

TOWN SPORTS INTERNATIONAL HOLDINGS INC

Form DEF 14A

March 30, 2007

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**SCHEDULE 14A
(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for use of the Commission (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement only
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment, of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 30, 2007

Dear Stockholders:

On behalf of the Board of Directors of Town Sports International Holdings, Inc., I cordially invite you to attend our Annual Meeting of Stockholders, which will be held on Tuesday, May 1, 2007 at 12:00 p.m. (Eastern Daylight time) at Boston Sports Club, 311 Arsenal Street, Watertown, Massachusetts 02472 (Tel: 617-924-0669).

The purposes of this meeting are:

the election of eight directors;

the ratification of the Audit Committee's appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm; and

to act upon such other business as may properly come before the Annual Meeting.

You will find attached a Notice of Annual Meeting of Stockholders and a Proxy Statement that contain more information about the matters to be considered at the Annual Meeting. Please give all of this information your careful attention. The Board of Directors recommends a vote **FOR** the director nominees pursuant to Item 1 in the Notice and a vote **FOR** the proposal listed as Item 2 in the Notice.

You will also find enclosed a Proxy Card appointing proxies to vote your shares at the Annual Meeting. If you do not plan to attend the Annual Meeting in person, please sign, date and return your Proxy Card as soon as possible so that your shares can be represented and voted in accordance with your instructions. If you decide to attend the Annual Meeting and wish to change your proxy vote, you may do so automatically by voting in person at the Annual Meeting.

The Proxy Statement and the enclosed Proxy Card are first being mailed on or about April 2, 2007 to stockholders entitled to vote. Our 2006 Annual Report to Stockholders is being mailed with the Proxy Statement.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Robert J. Giardina
Chief Executive Officer and Director

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**TOWN SPORTS INTERNATIONAL HOLDINGS, INC.
888 Seventh Avenue (25th Floor)
New York, New York 10106**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD AT 12:00 P.M. MAY 1, 2007**

TO THE STOCKHOLDERS OF TOWN SPORTS INTERNATIONAL HOLDINGS, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the Annual Meeting) of Town Sports International Holdings, Inc., a Delaware corporation (the Company), will be held at Boston Sports Club, 311 Arsenal Street, Watertown, Massachusetts 02472 (Tel: 617-924-0669) on Tuesday, May 1, 2007 at 12:00 p.m. (Eastern Daylight time) for the following purposes, as more fully described in the Proxy Statement accompanying this notice:

- (1) To elect eight directors to serve until the 2008 Annual Meeting of Stockholders or in each case until such director's successor shall have been duly elected and qualified;
- (2) To ratify the Audit Committee's appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2007; and
- (3) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on March 13, 2007 will be entitled to notice of, and to vote at, the Annual Meeting, and any adjournments or postponements thereof. The stock transfer books of the Company will remain open between the record date and the date of the Annual Meeting, and any adjournments or postponements thereof. A list of stockholders entitled to vote at the Annual Meeting, and any adjournments or postponements thereof, will be available for inspection at the Annual Meeting, and any adjournments or postponements thereof, and for a period of 10 days prior to the meeting during regular business hours at the offices of the Company listed above.

All stockholders are cordially invited to attend the Annual Meeting in person. Whether or not you plan to attend the Annual Meeting in person, your vote is important. To assure your representation at the Annual Meeting, please sign and date the enclosed Proxy Card and return it promptly in the enclosed envelope, which requires no additional postage if mailed in the United States or Canada. Should you receive more than one Proxy Card because your shares are registered in different names and addresses, each Proxy Card should be signed and returned to assure that all your shares will be voted. You may revoke your proxy in the manner described in the Proxy Statement at any time prior to it being voted at the Annual Meeting. If you attend the Annual Meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted.

By Order of the Board of Directors

Robert J. Giardina
Chief Executive Officer and Director

New York, New York

March 30, 2007

YOUR VOTE IS VERY IMPORTANT

REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY, COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED ENVELOPE.

