowing arrangement with the purchaser/landlord but the building financing arrangement will remain on our balance sheet until any continuing involvement has ceased.

As of September 30, 2015 , the net book value of the building and building improvements was $2.9 million and the book value of the land was $986,000 . As part of the transaction, we incurred $3.2 million of real property transfer taxes, broker fees and other costs which will be deferred and amortized over the term of the Initial Lease of 25 years , which includes the option periods. The net fees are recorded in Other assets on our accompanying condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014.

Payments made under the Initial Lease, including rental income related to our former tenant in the building that was assigned to the purchaser/landlord, are recognized as interest expense on the underlying financing arrangement. Included in the contractual obligation table below is our future lease commitment of $750,000 per year under the remaining term of the Initial Lease, which includes the options periods and will be recorded as interest expense. Rental income related to our former tenant in the building of approximately $2.0 million and the amortization of the deferred costs of $126,000 per year will be recorded as interest expense (unless the purchaser/landlord exercises its right to terminate the lease before the end of the 10-year Initial Lease).

Contractual Obligations

As of September 30, 2015 , our contractual obligations listed in the table below and payments due by period were as follows:

	Payments Due by Period (in thousands)				
Contractual Obligations (4)	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt (1)	$ 305,949	$ 3,114	$ 6,228	$ 6,228	$ 290,379
Interest payments on long-term debt (2)	73,281	15,333	29,462	26,816	1,670
Operating lease obligations (3)	602,754	90,057	161,824	133,365	217,508
Total contractual obligations	$ 981,984	$ 108,504	$ 197,514	$ 166,409	$ 509,557

Notes:

(1) Principal amounts paid each year may increase if annual excess cash flow amounts are required (as described above). Excess cash flow was calculated as of December 31, 2014 and no payments are currently required in 2015 or any future period.
(2) Based on interest rates pursuant to the 2013 Term Loan Facility and the interest swap agreement as of September 30, 2015 .
(3) 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 our operating results. Amounts include obligations under the Initial Lease related to the Building financing arrangement and does not include any amounts relating to the New Club Lease. See “Building Financing Arrangement.”
(4) The table above does not reflect payments related to planned club closures and executive separation obligations to our former Executive Chairman, our former Chief Executive Officer and our former Chief Information Officer. Refer to Note 14 - Separation Obligation to our condensed consolidated financial statements.

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.

Working Capital

We had working capital of $35.7 million and $52.3 million at September 30, 2015 and December 31, 2014 , respectively. Major components of our working capital on the current assets side are cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, and the current portion of deferred tax assets. As of September 30, 2015 , these current assets more than offset the current liabilities, which consist of deferred revenues, accounts payable, accrued expenses (including, among others, accrued construction in progress and equipment, payroll and occupancy costs), the current portion of deferred tax liabilities and the current portion of long-term debt. The deferred revenue that is classified as a current liability relates to dues and services paid-in-full in advance and fees paid at the time of enrollment and totaled $43.7 million and $37.0 million at September 30, 2015 and December 31, 2014 , respectively. Initiation and processing fees received are deferred and amortized over the estimated average membership life of a club member and all annual fees are deferred and amortized over a twelve month period. Prepaid dues and fees for prepaid services are generally realized over a period of up to twelve months. In periods when we increase the number of members and consequently increase the level of payments received in advance, we would expect to see increased deferred revenue balances. 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. 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 or 12 months to the extent these costs are related to the first annual fee paid at the time of enrollment. These costs are recorded as a long-term asset and as such do not affect working capital. We believe our cash and cash equivalents and our 2013 Revolving Loan Facility, which had $11.3 million of availability at September 30, 2015 based on our leverage ratio and utilization at that date, are sufficient to fund our operating, investing and financing requirements for the next twelve months.

Recent Changes in or Recently Issued Accounting Pronouncements

See Note 2 — Recent Accounting Pronouncements to the condensed consolidated financial statements.

Use of Estimates and Critical Accounting Policies

Fixed and intangible assets. Fixed assets are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which are 30 years for building and improvements, five years for club equipment, furniture, fixtures and computer equipment and three to five years for computer software. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining period of the related lease. Payroll costs directly related to the construction or expansion of the Company's club and BFX Studio base are capitalized with leasehold improvements. Expenditures for maintenance and repairs are charged to operations as incurred. The cost and related accumulated depreciation of assets retired or sold, is removed from the respective accounts and any gain or loss is recognized in operations. The costs related to developing web applications, developing web pages and installing developed applications on the web servers are capitalized and classified as computer software. Web site hosting fees and maintenance costs are expensed as incurred.

Long-lived assets, such as fixed assets and intangible assets are reviewed for impairment when events or circumstances indicate that their carrying value may not be recoverable. Estimated undiscounted expected future cash flows are used to determine if an asset group is impaired, in which case the asset's carrying value would be reduced to its fair value, calculated considering a combination of market approach and a cost approach. In determining the recoverability of fixed assets, Level 3 inputs were used in determining undiscounted cash flows, which are based on internal budgets and forecasts through the end of the life of the primary asset in the asset group which is normally the life of leasehold improvements. The most significant assumptions in those budgets and forecasts relate to estimated membership and ancillary revenue, attrition rates, estimated results related to new program launches and maintenance capital expenditures, which are generally estimated at approximately 3% to 5% of total revenues depending upon the conditions and needs of a given club. If we continue to experience competitive pressure, certain assumptions may fluctuate materially. See Note 9 — Fixed Asset Impairment to our condensed consolidated financial statements.

In the three months ended September 30, 2015 , we recorded a total of $12.4 million fixed asset impairment charges. We did not have fixed asset impairment in the three months ended September 30, 2014 . In the nine months ended September 30, 2015 , we recorded a total of $14.6 million fixed asset impairment charges compared to $4.5 million in the nine months ended September 30, 2014 . The fixed asset impairment charge is included as a component of operating expenses in a separate line on the condensed consolidated statements of operations.

Goodwill has been allocated to reporting units that closely reflect the regions served by the Company's 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"), the Company's three clubs located in Switzerland being considered a single reporting unit ("SSC"), and our BFX Studio ("BFX Studio"). As of September 30, 2015 , only the SSC region has a remaining goodwill balance.

As of February 28, 2015 and February 28, 2014, we performed our annual impairment test of goodwill. The February 28, 2015 annual impairment test supported the recorded goodwill balance and as such no impairment of goodwill was required. The February 28, 2014 annual impairment test resulted in a goodwill impairment charge of $137,000 associated with the Outlier Clubs in the nine months ended September 30, 2014 .

As a result of the significant decrease in market capitalization and a decline in our current performance primarily due to existing members downgrading their memberships to those with lower monthly dues and new members enrolling at lower rates, we performed an interim impairment test as of May 31, 2015. The determination as to whether a triggering event exists that would warrant an interim review of goodwill and whether a write-down of goodwill is necessary involves significant judgment based on our short-term and long-term projections. As a result of the May 31, 2015 interim impairment test, we concluded that there would be no remaining implied fair value of goodwill attributable to the NYSC and BSC regions. Accordingly, in June 2015, we wrote off $31.6 million of goodwill associated with these reporting units. We did not have a goodwill impairment charge in the SSC region as a result of the interim test given the profitability of this unit.

For the May 31, 2015 and February 28, 2015 impairment tests, fair value was determined by using a weighted combination of two market-based approaches (weighted 50% collectively) and an income approach (weighted 50%), as this combination was deemed to be the most indicative of the our fair value in an orderly transaction between market participants. Under the market-based approaches, we utilized information regarding the Company, the Company's industry as well as publicly available industry information to determine earnings multiples and sales multiples that are used to value our reporting units. Under the income approach, we determined fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn, which are unobservable Level 3 inputs, and taking into account the firm offer. The discounted estimates of future cash flows include significant management assumptions such as revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions. The estimated weighted-average cost of capital of NYSC and SSC were 9.2% and 11.2% as of May 31, 2015, respectively, compared to 13.3% and 13.9% as of February 28, 2015. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates and future market conditions, among others. These assumptions were determined separately for each reporting unit. We believe our assumptions are reasonable, however, there can be no assurance that our estimates and assumptions made for purposes of our goodwill impairment testing as of May 31, 2015 and February 28, 2015 will prove to be accurate predictions of the future. If our assumptions regarding forecasted revenue or margin growth rates of certain reporting units are not achieved, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment testing or prior to that, 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. The estimated fair value of SSC was greater than book value by 65% as of May 31, 2015 and and 84% as of February 28, 2015.

Solely for purposes of establishing inputs for the fair value calculation described above related to goodwill impairment testing, we made the following assumptions. We developed long-range financial forecasts (three years) for all reporting units and assumed known changes in the existing club base. Terminal growth rates were calculated for years beyond the five year forecast. As of May 31, 2015, we used discount rates ranging from 8.2% to 11.2% and terminal growth rates ranging from 1.0% to 3.0% . As of February 28, 2015, we used discount rates ranging from 13.2% to 13.9% and terminal growth rates ranging from 0.5% to 3.0% . These assumptions are developed separately for each reporting unit.

