

TOWN SPORTS INTERNATIONAL HOLDINGS INC
Form S-4
April 05, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 5, 2004
333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

DELAWARE	2511	20-0640002
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

888 SEVENTH AVENUE
NEW YORK, NEW YORK 10106
(212) 246-6700
(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)

ROBERT GIARDINA
888 SEVENTH AVENUE
NEW YORK, NEW YORK 10106
(212) 246-6700
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

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NEW YORK, NEW YORK 10022-4675
(212) 446-4800

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE
PUBLIC: The exchange will occur as soon as practicable after the effective date
of this Registration Statement.

If the securities being registered on this form are being offered in
connection with the formation of a holding company and there is compliance with
General Instruction G, check the following box: []

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following box
and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering. []

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	REG
11% Senior Discount Notes due 2014.....	\$124,807,000	

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THE PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED APRIL 5, 2004

PROSPECTUS ,

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.

\$213,000,000

EXCHANGE OFFER FOR

11% SENIOR DISCOUNT NOTES DUE 2014

Offer for all outstanding 11% Senior Discount Notes due 2014 (which we refer to as the "Old Notes") in aggregate principal amount at maturity of \$213,000,000 in exchange for up to \$213,000,000 aggregate principal amount at maturity of 11% Senior Discount Notes due 2014 (which we refer to as the "New Notes") have been registered under the Securities Act of 1933, as amended.

MATERIAL TERMS OF EXCHANGE OFFER:

- This exchange offers expires at 5:00 p.m., New York City time on , 2004, unless we extend this date.

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- We will not receive any proceeds from the exchange offer.
- We can amend or terminate the exchange offer.

MATERIAL TERMS OF NEW NOTES:

- The terms of the New Notes to be issued in the exchange offer are substantially identical to the currently outstanding notes, or Old Notes, except that the transfer restrictions and registration rights relating to the Old Notes will not apply to the New Notes.
- There is no existing public market for the Old Notes or the New Notes. However, you may trade the Old Notes and the New Notes in the PORTAL market.

FOR A DISCUSSION OF CERTAIN FACTORS THAT YOU SHOULD CONSIDER BEFORE PARTICIPATING IN THIS EXCHANGE OFFER, SEE "RISK FACTORS" BEGINNING ON PAGE 11 OF THIS PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE NEW NOTES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR 11% SENIOR DISCOUNT NOTES DUE 2014.

EACH BROKER-DEALER THAT RECEIVES NEW SECURITIES FOR ITS OWN ACCOUNT PURSUANT TO THE EXCHANGE OFFER MUST ACKNOWLEDGE THAT IT WILL DELIVER A PROSPECTUS IN CONNECTION WITH ANY RESALE OF THESE NEW SECURITIES. BY SO ACKNOWLEDGING AND BY DELIVERING A PROSPECTUS, A BROKER-DEALER WILL NOT BE DEEMED TO ADMIT THAT IT IS AN "UNDERWRITER" WITHIN THE MEANING OF THE SECURITIES ACT. THIS PROSPECTUS, AS IT MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, MAY BE USED BY A BROKER-DEALER IN CONNECTION WITH REALES OF NEW SECURITIES RECEIVED IN EXCHANGE FOR SECURITIES WHERE THOSE SECURITIES WERE ACQUIRED BY THIS BROKER-DEALER AS A RESULT OF MARKET-MAKING ACTIVITIES OR OTHER TRADING ACTIVITIES. WE HAVE AGREED THAT, STARTING ON THE EXPIRATION DATE AND ENDING ON THE CLOSE OF BUSINESS 180 DAYS AFTER THE EXPIRATION DATE, WE WILL MAKE THIS PROSPECTUS AVAILABLE TO ANY BROKER-DEALER FOR USE IN CONNECTION WITH ANY SUCH RESALE.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "should", "could", "expect", "intend", "estimate", "anticipate", "believe" or "continue", "plan", "potential", "predicts" or the negative thereof or variations thereon or similar terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by any forward-looking statements. These risks and uncertainties include, but are not limited to, the following:

- general economic and business conditions, both nationally and in those areas in which we operate;
- competition;
- changes in our business strategy or plans;
- changes in exchange rates;
- the loss of any of our management or key personnel;
- changes in our policy regarding interest rate and currency movements;
- the availability and cost of raw materials; and
- the availability of capital and trade credit to fund our business.

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Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Important factors that could cause actual results to differ materially from our expectations, or "cautionary statements," are disclosed under "Risk Factors" and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

INDUSTRY AND MARKET DATA

Industry and market data used throughout this prospectus were obtained through surveys and studies conducted by third parties, industry and general publications and internal company research. We have not independently verified market and industry data from third-party sources. We believe internal company estimates are reasonable and market definitions are appropriate. Neither such estimates nor these definitions have been verified by any independent sources.

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PROSPECTUS SUMMARY

The following summary contains basic information about us and the prospectus. It likely does not contain all the information that is important to you. Because it is a summary, it does not contain all the information that you should consider before tendering your Old Notes. We encourage you to read this entire document and the documents we have referred you to. As used herein, "Town Sports," the "Company," "we," "us," and "our" refer to Town Sports International Holdings, Inc. ("TSI Holdings") and its subsidiaries and "TSI, Inc." refers to Town Sports International, Inc. TSI Holdings is a holding company with no material assets or operations other than its ownership of the common stock of TSI, Inc., and was formed to serve as the issuer of the Old Notes.

OUR COMPANY

We are one of the two leading owners and operators of fitness clubs in the Northeast and Mid-Atlantic regions of the United States and the third largest fitness club operator in the United States, as measured by number of clubs. As of December 31, 2003, we operated 129 clubs that collectively served approximately 342,000 members. Our goal is to provide the premier health club network in each of the major metropolitan regions we serve. To optimize convenience to our members, we cluster clubs near the highest concentrations of our target members' areas of both employment and residence. Our clusters of clubs serve densely populated major metropolitan regions in which a high percentage of the population commutes to work. Our target member is college-educated, typically between the ages of 21 and 50 and earns an annual income of between \$50,000 and \$150,000. Our revenues, operating income and cash flows from operations for the year ended December 31, 2003 were \$342.5 million, \$44.0 million and \$58.3 million, respectively.

We are the largest fitness club operator in Manhattan with 36 locations (more than twice as large as our nearest competitor) and have a total of 86 clubs under the New York Sports Clubs ("NYSC") brand name within the New York metropolitan region. We operate 19 clubs in the Boston region and 15 clubs in the Washington, D.C. region under our Boston Sports Club ("BSC") and Washington

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Sports Club ("WSC") brand names, respectively, and have begun establishing a similar cluster in the Philadelphia region with six clubs under our Philadelphia Sports Club ("PSC") brand name. In addition, we operate three clubs in Switzerland. 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.

Over our 30-year operating history, we have developed and refined a model club format that allows us to cost effectively construct and efficiently operate our fitness clubs. Our model club ranges in size from approximately 15,000 to 25,000 square feet and features a wide variety of state-of-the-art cardiovascular and strength-training equipment, as well as exercise studios offering extensive group fitness programs. Some clubs also feature additional amenities, including swimming pools, squash or tennis courts and physical therapy centers. Our locker rooms generally include a sauna and steam room. We offer members a variety of other value-added services for which we receive additional fees, including personal training, Group Exclusives, massage and Sports Club for Kids.

THE TRANSACTIONS

TSI Holdings was formed to serve as issuer of the Old Notes.

In connection with the issuance of the Old Notes we redeemed our preferred stock and paid a shareholder dividend to holders of our common stock.

We refer to these transactions, collectively, as the "transactions."

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Our corporate structure immediately following the transactions is as follows:

[FLOW CHART]

Our company is incorporated under the laws of the State of Delaware. Our principal executive offices are located at 888 Seventh Avenue, New York, New York 10106. Our telephone number is (212) 246-6700. We maintain the following web site: www.mysportsclubs.com that provides information about club locations, program offerings and on-line promotions. Information contained on this web site, however, is not incorporated into or otherwise a part of this prospectus.