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**TOWN SPORTS INTERNATIONAL HOLDINGS, INC.
888 Seventh Avenue (25th Floor)
New York, New York 10106**

PROXY STATEMENT

General

This Proxy Statement is furnished to the stockholders of record of Town Sports International Holdings, Inc., a Delaware corporation (Town Sports or the Company), as of March 13, 2007, in connection with the solicitation of proxies on behalf of the Board of Directors of the Company for use at the Annual Meeting of Stockholders to be held on Tuesday, May 1, 2007, and at any adjournments or postponements thereof. The Annual Meeting will be held at 12:00 p.m. (Eastern Daylight time) at Boston Sports Club, 311 Arsenal Street, Watertown, Massachusetts 02472 (Tel: 617-924-0669). This Proxy Statement and the accompanying Proxy Card and Notice of Annual Meeting of Stockholders are first being mailed on or about April 2, 2007 to all stockholders entitled to vote at the Annual Meeting and at any adjournments or postponements thereof.

Voting

The specific matters to be considered and acted upon at the Annual Meeting are:

- (i) the election of eight directors;
- (ii) the ratification of the Audit Committee's appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007; and
- (iii) to act upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

These matters are described in more detail in this Proxy Statement.

On March 13, 2007, the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof, 26,048,948 shares of the Company's common stock were issued and outstanding. No shares of the Company's Preferred Stock were outstanding. Each stockholder is entitled to one vote for each share of common stock held by such stockholder on March 13, 2007. Stockholders may not cumulate votes in the election of directors.

The stock transfer books of the Company will remain open between the record date and the date of the Annual Meeting, and any adjournments or postponements thereof. A list of stockholders entitled to vote at the Annual Meeting, and any adjournments or postponements thereof, will be available for inspection at the Annual Meeting, and any adjournments or postponements thereof, and for a period of ten days prior to the meeting during regular business hours at the offices of the Company listed above.

The presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the Annual Meeting is necessary to constitute a quorum in connection with the transaction of business at the Annual Meeting. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes (*i.e.*, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote). Abstentions and broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business.

If a quorum is present, the eight nominees who receive the greatest number of votes properly cast (in person or by proxy) will be elected as directors. Neither abstentions nor broker non-votes will have any effect on the outcome of voting with respect to the election of the directors.

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Proposals other than for the election of the directors shall be approved by the affirmative vote of the holders of a majority of the shares of the common stock present at the Annual Meeting, in person or by proxy, and entitled to vote thereon. Abstentions will be counted towards the tabulations of votes cast on these proposals presented to the stockholders and will have the same effect as negative votes, whereas broker non-votes will not be counted for purposes of determining whether such a proposal has been approved.

Under the General Corporation Law of the State of Delaware, stockholders are not entitled to dissenter's rights with respect to any matter to be considered and voted on at the Annual Meeting, and the Company will not independently provide stockholders with any such right.

Proxies

If the enclosed Proxy Card is properly signed and returned, the shares represented thereby will be voted at the Annual Meeting in accordance with the instructions specified thereon. If a signed and returned Proxy Card does not specify how the shares represented thereby are to be voted, the proxy will be voted **FOR** the election of the eight director nominees proposed by the Board, unless the authority to vote for the election of such directors is withheld. In addition, if no contrary instructions are given, the proxy will be voted **FOR** the approval of Proposal 2 described in this Proxy Statement and as the proxy holders deem advisable for all other matters as may properly come before the Annual Meeting. You may revoke or change your proxy at any time before the Annual Meeting by filing with the Secretary of the Company, at the Company's principal executive offices at 888 Seventh Avenue (25th Floor), New York, New York 10106, a notice of revocation or another signed Proxy Card with a later date. You may also revoke your proxy by attending the Annual Meeting and voting in person.

Solicitation

We engaged MacKenzie Partners to act as proxy solicitor in connection with the Annual Meeting, for a fee of approximately \$4,000, plus reasonable expenses. The Company will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement, the enclosed Proxy Card and any additional solicitation materials furnished to the stockholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, the Company may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone, telegram or other means (including by directors, officers or employees of the Company, to whom no additional compensation will be paid for any such services).

Deadline for Receipt of Stockholder Proposals

In order to be considered for inclusion in the Company's Proxy Statement and Proxy Card relating to the 2008 Annual Meeting of Stockholders, any proposal by a stockholder submitted pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, must be received by the Company at its principal executive offices in New York, New York, on or before November 30, 2007. In addition, under the Company's bylaws, any proposal for consideration at the 2008 Annual Meeting of Stockholders submitted by a stockholder other than pursuant to Rule 14a-8 will be considered timely if it is delivered to or mailed and received at the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the date of the 2008 Annual Meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the 2008 Annual Meeting is given or made to stockholders, notice by the stockholder will be considered timely if it is so received not later than the close of business on the 10th day following the day on which such notice of the date of the 2008 Annual Meeting was mailed or such public disclosure was made; and in any event such proposals will be considered timely only if it is otherwise in

compliance with the requirements set forth in the Company's bylaws. The proxy solicited by the Board of Directors for the 2008 Annual Meeting of Stockholders will confer discretionary authority to vote as the proxy holders deem advisable on such stockholder proposals which are considered untimely.