The valuation of intangible assets requires assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows and discount rates. We will continue to complete interim evaluations of the goodwill by reporting unit if a triggering event exists.

Deferred Income Taxes. We had a net deferred tax liability of $61,000 and $11.6 million as of September 30, 2015 and December 31, 2014, respectively. We had a state net deferred tax liability of $17,000 and $3.3 million as of September 30, 2015 and December 31, 2014, respectively. As of December 31, 2014, we maintained and as of September 30, 2015 continued to maintain a full valuation allowance of our deferred tax assets.

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, potential club closures, results of cost savings initiatives, legal contingencies and tax benefits and contingencies, future declarations and payments of dividends, 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, 2014 and in our other reports and documents filed with the SEC. You can identify these forward-looking statements by the use of words such as "outlook", "believes", "expects", "potential", "continues", "may", "will", "should", "seeks", "approximately", "predicts", "intends", "plans", "estimates", "anticipates", "target", "could" or the negative version of these words or other comparable words. 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 our business, the success of our pricing model, the geographic concentration of our clubs, competitive pressure, the ability to achieve reductions in operating costs and to continue to integrate acquisitions, outsourcing of certain aspects of our business, environmental matters, the application of Federal and state tax laws and regulations, 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.

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

Our debt effectively bears interest at 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.

Interest rates on borrowings for the 2013 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 on variable rate debt. As of September 30, 2015 , we had $305.9 million of outstanding borrowings under our 2013 Term Loan Facility of which $160.0 million of this variable rate debt is hedged to a fixed rate under an interest rate swap agreement. Changes in the fair value of the interest rate swap derivative instrument is 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, 2015 , a hypothetical 100 basis point interest increase would have increased our annual interest cost by approximately $760,000.

For additional information concerning the terms of our 2013 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 ensure 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 Executive Chairman and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired controls.

As of September 30, 2015 , we carried out an evaluation, under the supervision and with the participation of our management, including the Executive Chairman and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures defined above. Based upon that evaluation, our Executive Chairman and Chief Financial Officer have concluded that, as of September 30, 2015 , our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting: There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

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, the tenant, and take additional space in a nearby facility leased by another subsidiary of TSI, LLC. Following a determination of an initial award, which TSI, LLC and the tenant have paid in full, the landlord appealed the trial court's award of damages, and on August 29, 2011, an additional award (amounting to approximately $900,000) (the "Additional Award"), was entered against the tenant, which has recorded a liability. 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. As a result, the developer reimbursed TSI, LLC and the tenant the amount of the initial award in installments over time and also agreed to be responsible for the payment of the Additional Award, and the tenant has recorded a receivable related to the indemnification for the Additional Award. The developer and the landlord are currently litigating the payment of the Additional Award and judgment was entered against the developer on June 5, 2013 in the amount of approximately $1.0 million , plus interest, which judgment was upheld by the appellate court on April 29, 2015. TSI, LLC does not believe it is probable that TSI, LLC will be required to pay for any amount of the Additional Award.

On or about October 4, 2012, in an action styled James Labbe, et al. v. Town Sports International, LLC, plaintiff commenced a purported class action in New York State court on behalf of personal trainers employed in New York State. Labbe is seeking unpaid wages and damages from TSI, LLC and alleges violations of various provisions of the New York State labor law with respect to payment of wages and TSI, LLC's notification and record-keeping obligations. The Court has bifurcated class and merits discovery. The deadline for the completion of pre-class certification document discovery was December 31, 2014. On June 12, 2015, the plaintiff made a motion for class certification. On July 24, 2015, the court indefinitely adjourned the plaintiff's motion for class certification to allow the court to first decide a motion for sanctions by TSI, LLC against Labbe. TSI, LLC made that motion for sanctions on June 30, 2015. The motion seeks dismissal of Labbe's complaint, and reimbursement of certain of TSI, LLC's legal fees, on the ground that Labbe has not complied with his discovery obligations and the court's discovery orders. TSI, LLC's motion for sanctions remains pending. TSI, LLC has proposed a settlement offer and the parties are working towards a resolution of this matter. If the parties are unsuccessful in these settlement negotiations, TSI, LLC intends to continue to contest this case vigorously.

In addition to the litigation discussed above, the Company is involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business, including personal injury, employee relations claims and landlord tenant disputes. The results of litigation are inherently unpredictable. Any claims against the Company, 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. The Company establishes accruals for loss contingencies when it has determined that a loss is probable and that the amount of loss, or range of loss, can be reasonably estimated. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances. We currently believe that the ultimate outcome of such lawsuits, claims and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or liquidity. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations in a particular period.

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, 2014 .

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

None.

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

None.

ITEM 4. ***Mine Safety Disclosures***

Not applicable.

ITEM 5. ***Other Information***

None.

ITEM 6. ***Exhibits***

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

From time to time the Company may use its 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 the Company by enrolling through the "Email Alerts" section at http://investor.mysportsclubs.com .

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

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: November 2, 2015

By: /s/ Carolyn Spatafora
Carolyn Spatafora
Chief Financial Officer

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 June 30, 2006).
3.2	Third Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K, filed on September 17, 2014).
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Town Sports International Holdings, Inc. filed with the Secretary of State of the State of Delaware on January 2, 2015 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, dated January 2, 2015).
4.1	Rights Agreement, dated as of December 31, 2014, between Registrant and Computershare Trust Company N.A., as Rights Agent (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K, dated January 2, 2015).
10.1	Letter Agreement with Gregory Bartoli, dated August 17, 2015 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed August 18, 2015).
10.2	Form of Indemnification Agreement for Directors.
10.3	Form of Non-Qualified Stock Option Agreement for Gregory Bartoli pursuant to the 2006 Incentive Plan, as amended.
10.4	Form of Restricted Stock Agreement for Gregory Bartoli.
10.5	Form of Non-Qualified Stock Option Agreement for Gregory Bartoli.
31.1	Certification of Executive Chairman 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 Executive Chairman 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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Exhibit 10.2

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made and entered into as of the ___ day of July, 2015 (the "Effective Date"), by and between Town Sports International Holdings, Inc., a Delaware corporation (the "Company"), and _____ ("Indemnitee").

WHEREAS, at the request of the Company, Indemnitee currently serves as a director of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of his service; and

WHEREAS, as an inducement to Indemnitee to continue to serve as such director, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions . For purposes of this Agreement:

(a) "Adjudged" shall mean adjudged finally by a court or arbitral or other authority of competent jurisdiction.

(b) "Change in Control" means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Effective Date: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of all of the Company's then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least a majority of the members of the Board of Directors of the Company (the "Board") in office immediately prior to such person's attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board then in office, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or (iii) at any time, a majority of the members of the Board are not comprised of (A) individuals who were directors as of the Effective Date and/or (B) individuals whose election by the Board or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Effective Date or whose election for nomination for election was previously so approved.

(c) "Corporate Status" means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise.

(d) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(e) “Enterprise” means any foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise in which Indemnitee is or was serving as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise of which a majority of the voting power or equity interest is owned directly or indirectly by the Company.

(f) “Expenses” means any and all disbursements or expenses incurred by Indemnitee in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding, including, without limitation, reasonable attorneys’ fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees. Expenses shall also include (i) expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent, (ii) expenses incurred in connection with recovery under any directors’ and officers’ liability insurance policies maintained by the Company and (iii) expenses incurred by Indemnitee in establishing or enforcing his right to indemnification or reimbursement under this Agreement. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments, fines or penalties against Indemnitee.

(g) “Independent Counsel” means a law firm, or a member of a law firm, with significant experience in matters of corporation law and neither is, nor in the past five years preceding the date of selection has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel.

(h) “Proceeding” means any threatened, pending or completed action, suit, arbitration, mediation, alternate dispute resolution procedure, investigation, inquiry, administrative hearing or any other proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is, will or might be involved as a party or otherwise, by reason of any action taken by or omission by Indemnitee, or of any action or omission on Indemnitee’s part, in each case in or in connection with Indemnitee’s Corporate Status and whether or not acting or serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement or advancement of Expenses can be provided under this Agreement, except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee. The term “Proceeding” shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration or appeal of, and the giving of testimony in or related to, any such threatened, pending or completed claim, action, suit or proceeding.

Section 2. Services by Indemnitee. The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce the Indemnitee to serve or continue to serve as a director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving or continuing to serve as a director. However, this Agreement shall not impose any independent obligation on Indemnitee or the Company to continue Indemnitee’s service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

Section 3. General . The Company shall indemnify, hold harmless and exonerate, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the fullest extent permitted by Delaware law in effect on the Effective Date and as amended from time to time; provided, however, that no change in Delaware law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Delaware law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement and the Company's Certificate of Incorporation and Bylaws, as well as any additional indemnification permitted or available under Section 145 the Delaware General Corporation Law (the "DGCL").

Section 4. Indemnification .