TSI, Inc. currently files periodic and other reports with the SEC. Information filed with the SEC is available on the SEC website at <http://www.sec.gov>. Such information, however, is not incorporated into or otherwise a part of this prospectus.

PURPOSE OF THE EXCHANGE OFFER

On February 4, 2004, we sold, through a private placement exempt from the registration requirements of the Securities Act, \$213,000,000 of aggregate principal amount at maturity of our 11% Senior Discount Notes due 2014. We refer to these notes as "Old Notes" in this prospectus.

Simultaneously with the private placement, we entered into a registration rights agreement with the initial purchaser of the Old Notes. Under the registration rights agreement, we are required to use our best efforts to cause a registration statement for substantially identical Notes, which will be issued in exchange for the Old Notes, to become effective on or within 210 days of issuance of the Old Notes. We refer to the notes to be registered under this exchange offer registration statement as "New Notes" and collectively with the

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Old Notes, we refer to them as the "Notes" in this prospectus. You may exchange your Old Notes for New Notes in this exchange offer. You should read the discussion under the headings "-- Summary of the Exchange Offer," "The Exchange Offer" and "Description of the New Notes" for further information regarding the New Notes.

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We did not register the Old Notes under the Securities Act or any state securities law, nor do we intend to after the exchange offer. As a result, the Old Notes may only be transferred in limited circumstances under the securities laws. If the holders of the Old Notes do not exchange their Old Notes in the exchange offer, they lose their right to have the Old Notes registered under the Securities Act, subject to certain limitations. Anyone who still holds Old Notes after the exchange offer may be unable to resell their Old Notes.

However, we believe that holders of the New Notes may resell the New Notes without complying with the registration and prospectus delivery provisions of the Securities Act, if they meet certain conditions. You should read the discussion under the headings "-- Summary of the Exchange Offer" and "The Exchange Offer" for further information regarding the exchange offer and resales of the New Notes.

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SUMMARY OF THE EXCHANGE OFFER

THE INITIAL OFFERING OF OLD NOTES...	We sold the Old Notes on January 28, 2004 to Deutsche Bank Securities. We refer to Deutsche Bank Securities in this prospectus as the "initial purchaser." The initial purchaser subsequently resold the Old Notes to (1) qualified institutional buyers pursuant to Rule 144A under the Securities Act and (2) outside the United States in accordance with Regulation S under the Securities Act.
REGISTRATION RIGHTS AGREEMENT.....	Simultaneously with the initial sale of the outstanding securities, we entered into a registration rights agreement for the exchange offer. In the registration rights agreement, we agreed, among other things, (i) to file a registration statement with the SEC as soon as practicable after the issuance of the Old Notes, but in no event later than 120 days after the issuance of the Old Notes and (ii) to use our reasonable best efforts to cause such registration statement to be declared effective by the SEC at the earliest possible time, but in no event later than 210 days after the issuance of the Old Notes. We also agreed to use our reasonable best efforts to cause the exchange offer to be consummated on the earliest practicable day after the registration

statement is declared effective, but in no event later than 30 days after the exchange registration statement is declared effective, unless required by the Securities Act or the Exchange Act. The exchange offer is intended to satisfy our obligations under the registration rights agreement. After the exchange offer is complete, you will no longer be entitled to any exchange or registration rights with respect to your Old Notes.

THE EXCHANGE OFFER.....

We are offering the exchange Notes, which are being registered under the Securities Act, in exchange for your Old Notes. To be exchanged, an Old Note must be properly tendered and accepted. All Old Notes that are validly tendered and not validly withdrawn will be exchanged. We will issue New Notes promptly after the expiration of the exchange offer.

RESALES.....

We believe that the New Notes issued in the exchange offer may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus

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delivery provisions of the Securities Act provided that:

- the New Notes are being acquired in the ordinary course of your business;
- you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the New Notes issued to you in the exchange offer; and
- you are not an affiliate of ours.

If any of these conditions are not satisfied and you transfer any New Notes issued to you in the exchange offer without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your New Notes from these requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify

you against, any such liability.

Each broker-dealer that is issued New Notes in the exchange offer for its own account in exchange for Old Notes that were acquired by that broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the New Notes. A broker-dealer may use this prospectus for an offer to resell, resale or other retransfer of the New Notes issued to it in the exchange offer.

EXPIRATION DATE.....

The exchange offer will remain open for at least 20 full business days and will expire at 5:00 p.m., New York City time, on _____, 2004, unless we decide to extend the expiration date.

CONDITIONS TO THE EXCHANGE OFFER....

The exchange offer is not subject to any conditions other than that the exchange offer not violate applicable law or any applicable interpretation of the staff of the SEC, that no proceedings have been instituted or threatened against us which would impair our ability to proceed with the exchange offer, and that we have received all necessary governmental approvals to proceed with the exchange offer.

PROCEDURES FOR TENDERING OLD NOTES.....

We issued the Old Notes as global securities. When the Old Notes were issued, we deposited the global securities representing the Old Notes with The Bank of New York, as custodian for the Depository Trust Company, known as DTC,

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acting as book-entry depository. The Bank of New York issued a certificateless depository interest in each global security we deposited with it, which together represent a 100% interest in the Old Notes, to DTC. Beneficial interests in the Old Notes, which are held by direct or indirect participants in DTC through the certificateless depository interests, are shown on records maintained in book-entry form by DTC.

You may tender your Old Notes through book-entry transfer in accordance with DTC's Automated Tender Offer Program, known as ATOP. To tender your Old Notes by a means other than book-entry transfer, a letter of transmittal must be completed and signed according to the instructions contained in the letter of transmittal. The letter of transmittal and any other documents required by the letter of transmittal must be delivered to the exchange agent by mail, facsimile, hand delivery or overnight carrier. In addition, you must deliver the Old Notes to the exchange agent or comply with the procedures for guaranteed delivery. See "The Exchange Offer -- Procedures for Tendering Old Notes" for more information.

Do not send letters of transmittal and certificates representing Old Notes to us. Send these documents only to the exchange agent. See "The Exchange Offer -- Exchange Agent" for more information.

SPECIAL PROCEDURES FOR BENEFICIAL OWNERS.....

If you are the beneficial owner of book-entry interests and your name does not appear on a security position listing of DTC as the holder of the book-entry interests or if you are a beneficial owner of Old Notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the book-entry interests or Old Notes in the exchange offer, you should contact the person in whose name your book-entry interests or Old Notes are registered promptly and instruct that person to tender on your behalf.

WITHDRAWAL RIGHTS.....

You may withdraw the tender of your Old Notes at any time prior to 5:00 p.m., New York City time on _____, 2004, or a later time if we choose to extend this exchange offer. Any Old Notes not accepted by us for exchange for any reason will be returned to you at our expense promptly after the expiration or termination of the exchange offer.

FEDERAL INCOME TAX CONSIDERATIONS...

The exchange of Old Notes will not be

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a taxable event for United States federal income tax purposes. See "Certain United States Federal Income Tax Considerations."

USE OF PROCEEDS..... We will not receive any proceeds from the issuance of the New Notes pursuant to the exchange offer. We will pay all of our expenses incident to the exchange offer.

EXCHANGE AGENT..... The Bank of New York is serving as the exchange agent in connection with the exchange offer.

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THE NEW NOTES

The form and terms of the New Notes are the same as the form and terms of the Old Notes, except that the New Notes will be registered under the Securities Act. As a result, the New Notes will not bear legends restricting their transfer and will not contain the registration rights and liquidated damage provisions contained in the Old Notes. The New Notes represent the same debt as the Old Notes. The Old Notes and the New Notes are governed by the same indenture and are together considered a "series" of securities under that indenture.

Issuer..... Town Sports International Holdings, Inc.

The New Notes..... \$213,000,000 principal amount at maturity of 11.00% Senior Discount Notes due 2014.