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The Board of Directors has approved the eight persons named below as nominees for election at the Annual Meeting to serve as directors until the 2008 Annual Meeting of Stockholders or in each case until such director's successor is duly elected and qualified. The enclosed proxy, if executed and returned, will be voted for the election of all of such persons except to the extent the proxy is specifically marked to withhold such authority with respect to one or more of such persons. All of the nominees for director currently serve as directors. All of the nominees have consented to be named and, if elected, to serve, and management has no reason to believe that they will be unavailable to serve. If any of the nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies may be voted in the discretion of the persons acting pursuant to the proxy for the election of other nominees. The proxies solicited by this Proxy Statement cannot be voted for a greater number of persons than the number of nominees named. Set forth below is certain information concerning the nominees, as of March 13, 2007:

Name	Age	Position
Robert J. Giardina	49	Chief Executive Officer and Director
Keith E. Alessi	52	Director
Paul N. Arnold	60	Chairman of the Board of Directors
Bruce C. Bruckmann	53	Director
J. Rice Edmonds	36	Director
Jason M. Fish	49	Director
Thomas J. Galligan III	62	Director
Kevin McCall	53	Director

Robert J. Giardina joined us in 1981 and has served as President and Chief Operating Officer from 1992 to 2001, and became Chief Executive Officer in January 2002. He was elected to serve as a director in March 2006. With over 30 years of experience in the club industry, Mr. Giardina has expertise in virtually every aspect of facility management, club operations and sales and marketing. In addition, Mr. Giardina has primary responsibility to carry out the strategic plans and policies established by the board of directors.

Keith E. Alessi has served as a director of Town Sports since April 1997. Mr. Alessi has been an adjunct professor at Washington and Lee University School of Law since 1999, the University of Michigan Ross School of Business since 2002 and Southern Virginia University since 2007. Mr. Alessi served as President, Chief Executive Officer and a director of Telespectrum Worldwide, Inc. from April 1998 to February 2000. From May 1996 to March 1998, Mr. Alessi served as Chairman, President and Chief Executive Officer of Jackson Hewitt, Inc. Mr. Alessi currently serves as director and chairman of the audit committees for MWI Veterinary Supply, Inc., H&E Equipment Services, Inc. and several private companies.

Paul N. Arnold has served as a director of Town Sports since April 1997. Mr. Arnold was appointed Chairman of the Board of Directors in May 2006. Mr. Arnold has served as Chairman and Chief Executive Officer of Cort Business Services, Inc., a Berkshire Hathaway company, since 2000. From 1992 to 2000, Mr. Arnold served as President, Chief Executive Officer and Director of Cort Business Services. Prior to 1992, Mr. Arnold held various positions over a 24-year period within Cort Furniture Rental, a division of Mohasco Industries. Mr. Arnold is currently a director of H&E Equipment Services, Inc.

Bruce C. Bruckmann has served as a director of Town Sports since December 1996. Since 1994, Mr. Bruckmann has served as Managing Director of Bruckmann, Rosser, Sherrill & Co., LP, which we refer to in this Proxy Statement as BRS. From 1983 until 1994, Mr. Bruckmann served as an officer and subsequently a Managing Director of Citicorp Venture Capital, Ltd. Mr. Bruckmann is currently a director of Mohawk Industries, Inc., H&E Equipment Services, Inc. and MWI Veterinary Supply, Inc. and several private companies.

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J. Rice Edmonds has served as a director of Town Sports since July 2002. Mr. Edmonds is a Managing Director of BRS. Prior to joining BRS in 1996, Mr. Edmonds worked in the high yield finance group of Bankers Trust. Mr. Edmonds is currently a director of McCormick & Schmick's Seafood Restaurants, Inc., The Sheridan Group, Inc. and several private companies.