(a) If Indemnitee is, or is threatened to be, made a party to any Proceeding, other than a Proceeding by or in the right of the Company, the Company shall indemnify, hold harmless and exonerate Indemnitee against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by him or on his behalf in connection with any such Proceeding if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

(b) If Indemnitee is, or is threatened to be, made a party to any Proceeding by or in the right of the Company, the Company shall indemnify, hold harmless and exonerate Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with any such Proceeding if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company. No indemnification, hold harmless or exoneration for Expenses shall be made under this Section 4(b) in respect of any claim, issue or matter as to which Indemnitee shall have been Adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification, to be held harmless or to exoneration.

Section 5. Certain Limits on Indemnification. Notwithstanding any other provision of this Agreement (other than Section 6), Indemnitee shall not be entitled to:

(a) indemnification hereunder if Indemnitee is Adjudged to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee;

(b) indemnification or advance of Expense hereunder not permitted under applicable law, statute or rule;

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee unless: (i) the Proceeding was brought to establish or enforce indemnification rights under this Agreement, and then only to the extent in accordance with and as authorized by Section 12 of this Agreement, or (ii) the Company's Certificate of Incorporation or Bylaws, a duly adopted resolution of the stockholders entitled to vote generally in the election of directors or of the Board or an agreement approved by the Board to which the Company is a party expressly provide otherwise;

(d) indemnification or advance of Expenses hereunder in connection with any claim made against Indemnitee for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law;

(e) subject to Section 14, indemnification or advance of Expenses hereunder in connection with any claim made against Indemnitee for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision or any other source; or

(f) indemnification or advance of Expenses hereunder for Indemnitee's reimbursement to the Company of any bonus or other incentive-based or equity-based compensation previously received by Indemnitee or payment of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002 in connection with an accounting restatement of the Company or the payment to the Company of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act).

Section 6. Court-Ordered Indemnification . Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification as permitted or required by any applicable law or regulation.

Section 7. Indemnification for Expenses of a Party Who is Wholly or Partly Successful . Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, Indemnitee shall be indemnified to the fullest extent permitted by law for all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify, hold harmless and exonerate Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 7 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses for a Party . If Indemnitee was, is, or is threatened to be, made a party to any Proceeding, the Company shall, without requiring a preliminary determination of Indemnitee’s ultimate entitlement to indemnification hereunder, advance all reasonable Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding within ten (10) days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee’s good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion (if any) of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Advances shall be interest-free and unsecured. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee’s financial ability to repay such advanced Expenses and without any requirement to post security therefor. This Section 8 shall not apply to any claim made by Indemnitee for which an indemnification, hold harmless or exoneration payment is excluded pursuant to Section 5.

Section 9. Indemnification and Advance of Expenses of a Witness . Notwithstanding any other provision of this Agreement, to the extent that Indemnitee was, is or may be made a witness or otherwise asked to participate in any Proceeding by reason of his or her Corporate Status, whether instituted by the Company or any other party, and to which Indemnitee is not a party, he shall be advanced all reasonable Expenses and indemnified, held harmless and exonerated against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. Advances shall be interest-free and unsecured.

Section 10. Procedure for Determination of Entitlement to Indemnification .

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in his sole discretion. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 10(a) above, a determination with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel, in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by the Indemnitee and approved by the Board, which approval will not be unreasonably withheld; or (ii) if a Change in Control shall not have occurred, (A) by the Board by a majority vote of a quorum consisting entirely of Disinterested Directors or, if such a quorum cannot be obtained, then by a majority vote of a duly authorized committee of the Board consisting solely of one or more Disinterested Directors, (B) if Independent Counsel has been selected by the Board and approved by the Indemnitee, which approval shall not be unreasonably withheld, by Independent Counsel, in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (C) if so directed by a majority of the Disinterested Directors, by the stockholders of the Company. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination in the discretion of the Board or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 10(b). Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

(c) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed.

Section 11. Presumptions and Effect of Certain Proceedings .

(a) In making any determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof and the burden of persuasion by clear and convincing evidence to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of nolo contendere or its equivalent, or entry of an order of probation prior to judgment, does not of itself (except as otherwise expressly provided in this Agreement) create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(c) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if, among other things and without limitation, Indemnitee's action is based on any information, opinion, report or statement, including any financial statement or other financial data or the records or books of account of the Company or any other Enterprise, prepared or presented by an officer or employee of the Company or any Enterprise whom Indemnitee reasonably believed to be reliable and competent in the matters presented, by a lawyer, certified public accountant, appraiser or other person or expert, as to a matter which Indemnitee reasonably believed to be within the person's professional or expert competence, or, if Indemnitee was serving on the Board of the Company or as a member of any similar body of any Enterprise, by a committee of the Board or such other body on which Indemnitee does not serve, as to a matter within its designated authority, if Indemnitee reasonably believes the committee to merit confidence. The provisions of this Section 11(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee meet, or be presumed to have met, the applicable standard of conduct set forth in this Agreement.

(e) For purposes of this Agreement, Indemnitee shall be presumed to have been wholly successful with respect to any Proceeding if such Proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to Indemnitee, (ii) it being Adjudged that Indemnitee was liable to the Company, (iii) a plea of guilty by Indemnitee, (iv) it being Adjudged that an act or omission of Indemnitee was material to the matter giving rise to the Proceeding and was (A) committed in bad faith or (B) the result of Indemnitee's gross negligence or active and deliberate dishonesty, (v) it being Adjudged that Indemnitee actually received an improper personal benefit in money, property or services and/or (vi) with respect to any criminal proceeding, it being Adjudged that Indemnitee had reasonable cause to believe the act or omission was unlawful. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

Section 12. Remedies of Indemnitee .

(a) If (i) a determination is made pursuant to Section 10(b) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 8 or Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(b) of this Agreement within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to any other section of this Agreement or the Certificate of Incorporation or Bylaws of the Company is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce his rights under Section 7 of this Agreement. Except as set forth herein, the provisions of Delaware law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 12, Indemnitee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 12, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 8 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 12, the Company may not refer to or introduce into evidence any determination pursuant to Section 10(b) of this Agreement adverse to Indemnitee for any purpose and any judicial proceeding or arbitration commenced pursuant to this Article 12 shall be conducted in all respects as a de novo trial or arbitration. The Company shall, to the fullest extent permitted by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) If a determination shall have been made pursuant to Section 10(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 12, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to advancement from the Company, and shall be indemnified and held harmless by the Company for, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration in accordance with this Agreement (unless such judicial proceeding or arbitration was brought by Indemnitee in bad faith or through active or deliberate dishonesty).

Section 13. Defense of the Underlying Proceeding .

(a) Indemnitee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 13(b) and of Section 13(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder using a law firm of the Company's choice, subject to the prior written approval of the Indemnitee, which shall not be unreasonably withheld, conditioned or delayed; provided, however, that the Company shall notify Indemnitee in writing of any such decision to defend within 30 calendar days following receipt of notice of any such Proceeding under Section 13(a) above. After notice from the Company to Indemnitee of its election to assume the defense of any such Proceeding, the Company shall not be liable to Indemnitee under this Agreement or otherwise for any Expenses subsequently incurred by Indemnitee in connection with Indemnitee's defense of such Proceeding other than as provided in Section 13(c) below. Indemnitee shall have the right to retain a separate law firm in any such Proceeding at Indemnitee's sole expense (which expenses, for the avoidance of doubt, are not reimbursable nor indemnified hereunder). The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld, conditioned or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (iii) would impose any Expense, judgment, fine, penalty or limitation on Indemnitee. This Section 13(b) shall not apply to a Proceeding brought by Indemnitee under Section 12 of this Agreement, a Proceeding by or in the right of the Company or in the case of clause (ii) of Section 13(c).

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which Indemnitee is a party (i) Indemnitee reasonably concludes, based upon an opinion of Indemnitee's counsel approved by the Company, the approval of which by the Company shall not be unreasonably withheld, conditioned or delayed, that he may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes based upon an opinion of Indemnitee's counsel approved by the Company, the approval of which by the Company shall not be unreasonably withheld, conditioned or delayed, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company in defense of such Proceeding, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject, except in the case of (ii) or (iii) above, to the prior approval of the Company, which shall not be unreasonably withheld, conditioned or delayed, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, at the expense of the Company (subject to Section 12(d) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 14. Jointly Indemnifiable Claims .