Maturity..... February 1, 2014.

Interest..... Prior to February 1, 2009, interest will accrue on the Notes in the form of an increase in the accreted value of such Notes. Thereafter, cash interest on the Notes will accrue and be payable semiannually in arrears on February 1 and August 1 of each year, commencing on August 1, 2009, at a rate of 11% per annum. The Notes will have an initial accreted value of \$585.95 per \$1,000 principal amount at maturity of Notes. The accreted value of each Note will increase from the date of issuance until February 1, 2009 at a rate of 11% per annum compounded semi-annually, reflecting the accrual of non-cash interest, such that on February 1, 2009 the accreted value will equal the principal amount at maturity.

Original Issue Discount..... Because the Old Notes were issued at a substantial discount from their principal amount, the New Notes should be treated as being issued with substantial original issue discount for United States federal income tax purposes. Thus, although cash interest will not be payable on the Notes prior to August 1, 2009, interest will accrue from the issue date of the Notes based on the yield to maturity of the Notes and will generally be included as

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interest income (including for periods ending prior to February 1, 2009) for U.S. federal income tax purposes in advance of receipt of the cash payments to which income is attributable. See "Certain United States Federal Income Tax Considerations."

Denominations..... \$1,000 minimum and \$1,000 integral multiples thereof.

Ranking..... The Notes will be our unsecured senior obligations and will rank senior to all of our existing and future subordinated debt and pari passu to all of our existing and future senior debt. The Notes will effectively rank junior to any of our secured debt to the extent of the value of the assets securing that debt. The Notes will be structurally subordinated and effectively rank junior to any debt of TSI, Inc. As of December 31, 2003, TSI, Inc. had \$261.9 million of debt outstanding, excluding approximately \$48.3 million that, subject to certain limitations, we had available to borrow under our senior secured revolving credit facility.

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Optional Redemption..... We may redeem any of the Notes at any time on or after February 1, 2009, in whole or in part, in cash at the redemption prices described in this prospectus, plus accrued and unpaid interest and additional interest, if any, to the date of redemption.

In addition, before February 1, 2007, we may redeem up to 35% of the aggregate principal amount at maturity of Notes with the net proceeds of certain public equity offerings of TSI Holdings. We may make that redemption only if, after the redemption, at least 65% of the aggregate principal amount of Notes remains outstanding. See "Description of New Notes -- Optional Redemption."

Change of Control..... Upon a change of control, we will be required to make an offer to purchase each holder's Notes at a price equal to 101% of the principal amount at maturity thereof, plus accrued and unpaid interest and additional interest, if any, to the date of purchase. See "Description of New Notes -- Repurchase at the Option of Holders -- Change of Control."

Asset Sales..... We may have to use the net cash proceeds from selling assets to offer to purchase your New Notes at their face amount, plus accrued but unpaid interest.

Covenants..... The indenture governing the New Notes limits what we (and most or all of our subsidiaries)

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may do. The provisions of the indenture limits our ability to:

- incur additional indebtedness;
- create certain liens;
- permit payment or dividend restrictions on certain of our subsidiaries;
- pay dividends on, redeem or repurchase our capital stock;
- make investments;
- sell assets;
- engage in transactions with affiliates; and
- sell all or substantially all of our assets or consolidate or merge with or into other companies.

These covenants are subject to a number of important exceptions.

Risk Factors..... You should carefully consider all of the information in this prospectus and, in particular, you should evaluate the specific risk factors set forth under "Risk Factors."

For more complete information about the Notes, see the "Description of New Notes" section of this prospectus.

SUMMARY HISTORICAL AND OTHER CONSOLIDATED FINANCIAL DATA

Set forth below are the summary historical and other consolidated financial data as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 of TSI, Inc. The consolidated statement of operations data, balance sheet data and other financial data for years ended December 31, 2001, 2002 and 2003 were derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The club and membership data, for all periods presented, were derived from our unaudited books and records. The information contained in this table should be read in conjunction with "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and accompanying notes thereto appearing elsewhere in this offering memorandum. All amounts are presented in thousands except club and membership data.

YEARS ENDED DECEMBER 31,		
2001	2002	2003

STATEMENT OF OPERATIONS DATA:

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Revenues.....	\$281,633	\$319,427	\$342,541
Operating expenses.....	252,677	281,334	298,576
Operating income.....	28,956	38,093	43,965
Interest expense, net of interest income.....	14,527	16,421	23,226
Income tax provision.....	6,853	9,709	5,537
Income from continuing operations.....	7,576	11,963	7,429
Net income.....	7,046	10,507	7,429

AS OF DECEMBER 31,

2002	2003
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BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 5,551	\$ 40,802
Total assets.....	314,250	362,199
Long-term debt and capital lease obligations, including current installments.....	160,943	261,877
Redeemable senior preferred stock.....	62,125	--
Series A redeemable preferred stock.....	34,841	39,890
Series B preferred stock.....	303	9,961
Stockholders' deficit.....	(31,740)	(34,294)

YEAR ENDED DECEMBER 31,

1999	2000	2001	2002	2003
------	------	------	------	------

OTHER DATA:

Non-cash rental lease expense, net of non-cash income.....	\$ 3,061	\$ 2,976	\$ 4,224	\$ 1,670	\$ 1,650
Cash provided by (used in):					
Operating activities.....	29,496	40,573	44,348	50,805	58,253
Investing activities.....	(55,078)	(70,048)	(58,358)	(40,182)	(42,734)
Financing activities.....	33,553	5,715	16,103	(10,530)	19,732

YEARS ENDED DECEMBER 31,

2001	2002	2003
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CLUB AND MEMBERSHIP DATA:

Total clubs operated at end of period(1).....	119	129	129
Members at end of period(2).....	317,000	342,000	342,000
Mature club revenue increase(3).....	12.3%	4.1%	1.6%

(1) Includes all clubs wholly-owned or partly-owned and managed. (We operate two partly-owned clubs under the Washington Sports Club brand name as of December 31, 2003).

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- (2) Represents members at clubs wholly-owned or partly-owned and managed.
- (3) We define mature clubs as those clubs operated by us for more than 24 months.

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RISK FACTORS

You should carefully consider the following risk factors as well as the other information and data included in this prospectus prior to making a decision on whether to exchange your Old Notes for New Notes. The risks described below are not the only risk facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment.

RISK FACTORS RELATED TO THE NEW NOTES

Because there is no public market for the New Notes, you may not be able to sell your New Notes.

The New Notes will be registered under the Securities Act, but will constitute a new issue of securities with no established trading market, and uncertainty exists with regard to:

- the liquidity of any trading market that may develop;
- the ability of holders to sell their New Notes; or
- the price at which the holders would be able to sell their New Notes.

If a trading market were to develop, the New Notes might trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar securities and our financial performance.

We understand that the initial purchaser presently intends to make a market in the New Notes. However, it is not obligated to do so, and any market-making activity with respect to the New Notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act, and may be limited during the exchange offer or the pendency of an applicable shelf registration statement. An active trading market might not exist for the New Notes and any trading market that does develop might not be liquid.

In addition, any holder of Old Notes who tenders in the exchange offer for the purpose of participating in a distribution of the New Notes may be deemed to have received restricted securities, and if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Your Old Notes will not be accepted for exchange if you fail to follow the exchange offer procedures.

We will issue New Notes pursuant to this exchange offer only after a timely receipt of your Old Notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your Old Notes, please allow sufficient time to ensure timely delivery. If we do

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not receive your Old Notes, letter of transmittal and other required documents by the expiration date of the exchange offer, we will not accept your Old Notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of Old Notes for exchange. If there are defects or irregularities with respect to your tender of Old Notes, we will not accept your Old Notes for exchange.

If you do not exchange your Old Notes, your Old Notes will continue to be subject to the existing transfer restrictions and you may be unable to sell your Old Notes.