Jason M. Fish has been a director of Town Sports since December 1996. Mr. Fish is co-founder of CapitalSource Inc. Mr. Fish has been a member of CapitalSource's board of directors since September 2000, was President from September 2000 until the end of 2005, was Vice Chairman and Chief Investment Officer during 2006 and since that time has been Vice Chairman of the board. Prior to founding CapitalSource, Mr. Fish was employed from 1990 to 2000 by Farallon Capital Management, L.L.C., serving as a managing member from 1992 to 2000. Before joining Farallon, Mr. Fish worked at Lehman Brothers Inc., where he was a Senior Vice President responsible for its financial institution investment banking coverage on the West Coast.

Thomas J. Galligan III was elected to serve as a director of Town Sports on March 6, 2007. Mr. Galligan is Chairman, President, Chief Executive Officer and a member of the Board of Directors of Papa Gino's Holdings Corp. Mr. Galligan has over 25 years of experience in the retail and foodservice industries with a focus on finance and operations through execution of strategic planning. Prior to joining Papa Gino's, Mr. Galligan held executive positions at Morse Shoe, Inc. and PepsiCo, Inc. Mr. Galligan is currently a Director of Bay State Milling Co., DentaQuest Ventures, the Greater Boston Chamber of Commerce and the Massachusetts Restaurant Association and a Board Advisor to the Boston College Carroll School of Management.

Kevin McCall was elected to serve as a director of Town Sports on March 29, 2007. Mr. McCall is President and Chief Executive Officer of Paradigm Properties, LLC and its investment management affiliate, Paradigm Capital Advisors, LLC. Mr. McCall has over 25 years of real estate experience on both the street and capital sides of the industry and specific expertise in structured and direct investing, real estate operations, and development. Prior to forming Paradigm, Mr. McCall held positions as a Director of Aldrich, Eastman & Waltch, L.P. (now AEW Capital Management, L.P.) and as a Partner and Senior Vice President of Spaulding & Slye Company. Mr. McCall serves as a Board member of the Boston Center for Community & Justice, the Boston Museum Project, MetroLacrosse, Hearth, Inc., Building Impact and the National Association of Industrial & Office Parks Massachusetts Chapter.

Required Vote

The directors shall be elected by the affirmative vote of a plurality of the shares of the common stock present at the Annual Meeting, in person or by proxy, and entitled to vote in the election of directors. Pursuant to applicable Delaware law, abstentions and broker non-votes will have no effect on the outcome of the vote.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF THE NOMINEES LISTED ABOVE.

Director Independence

The Board of Directors has affirmatively determined that Mr. Alessi, Mr. Arnold, Mr. Fish, Mr. Galligan and Mr. McCall are independent under the listing standards of The Nasdaq Stock Market. Mr. Giardina is not independent because he is our Chief Executive Officer and Mr. Bruckmann and Mr. Edmonds are not independent because of the relationship between Town Sports and BRS, with which Mr. Bruckmann and Mr. Edmonds are affiliated. The relationship between Town Sports and BRS is described in the section of this Proxy Statement titled "Certain

Relationships and Related Transactions. Our Board is comprised of a majority of independent directors, as required by Nasdaq's listing standards.

Board Committees and Meetings

The Board of Directors held six meetings during the fiscal year ended December 31, 2006, which is referred to in this proxy statement as the 2006 Fiscal Year. The Board of Directors has an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Finance Committee. In

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the 2006 Fiscal Year, each director who was a member of the Board of Directors during 2006 attended or participated in 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors, and (ii) the total number of meetings held by all committees of the Board on which such director served (in each case for meetings held during the period in the 2006 Fiscal Year for which such director served).

All directors who are not members of the Company's management meet at regularly scheduled executive sessions without members of management present. At least two of these meetings each year are to include only those directors who are independent under the current listing standards of Nasdaq. Currently, all non-employee directors are independent, except for Mr. Bruckmann and Mr. Edmonds.

All members of the Board of Directors are encouraged to attend the Company's annual meeting of stockholders. This Annual Meeting will be our first since our initial public offering of common stock.