(a) Given that certain Jointly Indemnifiable Claims may arise, the Company acknowledges and agrees that the Company shall, and to the extent applicable shall use best efforts to cause any Enterprise to (i) be fully and primarily responsible for, and be the indemnitor of first resort with respect to, payment to or payment on behalf of the Indemnitee in respect of indemnification or advancement of Expenses in connection with any such Jointly Indemnifiable Claim, irrespective of any right of recovery the Indemnitee may have from the Third-Party Indemnitors, and (ii) be required to advance the full amount of Expenses incurred by the Indemnitee and shall be liable for the full amount of all Expenses, judgments, fines, penalties and amounts paid in settlement to the maximum extent permitted by applicable law and as required by the terms of this Agreement, without regard to any rights the Indemnitee may have against the Third-Party Indemnitors. Under no circumstance shall the Company or any Enterprise be entitled to, and the Company hereby irrevocably waives, relinquishes and releases, any claims against the Third-Party Indemnitors for subrogation, contribution or recovery of any kind and no right of advancement or recovery the Indemnitee may have from the Third-Party Indemnitors shall reduce or otherwise alter the rights of the Indemnitee or the obligations of the Company or any Enterprise. The Company further agrees that no advancement or payment by any Third-Party Indemnitor on behalf of Indemnitee with respect to any Proceeding for which Indemnitee has sought indemnification, exoneration or hold harmless rights from the Company shall affect the foregoing and the Third-Party Indemnitor(s) shall have a right to receive from the Company, contribution and/or be subrogated, to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and the Indemnitee agree that each of the Third-Party Indemnitors shall be third-party beneficiaries with respect to this Section 14 entitled to enforce this Section 14 as though each such Third-Party Indemnitor were a party to this Agreement.

(b) To the fullest extent permitted by law, if the indemnification rights provided for in this Agreement are unavailable to Indemnitee in whole or in part for any reason whatsoever, in respect of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company, in lieu of indemnifying Indemnitee, shall pay, in the first instance, the entire amount incurred by Indemnitee, whether for judgments, liabilities, fines, penalties, amounts paid or to be paid in settlement and/or for Expenses, without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee.

(c) For purposes of this Agreement "Third-Party Indemnitor" means any person or entity that has or may in the future provide to the Indemnitee any indemnification, exoneration, hold harmless or Expense advancement rights and/or insurance benefits other than (i) the Company, (ii) any Enterprise and (iii) any entity or entities through which the Company maintains liability insurance applicable to the Indemnitee.

(d) For purposes of this Agreement, "Jointly Indemnifiable Claims" shall mean any Proceeding for which the Indemnitee shall be entitled to indemnification, advancement of expenses or insurance from (i) the Company and/or any Enterprise pursuant to this Agreement, the Certificate of Incorporation or Bylaws or other governing documents of the Company or any Enterprise, any agreement or a resolution of the stockholders of the Company entitled to vote generally in the election of directors or of the Board, or otherwise, on the one hand, and (ii) any Third-Party Indemnitor pursuant to any agreement between any Third-Party Indemnitor and the Indemnitee pursuant to which the Indemnitee is indemnified, the laws of the jurisdiction of incorporation or organization of any Third-Party Indemnitor and/or the certificate of incorporation, certificate of organization, bylaws, partnership agreement, operating agreement, certificate of formation, certificate of limited partnership or other organizational or governing documents of any Third-Party Indemnitor, on the other hand.

Section 15. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation or Bylaws or other governing documents of the Company or any Enterprise, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board, or otherwise. Unless consented to in writing by Indemnitee, no amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in or by reason of his Corporate Status prior to such amendment, alteration or repeal, regardless of whether a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) Except as set forth in Section 14, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) Notwithstanding anything to the contrary contained herein, this Agreement shall survive the death, disability or incapacity of Indemnitee or the termination of Indemnitee's service as a director or officer of the Company and shall inure to the benefit of Indemnitee's heirs, executors and administrators.

Section 16. Insurance. The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of his Corporate Status or by reason of alleged actions or omissions by Indemnitee in such capacity and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of his Corporate Status or by reason of alleged actions or omissions by Indemnitee in such capacity. The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise) the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

Section 17. Coordination of Payments. Except as set forth in Section 14, the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 18. Reports to Stockholders. To the extent required by the DGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

Section 19. Duration of Agreement; Binding Effect.

(a) This Agreement shall be effective as of the Effective Date and may apply to acts or omissions of Indemnitee taken in or in connection with Indemnitee's Corporate Status which occurred prior to such date if Indemnitee was an officer, director, employee or agent of the Company or was a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise at the time such act or omission occurred.

(b) This Agreement shall continue until and terminate on the later of (i) the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise and (ii) the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 12 of this Agreement).

(c) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise, and shall inure to the benefit of Indemnitee and his spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(d) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(e) The Company and Indemnitee agree herein that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 20. Section 409A. [It is intended that any indemnification payment or advancement of Expenses made hereunder shall be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the guidance issued thereunder ("Section 409A") pursuant to Treasury Regulation Section 1.409A-1(b)(10). Notwithstanding the foregoing, if any indemnification payment or advancement of Expenses made hereunder shall be determined to be "nonqualified deferred compensation" within the meaning of Section 409A, then (i) the amount of the indemnification payment or advancement of Expenses during one taxable year shall not affect the amount of the indemnification payments or advancement of Expenses during any other taxable year, (ii) the indemnification payments or advancement of Expenses must be made on or before the last day of the Indemnitee's taxable year following the year in which the expense was incurred, and (iii) the right to indemnification payments or advancement of Expenses hereunder is not subject to liquidation or exchange for another benefit.]

Section 21. Severability . If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 22. Identical Counterparts . This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 23. Headings . The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 24. Modification and Waiver . No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 25. Notices . All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Company, to:

Town Sports International Holdings, Inc.
5 Penn Plaza
New York, NY 10001
Attention: David M. Kastin, Esq. - General Counsel
Facsimile: (212) 664-1704
Email: David.Kastin@tsiclubs.com

or to such other address as may have been furnished in writing to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 26. Governing Law . The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflicts of laws rules.

Section 27. Miscellaneous . Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TOWN SPORTS INTERNATIONAL
HOLDINGS, INC.:

By: _____
Name:
Title:

INDEMNITEE:

_____
Name:
Address:

EXHIBIT A

FORM OF UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of Town Sports International Holdings, Inc.

Re: Undertaking to Repay Expenses Advanced

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Indemnification Agreement dated the ___ day of March, 2015, by and between Town Sports International Holdings, Inc., a Delaware corporation (the "Company"), and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good belief that at all times, insofar as I was involved as **[a director] [an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith, gross negligence or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of Expenses by the Company for reasonable attorneys' fees and related Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of gross negligence, active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful or (4) I am otherwise determined not to be have been entitled to be indemnified against such Expenses under the Agreement, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ___ day of _____, 20____.

_____

Name:
Address:

Exhibit 10.3

NON-QUALIFIED STOCK OPTION AGREEMENT
PURSUANT TO THE
TOWN SPORTS INTERNATIONAL HOLDINGS, INC.
2006 STOCK INCENTIVE PLAN, AS AMENDED

THIS AGREEMENT , dated as of August 19, 2015 (this " **Agreement** "), between Town Sports International Holdings, Inc. (the " **Company** ") and Gregory Bartoli (the " **Participant** ").

Preliminary Statement

The Compensation Committee of the Board of Directors of the Company (the " **Committee** ") has authorized this grant of a non-qualified stock option (the " **Option** ") on August 19, 2015 (the " **Grant Date** ") to purchase the number of shares of the Company's common stock, par value $0.001 per share (the " **Common Stock** "), set forth below to the Participant, as an Eligible Employee of the Company or an Affiliate of the Company. Unless otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Town Sports International Holdings, Inc. 2006 Stock Incentive Plan (as the same may be amended from time to time, the " **Plan** "). A copy of the Plan as in effect on the date hereof and prospectus has been delivered to the Participant. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan as in effect on the date hereof and prospectus and agrees to comply with the Plan, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. **Tax Matters** . No part of the Option granted hereby is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the " **Code** ").

2. **Grant of Option** . Subject in all respects to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted an Option to purchase from the Company 250,000 shares of Common Stock (the " **Option Shares** "), at a price per share of $2.61 (the " **Option Price** "), which may not be less than Fair Market Value on the Grant Date.

3. **Vesting and Exercise .**

(a) Except as set forth in Section 3(c), the Option shall vest and become exercisable in installments as provided below, which shall be cumulative. To the extent that the Option has become vested and exercisable as provided below, the Option thereafter may be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration or earlier termination of the Option as provided herein and in accordance with Section 6.3(d) of the Plan, including, without limitation, the filing of such written form of exercise notice, if any, as may be required by the Committee or the Company and the payment in full of the Option Price multiplied by the number of Option Shares underlying the portion of the Option exercised. Upon expiration of the Option, the Option shall be canceled and no longer exercisable. The following table indicates each date upon which the Participant shall be vested and entitled to exercise the Option with respect to the percentage of the Option Shares indicated beside such date, provided that, except to the extent otherwise provided in Section 6(c) and 7(c) of the Letter Agreement dated August 17, 2015 (the "Letter Agreement") in the event of a Termination by the Company without Cause or by the Participant for Good Reason (as defined in the Letter Agreement), the Participant has not had a Termination of Employment any time prior to such date (each of the dates set forth below being herein called a " **Vesting Date** "):

Vesting Date	Percentage of Option Shares Vested
First Anniversary of Grant Date	33-1/3%
Second Anniversary of Grant Date	66-2/3%
Third Anniversary of Grant Date	100%

(b) There shall be no proportionate or partial vesting in the periods prior to each Vesting Date and all vesting shall occur only on the appropriate Vesting Date, provided that the Participant has not had a Termination of Employment at any time prior to such Vesting Date (except as otherwise provided in the Letter Agreement) in the event of a Termination by the Company without Cause or by Participant for Good Reason (as defined in the Letter Agreement).