We did not register the Old Notes, nor do we intend to do so following the exchange offer. Old Notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. If

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you do not exchange your Old Notes, you will lose your right to have your Old Notes registered under the federal securities laws. As a result, if you hold Old Notes after the exchange offer, you may be unable to sell your Old Notes.

If a large number of outstanding Old Notes are exchanged for New Notes issued in the exchange offer, it may be difficult for holders of outstanding Old Notes that are not exchanged in the exchange offer to sell their Old Notes, since those Old Notes may not be offered or sold unless they are registered or there are exemptions from registration requirements under the Securities Act or state laws that apply to them. In addition, if there are only a small number of Old Notes outstanding, there may not be a very liquid market in those Old Notes. There may be few investors that will purchase unregistered securities in which there is not a liquid market.

If you exchange your Old Notes, you may not be able to resell the New Notes you receive in the exchange offer without registering them and delivering a prospectus.

You may not be able to resell New Notes you receive in the exchange offer without registering those New Notes or delivering a prospectus. Based on interpretations by the Commission in no-action letters, we believe, with respect to New Notes issued in the exchange offer, that:

- holders who are not "affiliates" of TSI Holdings, Inc. within the meaning of Rule 405 of the Securities Act;
- holders who acquire their New Notes in the ordinary course of business; and
- holders who do not engage in, intend to engage in, or have arrangements to participate in a distribution (within the meaning of the Securities Act) of the New Notes;

do not have to comply with the registration and prospectus delivery requirements of the Securities Act.

Holders described in the preceding sentence must tell us in writing at our request that they meet these criteria. Holders that do not meet these criteria could not rely on interpretations of the SEC in no-action letters, and would have to register the New Notes they receive in the exchange offer and deliver a prospectus for them. In addition, holders that are broker-dealers may be deemed "underwriters" within the meaning of the Securities Act in connection with any resale of New Notes acquired in the exchange offer. Holders that are

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broker-dealers must acknowledge that they acquired their outstanding New Notes in market-making activities or other trading activities and must deliver a prospectus when they resell Notes they acquire in the exchange offer in order not to be deemed an underwriter.

RISKS RELATED TO THE NOTES

Our substantial leverage may impair our financial condition and we may incur significant additional debt.

We currently have, and after the issuance of the Notes will have, a substantial amount of debt. As of December 31, 2003, after giving effect to this offering, our total consolidated debt would have been \$386.7 million. See "Capitalization" for additional information.

Our substantial debt could have important consequences to you, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes;
- 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 clubs and other general corporate requirements;

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- requiring a substantial portion of our cash flow from operations for the payment of interest on our debt and reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions of new clubs and general corporate requirements; and
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

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

Subject to specified limitations, the indenture will permit us and our subsidiaries to incur substantial additional debt. In addition, as of December 31, 2003, subject to certain limitations, we were able to borrow up to \$50.0 million (less any standby letter of credit issuances) under our senior secured revolving credit facility. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify. See "Description of Other Indebtedness -- Senior Secured Revolving Credit Facility" for additional information.

Servicing our debt will require a significant amount of cash, and our ability to generate sufficient cash depends upon many factors, some of which are beyond our control.

Our ability to make payments on and refinance our debt and to fund planned capital expenditures depends on our ability to generate cash flow in the future. To some extent, this is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We may be unable to continue to generate cash flow from operations at current levels. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may have to refinance all or a portion of our existing debt or obtain additional financing. We cannot assure

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you that any refinancing of this kind would be possible or that any additional financing could be obtained. The inability to obtain additional financing could have a material adverse effect on our financial condition and on our ability to meet our obligations to you under the Notes.

TSI Holdings is the sole obligor under the Notes. Its subsidiaries, including TSI, Inc., do not guarantee TSI Holdings' obligations under the Notes and do not have any obligation with respect to the Notes; the Notes are structurally subordinated to the debt and liabilities of TSI Holdings' subsidiaries, including TSI, Inc. and are effectively subordinated to any of our future secured debt.

TSI Holdings has no operations of its own and derives all of its revenues and cash flow from its subsidiaries. TSI Holdings' subsidiaries are separate and distinct legal entities and have no obligation contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments.

The Notes are structurally subordinated to all debt and liabilities, including trade payables, of TSI Holdings' subsidiaries, including TSI, Inc. You are only entitled to participate with all other holders of the TSI Holdings' indebtedness and liabilities in the assets of the TSI Holdings' subsidiaries remaining after the TSI Holdings' subsidiaries have paid all of their debt and liabilities. TSI Holdings' subsidiaries may not have sufficient funds or assets to permit payments to TSI Holdings in amounts sufficient to permit TSI Holdings to pay all or any portion of its indebtedness and other obligations, including its obligations on the Notes. At December 31, 2003, the aggregate debt of TSI Holdings' subsidiaries equaled \$261.9 million and the aggregate amount of trade payables, accrued liabilities and other balance sheet liabilities (other than debt) of TSI Holdings' subsidiaries equaled \$58.0 million. In addition, on December 31, 2003, TSI, Inc. had \$48.3 million of additional borrowings available under its \$50.0 million credit facility after giving effect to \$1.7 million of outstanding letters of credit.

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The indenture governing TSI, Inc.'s existing senior notes and TSI, Inc.'s credit facility permit us and/or our subsidiaries to incur additional indebtedness, including secured indebtedness, under certain circumstances. See "Description of Other Indebtedness." If we incur any secured debt in the future, holders of such secured debt will have claims that are prior to your claims as holders of the Notes to the extent of the value of the assets securing that other debt. In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to us, holders of secured debt will have a prior claim to the assets that constitute their collateral.

TSI Holdings may not have access to the cash flow and other assets of its subsidiaries that may be needed to make payments on the Notes.

TSI Holdings' operations are conducted through its subsidiaries and its ability to make payment on the Notes is dependent on the earnings and the distribution of funds from its subsidiaries. However, none of its subsidiaries is obligated to make funds available to TSI Holdings for payment on the Notes. In addition, the terms of the indenture governing TSI, Inc.'s existing senior notes and of TSI, Inc.'s credit facility significantly restrict TSI, Inc. and its subsidiaries from paying dividends and otherwise transferring assets to TSI Holdings. Furthermore, TSI Holdings' subsidiaries are permitted under the terms of TSI, Inc.'s credit facility and other indebtedness (including under the indenture) to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by such subsidiaries to TSI Holdings.

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We cannot assure you that the agreements governing the current and future indebtedness of TSI Holdings' subsidiaries will permit TSI Holdings' subsidiaries to provide TSI, Inc. with sufficient dividends, distributions or loans to fund scheduled interest and principal payments on the Notes when due. See "Description of Indebtedness."

Original Issue Discount -- You will be required to include original issue discount in your gross income for federal income tax purposes.

The Notes were issued at a substantial discount from their principal amount at maturity. Although cash interest will not accrue on the Notes prior to February 1, 2009, original issue discount (the difference between the stated redemption price at maturity and the issue price of the Notes) will accrue from the issue date of the Notes. Consequently, a holder of a Note will have income for tax purposes arising from such original issue discount prior to the receipt of cash in respect of such income. See "Certain U.S. Federal Income Tax Considerations."

If a bankruptcy case is commenced by or against TSI Holdings under the United States Bankruptcy Code, the claim of a holder of any of the Notes with respect to the principal amount thereof may be limited to an amount equal to the sum of:

- The initial offering price allocable to the Notes;
- That portion of the original issue discount which is not deemed to constitute "unmatured interest" for purposes of the Bankruptcy Code; and
- Any original issue discount that was not amortized as of any such bankruptcy filing would constitute "unmatured interest."

Covenant restrictions under our indebtedness may limit our ability to operate our business and, in such an event, we may not have sufficient assets to pay amounts due to you on the Notes.