Audit Committee

The Audit Committee of our Board of Directors appoints our independent registered public accounting firm, subject to ratification by our stockholders, reviews the plan for and the results of the independent audit, approves the fees of our independent registered public accounting firm, reviews with management and the independent registered public accounting firm our quarterly and annual financial statements and our internal accounting, financial and disclosure controls, reviews and approves transactions between Town Sports and its officers, directors and affiliates and performs other duties and responsibilities as set forth in a charter approved by the Board of Directors. The current members of the Audit Committee are Mr. Alessi (Chair), Mr. Fish and Mr. Galligan. Mr. Galligan was appointed to the Audit Committee to replace Mr. Edmonds on March 29, 2007. Each current member is independent, as independence is defined for purposes of Audit Committee membership by the listing standards of Nasdaq and the applicable rules and regulations of the Securities and Exchange Commission (SEC). The Audit Committee held four meetings during the 2006 Fiscal Year.

The Board has determined that each member of the Audit Committee is able to read and understand fundamental financial statements, including our balance sheet, income statement and cash flow statement, as required by Nasdaq rules. In addition, the Board has determined that Mr. Alessi satisfies the Nasdaq rule requiring that at least one member of our Board's Audit Committee have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the member's financial sophistication, including being, or having been, a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Board has also determined that Mr. Alessi is an audit committee financial expert as defined by the SEC.

Compensation Committee

The Compensation Committee of our Board of Directors evaluates performance and establishes and oversees executive compensation policy and makes decisions about base pay, incentive pay and any supplemental benefits for our executive officers. The Compensation Committee also administers our stock incentive plans and approves the grant of equity awards, the timing of the grants and the number of shares for which equity awards are to be granted to our executive officers, directors and other employees. The Compensation Committee also performs other duties and responsibilities as set forth in a charter approved by the Board of Directors. The current members of the Compensation Committee are Mr. Arnold, Mr. Fish (Chair) and Mr. McCall. Mr. McCall was appointed to the Compensation Committee to replace Mr. Bruckmann on March 29, 2007. Each current member is independent, as independence is defined for purposes of Compensation Committee membership by the listing standards of Nasdaq. The Compensation Committee held three meetings during the 2006 Fiscal Year.

In making its determinations with respect to executive compensation, the Compensation Committee has not historically engaged the services of a compensation consultant. The Compensation Committee has the authority to retain, terminate and set the terms of the Company's relationship with any outside advisors who assist the Committee in carrying out its responsibilities.

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Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of our Board of Directors selects nominees to be recommended by the Board for election as directors and for any vacancies in such positions. The Nominating and Corporate Governance Committee also oversees the evaluation of our Board of Directors and management and oversees our Code of Ethics and Business Conduct. The Nominating and Corporate Governance Committee also performs other duties and responsibilities as set forth in a charter approved by the Board of Directors. The current members of the Nominating and Corporate Governance Committee are Mr. Arnold, Mr. Fish (Chair) and Mr. Galligan. Mr. Galligan was appointed to the Nominating and Corporate Governance Committee to replace Mr. Bruckmann on March 29, 2007. Each current member is independent, as independence is defined for purposes of Nominating and Corporate Governance Committee membership by the listing standards of Nasdaq. The Nominating and Corporate Governance Committee did not hold any meetings during the 2006 Fiscal Year.

The Nominating and Corporate Governance Committee considers director nominees on a case-by-case basis, and therefore has not formalized any specific, minimum qualifications that they believe must be met by a director nominee, identified any specific qualities or skills that they believe are necessary for one or more of our directors to possess, or formalized a process for identifying and evaluating nominees for director, including nominees recommended by stockholders.

The Nominating and Corporate Governance Committee's policy is to consider director candidates that are recommended by stockholders. The Nominating and Corporate Governance Committee will evaluate nominees for director recommended by stockholders in the same manner as nominees recommended by other sources. Stockholders wishing to bring a nomination for a director candidate at a stockholder meeting must give written notice to our Corporate Secretary, pursuant to the procedures set forth in the section of this Proxy Statement titled "Communicating with the Board of Directors" and subject to the deadline set forth in the section titled "Deadline for Stockholder Proposals." The stockholder's notice must set forth all information relating to each person whom the stockholder proposes to nominate that is required to be disclosed under applicable rules and regulations of the SEC and our by-laws. Our by-laws can be accessed in the "Investor Relations" Corporate Governance" section of our website at www.mysportsclubs.com.