(c) The Option will become fully vested on a Change in Control.

(d) In consideration for the grant of the Option and in addition to any other remedies available to the Company, the Participant acknowledges and agrees that the Option is subject to the provisions in the Plan regarding any Detrimental Activity. If the Participant engages in any Detrimental Activity or his employment is terminated for Cause prior to the exercise of the Option, in addition to any other remedy available to the Company, then the Option shall terminate and expire as of the date the Participant engaged in such Detrimental Activity or termination date. As a condition of the exercise of the Option, the Participant shall be required to certify (or be deemed to have certified) at the time of exercise in a manner acceptable to the Company that the Participant is in compliance with the terms and conditions of the Plan and that the Participant has not engaged in, and does not intend to engage in, any Detrimental Activity. If the Participant engages in any Detrimental Activity, then, in accordance with the terms of the Plan, in addition to any other remedy available to the Company, the Company shall be entitled to recover from the Participant, and the Participant shall pay over to the Company, an amount equal to any gain realized as a result of the exercise (whether at the time of exercise or thereafter).

4. **Option Term** . The term of the Option shall be 5 years after the Grant Date and the Option shall expire at 5:00 p.m. (New York City time) on the 5th anniversary of the Grant Date, subject to earlier termination in the event of the Participant's Termination of Employment as specified in Section 5 .

5. **Termination** .

(a) Subject to Section 4, the terms of the Plan and this Agreement, the Option, to the extent vested at the time of the Participant's Termination of Employment (including any portion that vests in the event of a Termination of Employment without Cause by the Company or by the Participant for Good Reason to the extent provided in the Letter Agreement), shall remain exercisable as provided in Section 11.1(a) of the Plan.

(b) Any portion of the Option that is not vested as of the date of the Participant's Termination of Employment for any reason shall terminate and expire as of the date of such Termination of Employment. In the event of a Termination of Employment for Cause, the Option, whether or not vested, will be forfeited without any payment.

6. **Restriction on Transfer of Option** . No part of the Option shall be subject to Transfer other than by will or by the laws of descent and distribution. During the lifetime of the Participant, the Option may be exercised only by the Participant or the Participant's guardian or legal representative. The Option shall not be subject to levy by reason of any execution, attachment or similar process. Upon any attempt to Transfer the Option or in the event of any levy upon the Option by reason of any execution, attachment or similar process contrary to the provisions hereof, the Option shall immediately and automatically become null and void.

7. **Restrictive Covenants .**

The Company's grant of this Option is additional consideration for the restrictive covenants that the Participant has agreed to in the Letter Agreement and the Confidentiality and Non-Solicitation Agreement referred to therein.

8. **Rights as a Stockholder** . The Participant shall have no rights as a stockholder with respect to any Option Shares unless and until the Participant has become the holder of record of the Option Shares. No adjustments shall be made to the Option, the Option Shares or the Option Price for dividends in cash or other property, distributions or other rights in respect of any Option Shares, except as otherwise may be specifically provided for in the Plan. No shares of Common Stock shall be issued unless and until payment therefor has been made or provided and the conditions set forth in Section 15.6 of the Plan are satisfied.

9. **Provisions of Plan Control** . This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements and understandings (whether written or oral) between the Company and the Participant with respect to the subject matter hereof.

10. **Notices** . Any notice or communication given hereunder (each a " Notice ") shall be in writing and shall be sent by personal delivery, by courier or by United States mail (registered or certified mail, postage prepaid and return receipt requested), to the appropriate party at the address set forth below:

If to the Company, to:

Town Sports International Holdings, Inc.
5 Penn Plaza (4 th Floor)
New York, New York 10001
Attention: Chief Financial Officer

with a copy to:

Town Sports International Holdings, Inc.
5 Penn Plaza (4 th Floor)
New York, New York 10001
Attention: General Counsel
If to the Participant, to the address for the Participant on file with the Company;

or such other address or to the attention of such other person as a party shall have specified by prior Notice to the other party. Each Notice will be deemed given and effective upon actual receipt (or refusal of receipt).

11. **No Obligation to Continue Employment** . This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Affiliates will employ, retain or continue to, employ or retain the Participant during all, or any part of the term of this Agreement, including but not limited to any period during which any Option is outstanding, nor does it modify in any respect any right of the Company or of any Affiliate of the Company to terminate or modify the Participant's employment or compensation.

12. **Waiver of Jury Trial .** Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, arising out of, under or in connection with this agreement or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.

13. **Governing Law .** All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

14. **Consent to Jurisdiction** . In the event of any dispute, controversy or claim between the Company or any Affiliate and the Participant in any way concerning, arising out of or relating to the Plan or this Agreement (a " Dispute "), including without limitation any Dispute concerning, arising out of or relating to the interpretation, application or enforcement of the Plan or this Agreement, the parties hereby (a) agree and consent to the personal jurisdiction of the courts of the State of New York located in New York County and/or the Federal courts of the United States of America located in the Southern District of New York (collectively, the " Agreed Venue ") for resolution of any such Dispute, (b) agree that those courts in the Agreed Venue, and only those courts, shall have exclusive jurisdiction to determine any Dispute, including any appeal, and (c) agree that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York. The parties also hereby irrevocably (i) submit to the jurisdiction of any competent court in the Agreed Venue (and of the appropriate appellate courts therefrom), (ii) to the fullest extent permitted by law, waive any and all defenses the parties may have on the grounds of lack of jurisdiction of any such court and any other objection that such parties may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court (including without limitation any defense that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum), and (iii) consent to service of process in any such suit, action or proceeding, anywhere in the world, whether within or without the jurisdiction of any such court, in any manner provided by applicable law. Without limiting the foregoing, each party agrees that service of process on such party pursuant to a Notice as provided in Section 10 shall be deemed effective service of process on such party. Any action for enforcement or recognition of any judgment obtained in connection with a Dispute may be enforced in any competent court in the Agreed Venue or in any other court of competent jurisdiction.

15. **Counterparts .** This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

[Remainder of Page Left Blank]

IN WITNESS WHEREOF , the parties have executed this Agreement as of the date and year first above written.

Company :

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.

By: /s/ Scott Milford
Name: Scott Milford
Title: Senior Vice President, Human Resources

Participant :

/s/ Gregory Bartoli
Gregory Bartoli

Exhibit 10.4

RESTRICTED STOCK AGREEMENT

THIS AGREEMENT (this " **Agreement** ") made as of August 19, 2015, by and between Town Sports International Holdings, Inc. (the " **Company** ") and Gregory Bartoli (the " **Holder** "). Although this award is not made under the Town Sports International Holdings, Inc. 2006 Stock Incentive Plan, as amended (the " Plan "), capitalized terms used herein without definition shall have the meanings specified in such Plan and are incorporated herein by reference.

W I T N E S S E T H:

WHEREAS , the Company and the Holder have entered into a letter agreement dated August 17, 2015 (the " Letter Agreement "), which contains the terms and conditions applicable to Holder's employment with the Company. As an inducement for the Holder to become the Chief Operating Officer of the Company and commence employment with the Company and in consideration of services to be rendered and as an incentive for the Holder's best performance of future services to Company and its Subsidiaries and in accordance with NASDAQ Rule 5635(c)(4), the Board of Directors (the "Board") determined that it would be to the advantage and in the best interest of the Company and its stockholders (i) to assign certain shares of Common Stock of the Company subject to certain restrictions thereon to the Holder as contemplated by Section 6 of the Letter Agreement and (ii) for the Company to enter into this Restricted Stock Agreement (the " Agreement ") to evidence the Restricted Stock.

NOW, THEREFORE , for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of Shares . Subject to the restrictions, terms and conditions of this Agreement, the Company awarded the Holder 300,000 shares of validly issued Common Stock (the " **Shares** ") on August 19, 2015 (the " **Grant Date** "). Pursuant to Section 2 hereof, the Shares are subject to certain restrictions, which restrictions relate to the passage of time as an employee of the Company or its Affiliates. While such restrictions are in effect (such period, being the " **Restriction Period** "), the Shares subject to such restrictions shall be referred to herein as " **Restricted Stock** ."

2. Restrictions on Transfer . The Holder shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Shares, except as set forth in this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the Shares in violation of this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

3. Restricted Stock .

(a) Retention of Certificates . Promptly after the date of this Agreement, the Company shall issue stock certificates representing the Restricted Stock unless, to the extent permitted under applicable law, it elects to issue the Shares in the form of uncertificated shares and recognize such ownership through an uncertificated book entry account maintained by the Company (or its designee) on behalf of the Holder or through another similar method. The stock certificates shall be registered in the Holder's name and shall bear any legend required under Section 4(a) hereof Unless held in uncertificated book entry form, such stock certificates shall be held in custody by the Company (or its designated agent) until the restrictions thereon shall have lapsed. Upon the Company's request, the Holder shall deliver to the Company a duly signed stock power, endorsed in blank, relating to the Restricted Stock. If the Holder receives a stock dividend on the Restricted Stock or the shares of Restricted Stock are split or the Holder receives any other shares, securities, moneys or property representing a dividend on the Restricted Stock (other than cash dividends on or after the date of this Agreement) or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, or any warrants, rights or options issued to the Holder in respect of the Restricted Stock (collectively " **RS Property** "), the Holder will also immediately deposit with and deliver to the Company any of such RS Property, including, without limitation, any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including, without limitation, the restrictions in Section 2 and this Section 3(a) hereof, as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term " **Restricted Stock** ."