The indenture governing the Notes and certain of our other agreements regarding our indebtedness will contain, among other things, covenants that may restrict our ability to finance future operations or capital needs or to engage in other business activities. The indenture and

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certain of our other agreements regarding our indebtedness will restrict, among other things, our ability and the ability of our restricted subsidiaries to:

- borrow money;
- pay dividends or make distributions;
- purchase or redeem stock;
- make investments and extend credit;
- engage in transactions with affiliates;
- engage in sale-leaseback transactions;
- consummate certain asset sales;
- effect a consolidation or merger or sell, transfer, lease or otherwise

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dispose of all or substantially all of our assets; and

- create liens on our assets.

In addition, our senior secured revolving credit facility requires us to maintain specified financial ratios and satisfy certain financial condition tests that may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. Events beyond our control, including changes in general economic and business conditions, may affect our ability to meet those financial ratios and financial condition tests. We may be unable to meet those tests or that the lenders will waive any failure to meet those tests. A breach of any of these covenants would result in a default under the indenture, our senior secured revolving credit facility and the indenture governing the senior notes issued by TSI, Inc. If an event of default under our senior secured revolving credit facility occurs, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If an event of default occurs under the indenture governing the senior notes issued by TSI, Inc., the noteholders could elect to declare due all amounts outstanding thereunder, together with accrued interest. If any such event should occur, we might not have sufficient assets to pay amounts due on the Notes. As a result, you may receive less than the full amount you would be otherwise entitled to receive on the Notes. See "Description of Other Indebtedness--Senior Secured Revolving Credit Facility" and "Description of Notes" for additional information.

We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture.

Upon a change of control, subject to certain conditions, we are required to offer to repurchase all outstanding Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase.

The source of funds for that purchase of Notes will be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowing, sales of assets or sales of equity. There might not be sufficient funds available at the time of any change of control to make required repurchases of Notes tendered. In addition, the terms of our senior secured revolving credit facility limit our ability to purchase your Notes. Our future debt agreements may contain similar restrictions and provisions. If the holders of the Notes exercise their right to require us to repurchase all of the Notes upon a change of control, the financial effect of this repurchase could cause a default under our other indebtedness, even if the change of control itself would not cause a default. Accordingly, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of Notes or that restrictions in the indenture, our senior secured revolving credit facility and the indenture governing the senior notes issued by TSI, Inc. will not allow such repurchases. See "Description of Notes--Change of Control" and "Description of Other Indebtedness--Senior Secured Revolving Credit Facility" for additional information.

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Federal and state statutes allow courts, under specific circumstances, to void the Notes and require noteholders to return payments received from us.

Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, the Notes could be voided, or claims in respect of the Notes could be subordinated to all of our other debts if, among other things, we, at the time we incurred the indebtedness evidenced by the Notes:

- were insolvent or rendered insolvent by reason of such indebtedness; or

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- were engaged in a business or transaction for which our remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that we would incur, debts beyond our ability to pay such debts as they mature.

In addition, any payment by us pursuant to the Notes could be voided and required to be returned to us, or to a fund for the benefit of our creditors.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, we would be considered insolvent if:

- the sum of our debts, including contingent liabilities, were greater than the fair saleable value of all our assets, or
- if the present fair saleable value of our assets were less than the amount that would be required to pay our probable liability on existing debts, including contingent liabilities, as they become absolute and mature, or
- we could not pay our debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that we, after giving effect to the indebtedness incurred in the offering and the application of the proceeds therefrom, will not be insolvent, will not have unreasonably small capital for the business in which we are engaged and will not have incurred debts beyond our ability to pay such debts as they mature. There can be no assurance, however, as to what standard a court would apply in making such determinations or that a court would agree with our conclusions in this regard.

RISK FACTORS RELATED TO THE COMPANY

We may experience losses in our recently opened greenfield clubs.

We have opened a total of 11 new club locations that we have constructed (or greenfield clubs) in the last 24 months. Upon opening a greenfield club, we typically experience an initial period of club operating losses. Although we often pre-sell memberships, such enrollment typically generates insufficient revenue for the club to generate positive cash flow. As a result, a greenfield club typically generates an operating loss in its first full year of operation and substantially lower margins in its second full year of operations than a mature club. These operating losses and lower margins will negatively impact our future results of operations. This negative impact will be increased by the initial expensing of pre-opening costs which include legal and other costs associated with lease negotiations and permitting and zoning requirements, as well as increased depreciation and amortization expenses, which will further negatively impact net income. A greenfield club typically reaches mature membership levels in three to four years. We may, at our discretion, accelerate or expand our plans to open new greenfield clubs, which may adversely affect results from operations temporarily.

Our inability to acquire additional capital on acceptable terms to finance future expansion would adversely impact our competitive position.

The opening of greenfield clubs and the acquisition of existing clubs

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requires considerable capital. Any material acceleration or expansion of that plan through additional greenfields or acquisitions, to the extent such acquisitions include cash payments, may require us to pursue additional sources of financing. We cannot assure you that financing will be available or that it will be available on acceptable terms. The inability to finance accelerated expansion on acceptable terms may negatively impact our competitive position and/or materially adversely affect our business, results of operations or financial condition.

We may be unable to attract and retain members, which could have a negative effect on our business.

The performance of our clubs is dependent on our ability to attract and retain members, and we cannot assure you that we will be successful in these efforts, or that the membership levels at our clubs will not materially decline. Most of our members can cancel their club membership at any time upon 30 days notice. In addition, there are numerous factors that could lead to a decline in membership levels at established clubs or that could prevent us from increasing our membership at newer clubs, including harm to our reputation, a decline in our ability to deliver quality service at a competitive cost, the presence of direct and indirect competition in the areas in which the clubs are located, the public's interest in sports and fitness clubs and general economic conditions. As a result of these factors, membership levels might not be adequate to maintain or permit the expansion of our operations. In addition, a decline in membership levels may have a material adverse effect on our performance, financial condition and results of operations.

Our geographic concentration heightens our exposure to adverse regional developments.

As of December 31, 2003, we operated 86 fitness clubs in the New York metropolitan market, 19 fitness clubs in the Boston market, 15 fitness clubs in the Washington, D.C. market, six fitness clubs in the Philadelphia market and three fitness clubs in Switzerland. Our geographic concentration in the Northeast and Mid-Atlantic regions and, in particular, the New York area, heightens our exposure to adverse developments related to competition, as well as, economic and demographic changes in these regions. In Manhattan we have experienced a 0.8% decline in our mature club revenue and a similar decline in mature club memberships during the year ended December 31, 2003, each of which we attribute to the general economic conditions in the markets we serve as well as to the continuing effects of the events of September 11, 2001. Our geographic concentration might result in a material adverse effect on our business, financial condition or results of operations in the future.

The high level of competition in the fitness club industry could make it difficult for us to generate sufficient cash flow to service our debt.

The fitness club industry is highly competitive. We compete with other fitness clubs, physical fitness and recreational facilities established by local governments, hospitals and businesses for their employees, amenity and condominium clubs, the YMCA and similar organizations and, to a certain extent, with racquet and tennis and other athletic clubs, country clubs, weight reducing salons and the home-use fitness equipment industry. We also compete with other entertainment and retail businesses for the discretionary income of our target markets. We might not be able to compete effectively in the future in the markets in which we operate. Competitors, which may include companies that are larger and have greater resources than us, may enter these markets to our detriment. These competitive conditions may limit our ability to increase dues without a material loss in membership, attract new members and attract and retain qualified personnel. Additionally, consolidation in the fitness club industry could result

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in increased competition among participants, particularly large multi-facility operators that are able to compete for attractive acquisition candidates or greenfield locations, thereby increasing costs associated with expansion through both acquisitions, and lease negotiation and real estate availability for greenfields. See "Business--Competition."

We could be subject to claims related to health or safety risks at our clubs.

Use of our clubs poses some potential health or safety risks to members or guests through exertion and use of our services and facilities including exercise equipment. Claims against us for death or injury suffered by members or their guests while exercising at a club might be asserted. We might not be able to successfully defend such claim. Additionally, we might not be able to maintain our general liability insurance on acceptable terms in the future or that such insurance will provide adequate coverage against potential claims. A claim has been filed against us by an individual for injuries sustained at one of our club locations for two billion dollars in damages for personal injuries. "Business -- Legal Proceedings."