Finance Committee

The Finance Committee of our Board of Directors is responsible for (1) overseeing and reviewing the financial affairs and policies of the Company and the implementation of such policies, (2) overseeing all material potential business and financial transactions, and (3) any other duties assigned by the Board of Directors. The current members of the Finance Committee are Mr. Bruckmann (Chair), Mr. Edmonds and Mr. Fish. The Finance Committee held three meetings during the 2006 Fiscal Year.

Communicating with the Board of Directors

In order to communicate with the Board of Directors as a whole, with non-employee directors or with specified individual directors, correspondence may be directed to Town Sports International Holdings, Inc. at 888 Seventh Avenue (25th Floor), New York, New York 10106, Attention: Corporate Secretary. All such correspondence will be forwarded to the appropriate director or group of directors. The Corporate Secretary has the authority to discard or disregard any communication that is unduly hostile, threatening, illegal or otherwise inappropriate.

Corporate Governance Documents

The Board has adopted a Code of Ethics and Business Conduct that applies to all officers, directors and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller. The Code of Ethics and Business Conduct can be accessed in the Investor Relations Corporate Governance section of our website at www.mysportsclubs.com, as well as any amendments to, or waivers under, the Code of Ethics and Business Conduct with respect to our principal executive officer, principal financial officer and principal accounting officer or controller. Copies may be obtained by writing to

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Town Sports International Holdings, Inc., 888 Seventh Avenue (25th Floor), New York, New York 10106, Attention: Investor Relations. Copies of the charters of our Board's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as copies of our certificate of incorporation and by-laws, can also be accessed in the Investor Relations Corporate Governance section of our website.

OWNERSHIP OF SECURITIES

The following table sets forth information with respect to the beneficial ownership of our outstanding common stock as of March 13, 2007, by:

each person or group of affiliated persons whom we know to beneficially own more than five percent of our common stock;

each of our current and former executive officers named in the section of this Proxy Statement titled Summary Compensation Table for 2006 Fiscal Year ;

each of our directors and director nominees; and

each of our current directors and executive officers as a group.

The following table gives effect to the shares of common stock issuable within 60 days of March 13, 2007 upon the exercise of all options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Percentage of beneficial ownership is based on 26,048,948 shares of common stock outstanding at March 13, 2007. Unless otherwise indicated, the persons named in the table directly own the shares and have sole voting and sole investment control with respect to all shares beneficially owned.

Name and Address	Number of Shares Beneficially Owned	Percentage of Common Stock Outstanding
5% Stockholders		
Bruckmann, Rosser, Sherrill(1)	7,062,384	27.1%
Farallon Entities(2)	5,331,279	20.5%
Barclays Global Entities(3)	1,299,924	5.0%
Named Executive Officers and Directors		
Mark N. Smith(4)	461,928	1.8%
Robert J. Giardina(5)	899,920	3.4%
Richard G. Pyle(6)	775,740	3.0%
Alexander A. Alimanestianu(7)	767,746	2.9%
Randall C. Stephen(8)	67,200	*
Jennifer H. Prue(9)	44,800	*
Keith E. Alessi	39,998	*
Paul N. Arnold	39,998	*
Bruce C. Bruckmann(10)	7,324,132	28.1%
J. Rice Edmonds(11)	7,069,384	27.1%

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Jason M. Fish	0	*
Thomas J. Galligan III	0	*
Kevin McCall	0	*
Directors and Executive Officers as a group (12 persons)(12)	9,966,534	37.8%

* Less than 1%.

(1) Excludes shares held individually by Mr. Bruckmann and other individuals (and affiliates and family members thereof), each of whom are employed by BRS. Mr. Bruckmann, Hal Rosser, Stephen Sherrill

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and Stephen Edwards, as individuals, are the sole shareholders of BRSE Associates, Inc., which is the General Partner of BRS Partners, LP, which is the General Partner of Bruckmann, Rosser, Sherrill & Co., LP. All major investment and other decisions of Bruckmann, Rosser, Sherrill & Co., LP are vested in BRS Partners, LP. The address of BRS is 126 East 56th Street, 29th Floor, New York, NY 10022.