(b) Rights with Regard to Restricted Stock . Subject to Section 8 , the Holder will have the right to vote the Restricted Stock, and to receive, subject to the Committee's determination (in its sole discretion), any dividends payable to holders of record of Restricted Stock on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes if paid on Restricted Stock and stock dividends will be subject to the restrictions provided in Section 2 and Section 3(a)), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock set forth in herein, except that: (i) the Holder shall not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the Restriction Period shall have expired; (ii) the Company (or its designated agent) shall retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property during the Restriction Period; (iii) no RS Property shall bear interest or be segregated in separate accounts during the Restriction Period; and (iv) the Holder shall not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the Restriction Period.

(c) Vesting . The Restricted Stock shall become vested and cease to be Restricted Stock (but shall remain subject to Section 5) pursuant to the following schedule; provided that, except to the extent provided in Sections 6(c) and 7 of the Letter Agreement in the event of a Termination of Employment without Cause by the Company or by the Holder for Good Reason (as defined in the Letter Agreement), the Holder has not had a Termination any time prior to the applicable vesting date:

Vesting Date	Number of Shares
First Anniversary of Grant Date	100,000
Second Anniversary of Grant Date	100,000
Third Anniversary of Grant Date	100,000

There shall be no proportionate or partial vesting in the periods prior to each vesting date and all vesting shall occur only on the appropriate vesting date; provided , however , that no Termination has occurred prior to such date (except to the extent provided in Section 6(c) and 7(c) of the Letter Agreement in the event of a Termination without Cause by the Company or by the Holder for Good Reason).

The Restricted Stock will become fully vested on a Change in Control.

The provisions of the second paragraph of Section 8.1 of the Plan regarding Detrimental Activity are incorporated herein by reference and shall apply to the Restricted Stock and shall be in addition to any other remedy available to the Company.

When any shares of Restricted Stock become vested, the Company shall promptly issue and deliver, unless the Company is using book entry, to the Holder a new stock certificate registered in the name of the Holder for such shares of Restricted Stock without the first paragraph of the legend set forth in Section 4(a)(i) and deliver to the Holder any related other RS Property, subject to applicable withholding.

(d) Forfeiture . The Holder shall forfeit to the Company, without compensation, other than repayment of any par value paid by the Holder for the Shares (if any), any and all Restricted Stock (but no vested Shares) and RS Property upon the Holder's Termination of Employment for any reason, provided that such forfeiture shall not apply to that portion of the Shares that vest in accordance with Section 7(c) of the Letter Agreement in the event of a Termination of Employment by the Company without Cause or by the Holder for Good Reason.

(e) Withholding . Holder shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the amount of all applicable federal, state and local or foreign taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Affiliates shall have the right to withhold such taxes from the Holder's normal pay or other amounts payable to the Holder, including, but not limited to, the right to withhold any of the Shares otherwise deliverable to the Holder hereunder. In addition, any statutorily required withholding obligation may be satisfied, in whole or in part, at the Holder's election, in the form and manner prescribed by the Committee, by delivery of shares of Common Stock (including, without limitation, the Shares issued under this Agreement).

(f) Section 83(b) . If the Holder properly elects (as required by Section 83(b) of the Code) within 30 days after the issuance of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of such shares of Restricted Stock, the Holder shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to the Restricted Stock. If the Holder shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Holder any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock, as well as the rights set forth in Section 3(e) . The Holder acknowledges that it is the Holder's sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if the Holder elects to utilize such election.

(g) Delivery Delay . The delivery of any certificate representing the Restricted Stock or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable federal or state securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of the Shares shall constitute a violation by the Holder or the Company of any provisions of any applicable federal or state law or of any regulations of any governmental authority or any national securities exchange.

4. Legend

.

(a) (i) All certificates representing the Restricted Stock shall have endorsed thereon the following legends:

"THE ANTICIPATION, ALIENATION, ATTACHMENT, SALE, TRANSFER, ASSIGNMENT, PLEDGE, ENCUMBRANCE OR CHARGE OF THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO SUBSTANTIAL RESTRICTIONS UNDER APPLICABLE LAW AND THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF A RESTRICTED STOCK AGREEMENT DATED AUGUST 19, 2015 BETWEEN THE REGISTERED OWNER AND TOWN SPORTS INTERNATIONAL HOLDINGS, INC. (THE "COMPANY"). A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), NOR HAVE THEY BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. NO TRANSFER OF SUCH SECURITIES WILL BE PERMITTED UNLESS A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE ACT, OR IN THE OPINION OF COUNSEL TO THE COMPANY, REGISTRATION UNDER THE ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT AND WITH APPLICABLE STATE SECURITIES LAWS."

(ii) Any legend required to be placed thereon by applicable blue sky laws of any state.

(b) Notwithstanding the foregoing, in no event shall the Company be obligated to deliver to the Holder a certificate representing the Restricted Stock prior to the vesting dates set forth above.

5. Securities Representations . The Holder acknowledges that the Shares are not being registered under the Securities Act, based, in part in reliance upon an exemption from registration under the Securities Act, and a comparable exemption from qualification or registration under applicable state securities laws, as each may be amended from time to time. Holder, and by executing this Agreement, hereby makes the following representations to the Company and acknowledges that the Company's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part upon the accuracy of these representations:

(a) The Holder is acquiring the Shares solely for Holder's own account, for investment purposes only, and not with a view to or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the units within the meaning of the Securities Act and/or any applicable state securities laws.

(b) In evaluating the merits and risks of an investment in the Shares, the Holder has and will rely upon the advice of the Holder's own legal counsel, tax advisors, and/or investment advisors.

(c) The Holder understands that the Shares will be characterized as "restricted securities" under the federal securities laws, and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect, with which the Holder is familiar. The Company will use commercially reasonable efforts to file are-offer prospectus.

(d) The Holder has read and understands the restrictions and limitations set forth in this Agreement.

(e) The Holder is an "accredited investor" as defined in the Securities Act.

(f) The Holder acknowledges that he will be subject to the Company's employee trading policy.

6. No Obligation to Continue Employment . This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Affiliates will employ or retain, or continue to employ or retain, the Holder during the entire, or any portion of the, term of this Agreement, including, but not limited to, any period during which the Restricted Stock is outstanding, nor does it modify in any respect the Company's or its Affiliate's right to terminate or modify the Holder's employment or compensation.

7. Power of Attorney . The Company, its successors and assigns are hereby appointed the attorneys-in-fact, with full power of substitution, of the Holder for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorneys-in-fact may deem necessary or advisable to accomplish the purposes of this Agreement, which appointment as attorneys-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Holder, may in the name and stead of the Holder, make and execute all conveyances, assignments and transfers of the Shares and property provided for in this Agreement, and the Holder hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Holder shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for such purpose.

8. Rights as a Stockholder . The Holder shall have no rights as a stockholder with respect to any Restricted Stock unless and until the Holder has become the holder of record of the Shares, whether the Shares are represented by a certificate or through book entry or another similar method, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any Shares, except as otherwise specifically provided for in Section 8.3(b) of the Plan (which is incorporated herein by reference) or this Agreement.

9. Entire Agreement . This Agreement (together with the provisions of the Letter Agreement and the Plan incorporated herein by reference) contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Holder with respect to the subject matter hereof. Notwithstanding the foregoing, to the extent the Plan is not inconsistent with the terms of this Agreement, the terms of the Plan shall equally apply to the Restricted Stock and are incorporated herein.

10. Section 409A . To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement to comply with Section 409A of the Code and the regulations thereunder or any other applicable law and may also amend, suspend or terminate this Agreement subject to the terms of the Plan. The award of Restricted Stock pursuant to this Agreement is not intended to be considered "deferred compensation" for the purposes of Section 409A of the Code.

11. Changes in Capital Structure; Restrictions On New Shares . In the event of the occurrence of any transaction or event described in Section 4 of the Plan, this award of Restricted Stock shall be treated in the same manner as the outstanding awards made under the Plan. For the avoidance of doubt, in the event that the Holder receives any new or additional or different shares or securities by reason of any transaction or event described in Section 4.2 of the Plan, such new or additional or different shares or securities which are attributable to the Holder in his capacity as the registered owner of the Restricted Stock then subject to restrictions, shall be considered to be Restricted Stock and shall be subject to all of the restrictions, unless the Committee provides for the removal or lapse of the restrictions on the shares of Restricted Stock underlying the distribution of the new or additional shares or securities. In addition, the Committee may, in its discretion, take the actions that are described in Section 12.1 of the Plan (which is incorporated by reference herein).