Loss of key personnel and/or failure to attract and retain highly qualified personnel could make it more difficult for us to generate cash flow from operations and service our debt.

We are dependent on the continued services of our senior management team, particularly Mark Smith, Chairman; Robert Giardina, Chief Executive Officer; Richard Pyle, Chief Financial Officer; Alexander Alimanestianu, Chief Development Officer and Randy Stephen, Chief Operating Officer. We believe the loss of such key personnel could have a material adverse effect on us and our financial performance. Currently, we do not have any long-term employment agreements with our executive officers, and we may not be able to attract and retain sufficient qualified personnel to meet our business needs. See "Management -- Directors and Executive Officers."

The interests of our controlling shareholder may be in conflict with your interests as a holder of Notes.

Bruckmann, Rosser, Sherrill & Co., L.P. and certain of its affiliates (collectively "BRS") own approximately 36.6% of our common stock on a fully diluted basis and has the ability to elect a majority of the board of directors and generally to control the affairs and policies of our company. Circumstances may occur in which the interests of BRS, as our shareholder, in pursuing acquisitions or otherwise, could be in conflict with the interests of the holders of the Notes. See "Security Ownership and Certain Beneficial Owners" and "Certain Relationships and Related Transactions."

We are subject to extensive government regulation and changes in these regulations could have a negative effect on our financial condition.

Our operations and business practices are subject to federal, state and local government regulation in the various jurisdictions in which our clubs are located, including: (1) general rules and regulations of the Federal Trade Commission, state and local consumer protection agencies and state statutes that prescribe certain forms and provisions of membership contracts and that govern the advertising, sale, financing and collection of such memberships, (2) state and local health regulations, (3) federal regulation of health and nutritional supplements, and (4) regulation of rehabilitation service providers. Although we are not aware of any proposed changes in any statutes, rules or regulations, any changes in such laws could have a material adverse effect on our financial condition and results of operations. See "Business -- Government Regulation."

The occurrence of extraordinary events, such as war in Iraq or elsewhere may increase the likelihood of a major terrorist attack in the United States, which may adversely affect our clubs, resulting in a decrease in our revenues.

The United States is currently engaged in a military action in Iraq. Such military action may increase the likelihood of another major terrorist attack in the United States. Our geographic concentration in the major cities in the Northeast and Mid-Atlantic regions and, in particular, the New York and Washington, D.C. areas, heightens our exposure to such future terrorist attacks, which may adversely affect our clubs and result in a decrease in our revenues. Future terrorist attacks cannot be predicted, and their occurrence can be expected to further negatively affect the United States economy generally, and specifically the regional markets in which we operate.

THE EXCHANGE OFFER

PURPOSE OF THE EXCHANGE OFFER

Simultaneously with the sale of the Old Notes, we entered into a registration rights agreement with Deutsche Bank. In the registration rights agreement, we agreed, among other things, (i) to file a registration statement with the SEC as soon as practicable after the issuance of the Old Notes, but in no event later than 120 days after the issuance of the Old Notes and (ii) to use our reasonable best efforts to cause such registration statement to be declared effective by the SEC at the earliest possible time, but in no event later than 210 days after the issuance of the Old Notes. We also agreed to use our best efforts to cause the exchange offer to be consummated on the earliest practicable day after the registration statement is declared effective, but in no event later than 30 days after the exchange registration statement is declared effective, unless required by the Securities Act or the Exchange Act. A copy of the registration rights agreement has been filed as an exhibit herewith.

We are conducting the exchange offer to satisfy our contractual obligations under the registration rights agreement. The form and terms of the New Notes are the same as the form and terms of the Old Notes, except that the New Notes will be registered under the Securities Act, and holders of the New Notes will not be entitled to the payment of any additional amounts pursuant to the terms of the registration rights agreement, as described below.

The registration rights agreements provides that, promptly after the registration statement has been declared effective, we will offer to holders of the Old Notes the opportunity to exchange their existing Notes for New Notes having a principal amount, interest rate, maturity date and other terms substantially identical to the principal amount, interest rate, maturity date and other terms of their Old Notes. We will keep the exchange offer open for at least 30 days (or longer if we are required to by applicable law) after the date notice of the exchange offer is mailed to the holders of the Old Notes and use our reasonable best efforts to complete the exchange offer no later than 30 days after the exchange registration statement is declared effective. The New Notes will be accepted for clearance through the DTC, Clearstream, Luxembourg and the Euroclear System with a new CUSIP and ISIN number and common code. All of the documentation prepared in connection with the exchange offer will be made available at the offices of The Bank of New York, our exchange agent.

Based on existing interpretations of the Securities Act by the staff of the SEC, we believe that the holders of the New Notes (other than holders who are

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broker-dealers) may freely offer, sell and transfer the New Notes. However, holders of Old Notes who are our affiliates, who intend to participate in the exchange offer for the purpose of distributing the New Notes, or who are broker-dealers who purchased the Old Notes from us for resale, may not freely offer, sell or transfer the Old Notes, may not participate in the exchange offer and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer, sale or transfer of Old Notes.

Each holder of Old Notes who is eligible to and wishes to participate in the exchange offer will be required to represent that it is not our affiliate, that it is not a broker-dealer tendering securities directly acquired from us for its own account and that it acquired the Old Notes and will acquire the New Notes in the ordinary course of its business and that it has no arrangement with any person to participate in the distribution of the New Notes. In addition, any broker-dealer who acquired the Old Notes for its own account as a result of market-making or other trading activities must deliver a prospectus (which may be the prospectus contained in the registration statement if the broker-dealer is not reselling an unsold allotment of Old Notes) meeting the requirements of the Securities Act in connection with any resales of the New Notes. We will agree to provide sufficient copies of the latest version of such prospectus to such broker-dealers, if subject to similar prospectus delivery requirements for a period ending

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on the earlier of (i) 180 days from the date on which the exchange offer is consummated (ii) the date on which a broker-dealer is no longer required to deliver a prospectus in connection with market-making or other trading activities.

If,

(i) we are not permitted to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy; or

(ii) any Holder of Transfer Restricted Securities notifies us prior to the 20th day following consummation of the exchange offer that (a) it is prohibited by law or Commission policy from participating in the Exchange Offer; (b) that it may not resell the New Notes acquired by it in the exchange offer to the public without delivering a prospectus and this prospectus is not appropriate or available for such resales; or (c) that it is a broker-dealer and owns Old Notes acquired directly from the Issuer or an affiliate of the Issuer,

then we shall promptly deliver to the holders and the trustee written notice thereof, or give notice and shall file a shelf registration covering the resale of the affected securities within 120 days after the shelf notice is given to the holders and shall use our reasonable best efforts to cause the shelf registration to be effective under the Securities Act on or prior to the 210th day after the shelf notice is given.

We will use our reasonable best efforts to keep effective the shelf registration statement until the earlier of (i) two years following the effective date of the initial shelf registration statement or (ii) the time when all of the securities have been sold thereunder or are no longer restricted securities.

In the event that a shelf registration statement is filed, we will provide to each affected holder copies of the prospectus that is a part of the shelf registration statement, notify each affected holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the securities. A holder that sells securities

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pursuant to the shelf registration statement will be required to be named as a selling security holder in the prospectus and to deliver a prospectus to purchasers. A selling holder will also be subject to certain of the civil liability provisions under the Securities Act in connection with sales and will be bound by the provisions of the registration rights agreement that are applicable to it, including certain indemnification rights and obligations.