- (2) Based in part on our review of the Schedule 13D filed with the SEC on June 19, 2006 by the entities and persons set forth below, whose address is One Maritime Plaza, Suite 2100, San Francisco, California 94111. Consists of 1,861,348 shares directly held by Farallon Capital Partners, L.P. (FCP), 2,099,112 shares directly held by Farallon Capital Institutional Partners, L.P. (FCIP), 1,021,256 shares directly held by Farallon Capital Institutional Partners II, L.P. (FCIP II), 2,500 shares directly held by Farallon Capital Institutional Partners III, L.P. (FCIP III), 2,500 shares directly held by Tincum Partners, L.P. (Tincum), 254,063 shares directly held by RR Capital Partners, L.P. (RR) and 90,500 shares directly held by Farallon Capital Offshore Investors II, L.P. (collectively with FCP, FCIP, FCIP II, FCIP III, Tincum and RR, the Farallon Entities). As the general partner of each of the Farallon Entities, Farallon Partners, L.L.C. (FPLLC) may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially the shares held by the Farallon Entities. As managing members of FPLLC, Chun R. Ding, William F. Duhamel, Richard B. Fried, Monica R. Landry, Douglas M. MacMahon, William F. Mellin, Stephen L. Millham, Jason E. Moment, Rajiv A. Patel, Derek C. Schrier and Mark C. Wehrly, and, as the Senior Managing Member of FPLLC, Thomas F. Steyer, may each, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially the shares held by the Farallon Entities. FPLLC, each of its managing members and its Senior Managing Member disclaim any beneficial ownership of such shares. All of the above-mentioned entities and individuals disclaim group attribution.
- (3) Based solely on our review of the Schedule 13G filed with the SEC on January 23, 2007 by Barclays Global Investors, NA, whose address is 45 Fremont Street, San Francisco, California 94105, on behalf of itself, Barclays Global Fund Advisors, Barclays Global Investors, Ltd., Barclays Global Investors Japan Trust and Banking Company Limited and Barclays Global Investors Japan Limited. Barclays Global Investors NA reported sole voting and dispositive power over 1,161,526 shares and Barclays Global Fund Advisors reported sole voting and dispositive power over 138,398 shares. The 13G stated that the shares reported are held by Barclays Global Investors, NA in trust accounts for the economic benefit of the beneficiaries of those accounts.
- (4) Includes 50,400 shares of common stock issuable upon exercise of options exercisable within 60 days of March 13, 2007. Effective March 23, 2006, Mr. Smith resigned, and he is no longer an employee, executive officer or director of the Company.
- (5) Includes 67,200 shares of common stock issuable upon exercise of options exercisable within 60 days of March 13, 2007.
- (6) Includes 56,000 shares of common stock issuable upon exercise of options exercisable within 60 days of March 13, 2007.
- (7) Includes 56,000 shares of common stock issuable upon exercise of options exercisable within 60 days of March 13, 2007.
- (8) Includes 67,200 shares of common stock issuable upon exercise of options exercisable within 60 days of March 13, 2007.
- (9) Includes 44,800 shares of common stock issuable upon exercise of options exercisable within 60 days of March 13, 2007.

- (10) Includes 7,062,384 shares held by BRS, and 41,589 shares held by certain other family members and partnership investments of Mr. Bruckmann. Mr. Bruckmann disclaims beneficial ownership of such shares held by BRS.
- (11) Includes 7,062,384 shares held by BRS. Mr. Edmonds disclaims beneficial ownership of such shares.
- (12) Includes 291,200 shares of common stock issuable upon exercise of options exercisable within 60 days of March 13, 2007 and shares held by BRS, which may be deemed to be owned beneficially by Messrs. Bruckmann and Edmonds. Excluding the shares beneficially owned by BRS, the directors and executive officers as a group beneficially own 2,904,150 shares of common stock.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The members of our Board of Directors, our executive officers and persons who hold more than ten percent of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, which requires them to file reports with respect to their ownership of our common stock and their transactions in such common stock. Based solely upon a review of (i) the copies of Section 16(a) reports which Town Sports has received from such persons or entities for transactions in our common stock and their common stock holdings for the 2006 Fiscal Year, and (ii) the written representations received from one or more of such persons or entities that no annual Form 5 reports were required to be filed by them for the 2006 Fiscal Year, Town Sports believes that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by its directors, executive officers and beneficial owners of more than ten percent of its common stock.

EXECUTIVE AND DIRECTOR COMPENSATION

Executive Officers

The executive officers of Town Sports, and their ages and positions as of March 13, 2007, are:

Name	Age	Position
Robert J. Giardina	49	Chief Executive Officer and Director
Alexander A. Alimanestianu	48	President and Chief Development Officer
Richard G. Pyle	48	Chief Financial Officer