12. No Restriction on Right of Company to Effect Corporate Changes . This Agreement shall not affect in any way the right or power of the Company, the Board or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital structure or business of the Company, any merger or consolidation of the Company or any Affiliate, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Stock or the rights thereof or which are convertible into or exchangeable for Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise as provided in Section 4.2(a) of the Plan.

13. Restricted Stock Not Transferable . No Restricted Stock or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Holder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect.

14. Notices . Any notice or communication given hereunder (each, a " **Notice** ") shall be in writing and shall be sent by personal delivery, by courier or by regular United States mail, first class and prepaid, to the appropriate party at the address set forth below:

If to the Company, to:
Town Sports International Holdings, Inc.
5 Penn Plaza - 4 th Floor
New York, NY 10001
Attention.: Chief Financial Officer
If to the Holder, to the address of the Holder on file with the Company;

or such other address or to the attention of such other person as a party shall have specified by prior Notice to the other party. Each Notice shall only be given and effective upon actual receipt (or refusal of receipt).

15. Acceptance . The Holder shall forfeit the Restricted Stock if the Holder does not execute this Agreement within a period of 60 days from the date the Holder receives this Agreement (or such other period as the Committee shall provide).

16. Restrictive Covenants . The Company's grant of the Restricted Stock is additional consideration for the restrictive covenants that the Holder has agreed to in the Letter Agreement and the Confidentiality and Non-Solicitation Agreement referred to therein.

17. Waiver of Jury Trial . Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, arising out of, under or in connection with this agreement or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.

18. Amendment . This Agreement may be amended without Holder's consent provided that such amendment would not impair any of his rights under this Agreement. No amendment of this Agreement shall, without Holder's consent, impair any of his rights under this Agreement. The Committee's interpretation of this Agreement and all decisions and determinations by the Committee with respect to this Agreement are final, binding and conclusive on all parties, provided , that , to the extent that any such interpretation, decision or determination applies equally to the participants in the Plan, the interpretation, decision or determination with respect to this grant of Restricted Stock will be consistent with that made for the Plan participants.

19. Miscellaneous .

(a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(c) In the event of any dispute, controversy or claim between the Company or any Affiliate and the Holder in any way concerning, arising out of or relating to the Plan or this Agreement (a " **Dispute** "), including without limitation any Dispute concerning, arising out of or relating to the interpretation, application or enforcement of the Plan or this Agreement, the parties hereby (i) agree and consent to the personal jurisdiction of the courts of the State of New York located in New York County and/or the Federal courts of the United States of America located in the Southern District of New York (collectively, the " **Agreed Venue** ") for resolution of any such Dispute, (ii) agree that those courts in the Agreed Venue, and only those courts, shall have exclusive jurisdiction to determine any Dispute, including, without limitation, any appeal, and (iii) agree that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York. The parties also hereby irrevocably (A) submit to the jurisdiction of any competent court in the Agreed Venue (and of the appropriate appellate courts therefrom), (B) to the fullest extent permitted by law, waive any and all defenses the parties may have on the grounds of lack of jurisdiction of any such court and any other objection that such parties may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court (including without limitation any defense that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum), and (C) consent to service of process in any such suit, action or proceeding, anywhere in the world, whether within or without the jurisdiction of any such court, in any manner provided by applicable law. Without limiting the foregoing, each party agrees that service of process on such party pursuant to a notice as provided in Section 14 shall be deemed effective service of process on such party. Any action for enforcement or recognition of any judgment obtained in connection with a Dispute may be enforced in any competent court in the Agreed Venue or in any other court of competent jurisdiction.

(d) This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

(e) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.

By: /s/ Scott Milford
Name: Scott Milford
Title: Senior Vice President, Human Resources

HOLDER

/s/ Gregory Bartoli
Gregory Bartoli

Exhibit 10.5

NON-QUALIFIED STOCK OPTION AGREEMENT
TOWN SPORTS INTERNATIONAL HOLDINGS, INC.

THIS OPTION AGREEMENT , dated August 19, 2015 (this " **Agreement** "), between Town Sports International Holdings, Inc. (the " **Company** ") and Gregory Bartoli (the " **Optionee** ").

Preliminary Statement

The Optionee and the Company have entered into a letter agreement dated August 17, 2015 (the " Letter Agreement "), which contains the terms and conditions applicable to Optionee's employment with the Company. As an inducement for Optionee to become the Chief Operating Officer of the Company and commence employment with the Company and in consideration of services to be rendered and as an incentive for Optionee's best performance of future services to Company and its Subsidiaries and in accordance with NASDAQ Rule 5635(c)(4), the Company's Board of Directors determined that it would be to the advantage and in the best interest of the Company and its stockholders (i) to grant to Optionee the nonqualified option to purchase 450,000 shares of the Company's common stock, par value $0.001 per share, as described in Section 6(b) of the Letter Agreement (the "Option") and (ii) for the Company to enter into this Agreement to evidence the Option. Although this award is not made under the Company's 2006 Stock Incentive Plan, as amended (the " Plan "), capitalized terms used herein without definition shall have the meanings specified in such Plan and are incorporated herein by reference.

Accordingly, the parties hereto agree as follows:

1. **Tax Matters** . No part of the Option granted hereby is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the " **Code** ").

2. **Grant of Option** . Subject in all respects to the terms and conditions set forth herein and, to the extent incorporated herein, the Plan and the Letter Agreement, the Optionee is hereby granted an Option to purchase from the Company 450,000 shares of Common Stock (the " **Option Shares** "), at a price per share of $2.61 (the " **Option Price** "), which may not be less than Fair Market Value on the Grant Date.

3. **Vesting and Exercise .**

(a) Except as set forth in Section 3(c), the Option shall vest and become exercisable in installments as provided below, which shall be cumulative. To the extent that the Option has become vested and exercisable as provided below, the Option thereafter may be exercised by the Optionee, in whole or in part, at any time or from time to time prior to the expiration or earlier termination of the Option as provided herein and in accordance with Section 6.3(d) of the Plan (which provision is incorporated herein by reference), including, without limitation, the filing of such written form of exercise notice, if any, as may be required by the Committee or the Company and the payment in full of the Option Price multiplied by the number of Option Shares underlying the portion of the Option exercised. Upon expiration of the Option, the Option shall be canceled and no longer exercisable. The following table indicates each date upon which the Optionee shall be vested and entitled to exercise the Option with respect to the percentage of the Option Shares indicated beside such date, provided that, except to the extent otherwise provided in Sections 6(c) and 7(c) of the Letter Agreement in the event of a Termination by the Company without Cause or by Optionee for Good Reason (as defined in the Letter Agreement), the Optionee has not had a Termination of Employment any time prior to such date (each of the dates set forth below being herein called a " **Vesting Date** "):

Vesting Date	**Percentage of Option Shares Vested**
First Anniversary of Grant Date	33-1/3%
Second Anniversary of Grant Date	66-2/3%
Third Anniversary of Grant Date	100%

(b) There shall be no proportionate or partial vesting in the periods prior to each Vesting Date and all vesting shall occur only on the appropriate Vesting Date, provided that the Optionee has not had a Termination of Employment at any time prior to such Vesting Date (except to the extent otherwise provided in the Letter Agreement) in the event of a Termination by the Company without Cause or by Optionee for Good Reason (as defined in the Letter Agreement).

(c) The Option will become fully vested on a Change in Control.

(d) In consideration for the grant of the Option and in addition to any other remedies available to the Company, the Optionee acknowledges and agrees that the provisions in the Plan regarding any Detrimental Activity (including Section 6.3(c) of the Plan) are incorporated herein by reference and shall apply equally to the Option and Option Shares. If the Optionee engages in any Detrimental Activity or his employment is terminated for Cause prior to the exercise of the Option, in addition to any other remedy available to the Company, then the Option shall terminate and expire as of the date the Optionee engaged in such Detrimental Activity or Termination date. As a condition of the exercise of the Option, the Optionee shall be required to certify (or be deemed to have certified) at the time of exercise in a manner acceptable to the Company that the Optionee has not engaged in, and does not intend to engage in, any Detrimental Activity. If the Optionee engages in any Detrimental Activity, then, in accordance with the terms of the Plan, in addition to any other remedy available to the Company, the Company shall be entitled to recover from the Optionee, and the Optionee shall pay over to the Company, an amount equal to any gain realized as a result of the exercise (whether at the time of exercise or thereafter).

4. **Option Term** . The term of the Option shall be 5 years after the Grant Date and the Option shall expire at 5:00 p.m. (New York City time) on the 5 th anniversary of the Grant Date, subject to earlier termination in the event of the Optionee's Termination of Employment as specified in Section 5 .

5. **Termination** .