If we are permitted under SEC rules to conduct the exchange offer and we have not filed an exchange offer registration statement or a shelf registration statement by a specified date, if the exchange offer registration statement or the shelf registration statement is not declared effective by a specified date, or if either we have not consummated the exchange offer within a specified period of time or, if applicable, we do not keep the shelf registration statement effective from a specified period of time, then, in addition to the interest otherwise payable on the Notes, the interest that is accrued and payable on the principal amount of the Old Notes will increase at a rate of 0.25% per annum with respect to each subsequent 90-day period until the requirement is satisfied, up to a additional maximum amount of interest of 1.0% per annum. Upon the filing of the registration statement, the effectiveness of the exchange offer registration statement, the consummation of the exchange offer or the effectiveness of the shelf registration statement, as the case may be, the additional interest will cease to accrue from the date of filing, effectiveness or consummation, as the case may be.

If a registration statement is declared effective and we fail to keep it continuously effective or useable for resales for the period required by the registration rights agreement, then from the day that the registration statement ceases to be effective until the earlier of the date that the registration statement is again deemed effective or is useable, the date that is the second anniversary of our issuance of these securities (or, if Rule 144(k) under the Securities Act is

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amended to provide a shorter restrictive period, the shorter period) or the date as of which all of the applicable securities are sold pursuant to the shelf registration statement, the interest that is accrued and payable on the principal amount of the existing Notes will increase at a rate of 0.25% per annum with respect to each subsequent 90-day period until the requirement is satisfied, up to a maximum amount of additional interest of 1.0% per annum.

Any additional amounts will be payable in cash on February 1 and August 1 of each year to the holders of record on the preceding February 1 and August 1, respectively.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept any and all Old Notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will issue \$1,000 principal amount of New Notes in exchange for each \$1,000 principal amount of Old Notes accepted in the exchange offer. Holders may tender some or all of their Old Notes pursuant to the exchange offer. However, Old Notes may be tendered only in integral multiples of \$1,000.

The form and terms of the New Notes are the same as the form and terms of the existing Notes except that:

(i) the New Notes bear a series B designation and a different CUSIP number from the Old Notes;

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(ii) the New Notes have been registered under the Securities Act and will therefore not bear legends restricting their transfer; and

(iii) the holders of the New Notes will be deemed to have agreed to be bound by the provisions of the registration rights agreement and each security will bear a legend to that effect.

The New Notes will evidence the same debt as the outstanding securities and will be entitled to the benefits of the indenture.

Holders of Old Notes do not have any appraisal or dissenters' rights under the Delaware General Corporations Law, or the indenture in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC.

We will be deemed to have accepted validly tendered Old Notes when, as and if we have given oral or written notice of our acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the New Notes from us.

If any tendered Old Notes are not accepted for exchange because of an invalid tender, the occurrence of specified other events set forth in this prospectus or otherwise, the certificates for any unaccepted Old Notes will be returned, without expense, to the tendering holder as promptly as practicable after the expiration date of the exchange offer.

Holders who tender Old Notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of Old Notes pursuant to the exchange offer. We will pay all charges and expenses, other than transfer taxes in certain circumstances, in connection with the exchange offer. See "-- Fees and Expenses."

EXPIRATION DATE; EXTENSIONS; AMENDMENTS

The exchange offer will remain open for at least 20 full business days. The term "expiration date" will mean 5:00 p.m., New York City time, on _____, 2004, unless we, in our sole

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discretion, extend the exchange offer, in which case the term "expiration date" will mean the latest date and time to which the exchange offer is extended.

To extend the exchange offer, prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date, we will:

(1) notify the exchange agent of any extension by oral notice (promptly confirmed in writing) or written notice, and

(2) mail to the registered holders an announcement of any extension.

We reserve the right, in our sole discretion,

(1) if any of the conditions below under the heading "-- Conditions" shall have not been satisfied,

(A) to delay accepting any Old Notes,

(B) to extend the exchange offer, or

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(C) to terminate the exchange offer, or

(2) to amend the terms of the exchange offer in any manner.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders. We will give oral notice (promptly confirmed in writing) or written notice of any delay, extension or termination to the exchange agent.

PROCEDURES FOR TENDERING OLD NOTES

Only a holder of Old Notes may tender Old Notes in the exchange offer. To tender in the exchange offer, a holder must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal;
- have the signatures on the letter of transmittal guaranteed if required by the letter of transmittal or transmit an agent's message in connection with a book-entry transfer; and
- mail or otherwise deliver the letter of transmittal or the facsimile, together with the Old Notes and any other required documents, to be received by the exchange agent prior to 5:00 p.m., New York City time, on the expiration date.

To tender Old Notes effectively, the holder must complete a letter of transmittal or an agent's message and other required documents and the exchange agent must receive all the documents prior to 5:00 p.m., New York City time, on the expiration date. Delivery of the Old Notes shall be made by book-entry transfer in accordance with the procedures described below. Confirmation of the book-entry transfer must be received by the exchange agent prior to the expiration date.

The term "agent's message" means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent forming a part of a confirmation of a book-entry, which states that the book-entry transfer facility has received an express acknowledgment from the participant in the book-entry transfer facility tendering the outstanding securities that the participant has received and agrees:

- (1) to participate in ATOP;
- (2) to be bound by the terms of the letter of transmittal; and
- (3) that we may enforce the agreement against the participant.

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By executing the letter of transmittal, each holder will make to us the representations set forth above in the fifth paragraph under the heading See "-- Purpose of the Exchange Offer."

The tender by a holder and the acceptance of the tender by us will constitute agreement between the holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal or agent's message.

The method of delivery of the existing Notes and the letter of transmittal or agent's message and all other required documents to the exchange agent is

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that the election and sole risk of the holder. As an alternative to delivery by mail, holders may wish to consider overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. No letter of transmittal or Old Notes should be sent to us. Holders may request their respective brokers, dealers, commercial banks, trust companies or nominees to effect the above transactions for them.

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct the registered holder to tender on the beneficial owner's behalf. See "Instructions to Registered Holder and/or Book-Entry Transfer Facility Participant from Beneficial Owner" included with the letter of transmittal.

An institution that is a member firm of the Medallion system must guarantee signatures on a letter of transmittal or a notice of withdrawal unless the Old Notes are tendered:

(1) by a registered holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal; or

(2) for the account of a member firm of the Medallion system.

If the letter of transmittal is signed by a person other than the registered holder of any existing Notes listed in that letter of transmittal, the Old Notes must be endorsed or accompanied by a properly completed bond power, signed by the registered holder as the registered holder's name appears on the Old Notes. An institution that is a member firm of the Medallion System must guarantee the signature.

If the letter of transmittal or any Old Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, offices of corporations or others acting in a fiduciary or representative capacity, the person signing should so indicate when signing, and evidence satisfactory to us of its authority to so act must be submitted with the letter of transmittal.

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the outstanding securities at DTC for the purpose of facilitating the exchange offer, and subject to the establishment of this account, any financial institution that is a participant in DTC's system may make book-entry delivery of outstanding securities by causing DTC to transfer the Old Notes into the exchange agent's account with respect to the Old Notes in accordance with DTC's procedures for the transfer. Although delivery of the Old Notes may be effected through book-entry transfer into the exchange agent's account at DTC, unless an agent's message is received by the exchange agent in compliance with ATOP, an appropriate letter of transmittal properly completed and duly executed with any required signature guarantee and all other required documents must in each case be transmitted to and received or confirmed by the exchange agent at its address set forth below on or prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under the procedures. Delivery of documents to DTC does not constitute delivery to the exchange agent.