(a) Subject to Section 4 , the Option, to the extent vested at the time of the Optionee's Termination of Employment (including any portion that vests in the event of a Termination of Employment without Cause by the Company or by Optionee for Good Reason to the extent provided in the Letter Agreement), shall remain exercisable as provided in Section 11.1(a) of the Plan (which provision shall equally apply to this Option).

(b) Any portion of the Option that is not vested as of the date of the Optionee's Termination of Employment for any reason (but excluding any portion that vests in accordance with Section 7(c) of the Letter Agreement) shall terminate and expire as of the date of such Termination of Employment. In the event of a Termination of Employment for Cause, the Option, whether or not vested, will be forfeited without any payment.

6. **Restriction on Transfer of Option** . No part of the Option shall be subject to Transfer other than by will or by the laws of descent and distribution. During the lifetime of the Optionee, the Option may be exercised only by the Optionee or the Optionee's guardian or legal representative. Notwithstanding the foregoing, the Committee may determine, in its sole discretion, that this Option that is otherwise not Transferable pursuant to this Section is Transferable to a Family Member in whole or in part and in such circumstances, and under such conditions, as determined by the Committee, in its sole discretion. If this Option is Transferred to a Family Member pursuant to the preceding sentence, it (i) may not be subsequently Transferred otherwise than by will or by the laws of descent and distribution and (ii) remains subject to the terms of this Agreement. Any shares of Common Stock acquired upon the exercise of this Option by a permissible transferee after the exercise of this Option shall be subject to the terms of this Agreement. The Option shall not be subject to levy by reason of any execution, attachment or similar process. Upon any attempt to Transfer the Option or in the event of any levy upon the Option by reason of any execution, attachment or similar process contrary to the provisions hereof, the Option shall immediately and automatically become null and void.

7. **Restrictive Covenants .**

The Company's grant of this Option is additional consideration for the restrictive covenants that the Optionee has agreed to in the Letter Agreement and the Confidentiality and Non-Solicitation Agreement referred to therein.

8. **Rights as a Stockholder** . The Optionee shall have no rights as a stockholder with respect to any Option Shares unless and until the Optionee has become the holder of record of the Option Shares. No adjustments shall be made to the Option, the Option Shares or the Option Price for dividends in cash or other property, distributions or other rights in respect of any Option Shares, except as otherwise may be specifically provided for in the Plan (with such provisions being incorporated herein by reference). No shares of Common Stock shall be issued unless and until payment therefor has been made or provided and the conditions set forth in Section 15.6 of the Plan (incorporated herein by reference) are satisfied.

9. **Entire Agreement** . This Agreement (including the provisions of the Letter Agreement and the Plan that are incorporated herein by reference) contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements and understandings (whether written or oral) between the Company and the Optionee with respect to the subject matter hereof. Notwithstanding the foregoing, to the extent the Plan is not inconsistent with the terms of this Agreement, the terms of the Plan shall equally apply to the Option and Option Shares and are incorporated herein.

10. **Notices** . Any notice or communication given hereunder (each a " Notice ") shall be in writing and shall be sent by personal delivery, by courier or by United States mail (registered or certified mail, postage prepaid and return receipt requested), to the appropriate party at the address set forth below:

If to the Company, to:

Town Sports International Holdings, Inc.
5 Penn Plaza (4 th Floor)
New York, New York 10001
Attention: Chief Financial Officer

with a copy to:

Town Sports International Holdings, Inc.
5 Penn Plaza (4 th Floor)
New York, New York 10001
Attention: Chief Financial Officer
If to the Optionee, to the address for the Optionee on file with the Company

; or such other address or to the attention of such other person as a party shall have specified by prior Notice to the other party. Each Notice will be deemed given and effective upon actual receipt (or refusal of receipt).

11. **No Obligation to Continue Employment** . This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Affiliates will employ, retain or continue to, employ or retain the Optionee during all, or any part of the term of this Agreement, including but not limited to any period during which any Option is outstanding, nor does it modify in any respect any right of the Company or of any Affiliate of the Company to terminate or modify the Optionee's employment or compensation.

12. **Waiver of Jury Trial .** Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, arising out of, under or in connection with this agreement or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.

13. **Governing Law .** All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

14. **Consent to Jurisdiction** . In the event of any dispute, controversy or claim between the Company or any Affiliate and the Optionee in any way concerning, arising out of or relating to the Plan or this Agreement (a " Dispute "), including without limitation any Dispute concerning, arising out of or relating to the interpretation, application or enforcement of the Plan or this Agreement, the parties hereby (a) agree and consent to the personal jurisdiction of the courts of the State of New York located in New York County and/or the Federal courts of the United States of America located in the Southern District of New York (collectively, the " Agreed Venue ") for resolution of any such Dispute, (b) agree that those courts in the Agreed Venue, and only those courts, shall have exclusive jurisdiction to determine any Dispute, including any appeal, and (c) agree that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York. The parties also hereby irrevocably (i) submit to the jurisdiction of any competent court in the Agreed Venue (and of the appropriate appellate courts therefrom), (ii) to the fullest extent permitted by law, waive any and all defenses the parties may have on the grounds of lack of jurisdiction of any such court and any other objection that such parties may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court (including without limitation any defense that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum), and (iii) consent to service of process in any such suit, action or proceeding, anywhere in the world, whether within or without the jurisdiction of any such court, in any manner provided by applicable law. Without limiting the foregoing, each party agrees that service of process on such party pursuant to a Notice as provided in Section 10 shall be deemed effective service of process on such party. Any action for enforcement or recognition of any judgment obtained in connection with a Dispute may be enforced in any competent court in the Agreed Venue or in any other court of competent jurisdiction.

15. **Counterparts .** This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

16. **Changes in Corporate Structure .** In the event of the occurrence of any transaction or event described in Section 4.2 of the Plan, this Option shall be treated in the same manner as the outstanding awards made under the Plan. In addition, the Committee may, in its discretion, take the actions that are described in Section 12.1 of the Plan (which is incorporated by reference herein).

17. **No Restriction on Right of Company to Effect Corporate Changes .**

This Agreement shall not affect in any way the right or power of the Company, the Board or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital structure or business of the Company, any merger or consolidation of the Company or any Affiliate, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise, as provided in Section 4.2(c) of the Plan.

18. **Conformity to Securities Laws:**

The Common Stock issued upon exercise of the Option shall be issued only to Optionee or a person permitted to exercise the Option pursuant to the heading "Restriction on Transfer of Option". Each share certificate representing Common Stock purchased upon exercise of the Option shall bear a legend stating that the Common Stock evidenced thereby may not be sold or transferred except in compliance with the Securities Act and the provisions of this Agreement. The certificate(s) may be made subject to a stop transfer order placed with the Company's transfer agent. Optionee acknowledges that this Agreement is intended to conform to the extent necessary with all provisions of all applicable federal and state (and applicable foreign) laws, rules and regulations (including but not limited to, the Securities Act and the Exchange Act and to such approvals by any listing, regulatory or other governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

The shares of Common Stock subject to the Option may not be transferred or sold unless and until (A) a registration statement under the Securities Act has been duly filed and declared effective pertaining to the Common Stock and such shares shall have been qualified under applicable state "blue sky" laws, or (B) the Committee in its sole discretion determines that such registration and qualification is not required as a result of the availability of an exemption from such registration and qualification under such laws. The Company shall use commercially reasonable efforts to file a registration statement with the Securities and Exchange Commission on Form S-8 with respect to the Option and the Option Shares.

19. Amendment
:

This Agreement may be amended without Optionee's consent provided that such amendment would not impair any of Optionee's rights under this Agreement. No amendment of this Agreement shall, without Optionee's consent, impair any of Optionee's rights under this Agreement. The Committee's interpretation of this Agreement and all decisions and determinations by the Committee with respect to this Agreement are final, binding and conclusive on all parties, provided , that , to the extent that any such interpretation, decision or determination applies equally to the participants in the Plan, the interpretation, decision or determination with respect to this Option will be consistent with that made for the Plan participants.

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IN WITNESS WHEREOF , the parties have executed this Agreement as of the date and year first above written.

Company :

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.

By: /s/ Scott Milford
Name: Scott Milford
Title: Senior Vice President, Human Resources

Optionee :

/s/ Gregory Bartoli
Gregory Bartoli

Exhibit 31.1

CERTIFICATION

I, Patrick Walsh , certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of Town Sports International Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Patrick Walsh
Patrick Walsh
Executive Chairman
Date: November 2, 2015

Exhibit 31.2

CERTIFICATION

I, Carolyn Spatafora, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of Town Sports International Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Carolyn Spatafora
Carolyn Spatafora
Chief Financial Officer

Date: November 2, 2015

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick Walsh , certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q of Town Sports International Holdings, Inc. (the "Company") for the quarterly period ended September 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrick Walsh
Patrick Walsh
Town Sports International Holdings, Inc.
Executive Chairman

November 2, 2015

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Carolyn Spatafora, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q of Town Sports International Holdings, Inc. (the "Company") for the quarterly period ended September 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Carolyn Spatafora
Carolyn Spatafora
Town Sports International Holdings, Inc.
Chief Financial Officer

November 2, 2015

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.