All questions as to the validity, form, eligibility, including time of receipt, acceptance of tendered Old Notes and withdrawal of tendered Old Notes will be determined by us in our sole

discretion, which determination will be final and binding. We reserve the

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absolute right to reject any and all Old Notes not properly tendered or any existing Notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right in our sole discretion to waive any defects, irregularities or conditions of tender as to particular Old Notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within the time we determine. Although we intend to notify holders of defects or irregularities with respect to tenders of Old Notes, neither we, the exchange agent nor any other person will incur any liability for failure to give the notification. Tendere of Old Notes will not be deemed to have been made until the defects or irregularities have been cured or waived. Any Old Notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

GUARANTEED DELIVERY PROCEDURES

Holders who wish to tender their outstanding securities and:

- (1) whose Old Notes are not immediately available;
- (2) who cannot deliver their Old Notes, the letter of transmittal or any other required documents to the exchange agent; or
- (3) who cannot complete the procedures for book-entry transfer, prior to the expiration date, may effect a tender if:

1. they tender through an institution that is a member firm of the Medallion System;

2. prior to the expiration date, the exchange agent receives from an institution that is a member firm of the Medallion System a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery setting forth the name and address of the holder, the certificate number(s) of the Old Notes and the principal amount of Old Notes tendered, stating that the tender is being made and guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof together with the certificate(s) representing the Old Notes or a confirmation of book-entry transfer of the Old Notes into the exchange agent's account at DTC, and any other documents required by the letter of transmittal will be deposited by the member firm of the Medallion System with the exchange agent; and

3. the exchange agent receives

- (A) such properly completed and executed letter of transmittal or facsimile of the letter of transmittal,

- (B) the certificate(s) representing all tendered Old Notes in proper form for transfer or a confirmation of book-entry transfer of the Old Notes into the exchange agent's account at DTC, and

- (C) all other documents required by the letter of transmittal

upon three New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, we will send a notice of guaranteed delivery to holders who wish to tender their Old Notes according to the guaranteed delivery procedures set forth above.

WITHDRAWAL OF TENDERS

Except as otherwise provided in this prospectus, holders may withdraw tenders of Old Notes at any time prior to 5:00 p.m., New York City time, on the expiration date. To withdraw a tender of Old Notes in the exchange offer, the exchange agent must receive a letter or facsimile transmission notice of withdrawal at its address set forth in this prospectus prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. Any notice of withdrawal must:

(1) specify the name of the person having deposited the Old Notes to be withdrawn;

(2) identify the Old Notes to be withdrawn, including the certificate number(s) and principal amount of the Old Notes, or, in the case of Old Notes transferred by book-entry transfer, the name and number of the account at DTC to be credited;

(3) be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Old Notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee with respect to the Old Notes register the transfer of the Old Notes into the name of the person withdrawing the tender; and

(4) specify the name in which any Old Notes are to be registered, if different from that of the person depositing the Old Notes to be withdrawn.

We will determine all questions as to the validity, form and eligibility, including time of receipt, of such notices. Our determination will be final and binding on all parties. We will not deem Old Notes so withdrawn to have been validly tendered for purposes of the exchange offer. We will not issue New Notes for withdrawn Old Notes unless you validly retender the withdrawn Old Notes. We will return any Old Notes which have been tendered but which are not accepted for exchange to the holder of the Old Notes at our cost as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. You may retender properly withdrawn Old Notes by following one of the procedures described above under "-- Procedures for Tendering Old Notes" at any time prior to the expiration date.

CONDITIONS

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or issue New Notes for, any Old Notes, and may terminate or amend the exchange offer as provided in this prospectus before the acceptance of the Old Notes, if:

(1) any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our sole judgment, might materially impair our ability to proceed with the exchange offer or any development has occurred in any existing action or proceeding which may be harmful to us or any of our subsidiaries; or

(2) the exchange offer violates any applicable law or any applicable interpretation by the staff of the SEC; or

(3) any governmental approval has not been obtained, which we believe, in our sole discretion, is necessary for the consummation of the exchange offer as

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outlined in this prospectus.

If we determine in our sole discretion that any of the conditions are not satisfied, we may

(1) refuse to accept any Old Notes and return all tendered Old Notes to the tendering holders;

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(2) extend the exchange offer and retain all Old Notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders to withdraw their Old Notes (see "-- Withdrawal of Tenders"; or

(3) waive the unsatisfied conditions with respect to the exchange offer and accept all properly tendered Old Notes that have not been withdrawn.

EXCHANGE AGENT

The Bank of New York has been appointed as the exchange agent for the exchange offer. You should direct all

- executed letters of transmittal,
- questions,
- requests for assistance,
- requests for additional copies of this prospectus or of the letter of transmittal, and
- requests for Notices of Guaranteed Delivery,

to the exchange agent at the following address:

THE BANK OF NEW YORK

BY FACSIMILE:	BY HAND:	BY OVERNIGHT COURIER OR REGISTERED/CERTIFIED MAIL:
-----	-----	-----
(212) 298-1915 Attention: Customer Service	101 Barclay Street, 7 East New York, New York 10286 Attention: Corporate Trust Operations Reorganization Unit	101 Barclay Street, 7 East New York, New York 10286 Attention: Corporate Trust Operations Reorganization Unit

DELIVERY TO AN ADDRESS OTHER THAN SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

FEES AND EXPENSES

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, additional solicitation may be made by telephone or in person by our and our affiliates' officers and regular employees.

We have not retained any dealer-manager in connection with the exchange

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offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses incurred in connection with these services.

We will pay the cash expenses to be incurred in connection with the exchange offer. Such expenses include fees and expenses of the exchange agent and trustee, accounting and legal fees and printing costs, among others.

ACCOUNTING TREATMENT

The New Notes will be recorded at the same carrying value as the Old Notes, which is the accreted value, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes as a result of the exchange offer. The expenses of the exchange offer will be deferred and charged to expense over the term of the New Notes.

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TRANSFER TAXES

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes in connection with the exchange. However, holders who instruct us to register New Notes in the name of, or request that Old Notes not tendered or not accepted in the exchange offer be returned to, a person other than a registered tendering holder will be responsible for the payment of any applicable transfer tax on that transfer.

CONSEQUENCES OF FAILURE TO EXCHANGE

The Old Notes that are not exchanged for New Notes pursuant to the exchange offer will remain restricted securities. Accordingly, the Old Notes may be resold only:

(1) to us upon redemption thereof or otherwise;

(2) so long as the outstanding securities are eligible for resale pursuant to Rule 144A, to a person inside the United States who is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A, in accordance with Rule 144 under the Securities Act, or pursuant to another exemption from the registration requirements of the Securities Act, which other exemption is based upon an opinion of counsel reasonably acceptable to us;

(3) outside the United States to a foreign person in a transaction meeting the requirements of Rule 904 under the Securities Act; or

(4) pursuant to an effective registration statement under the Securities Act,

in each case in accordance with any applicable securities laws of any state of the United States.

RESALE OF THE NEW NOTES

With respect to resales of New Notes, based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, we believe that a holder or other person who receives New Notes, whether or not the person is the holder (other than a person that is our affiliate within the meaning of Rule 405 under the Securities Act) in exchange for Old Notes in the ordinary course of business and who is not participating, does not intend to participate,

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and has no arrangement or understanding with any person to participate, in the distribution of the New Notes, will be allowed to resell the New Notes to the public without further registration under the Securities Act and without delivering to the purchasers of the New Notes a prospectus that satisfies the requirements of Section 10 of the Securities Act. However, if any holder acquires New Notes in the exchange offer for the purpose of distributing or participating in a distribution of the New Notes, the holder cannot rely on the position of the staff of the SEC expressed in the no-action letters or any similar interpretive letters, and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction, unless an exemption from registration is otherwise available. Further, each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where the Old Notes were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the New Notes.

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THE TRANSACTIONS

TSI Holdings is a holding company with no material assets or operations other than its ownership of the common stock of TSI, Inc. and was formed to serve as issuer of the Old Notes.

In connection with, and as a condition to, the offering of the Old Notes, we consummated the following transactions, which we refer to as the "transactions."

PAYMENT OF DIVIDEND TO HOLDERS OF OUR COMMON STOCK

We made a payment of dividends to holders of our common stock in an aggregate amount of \$68.9 million.

REDEMPTION OF PREFERRED STOCK

We redeemed all of our issued and outstanding shares of preferred stock, then held by BRS, Farallon Capital Partners, L.P. and certain of its affiliates, Rosewood Capital, L.P. and certain of its affiliates and certain of our directors in an aggregate amount of \$50.6 million. See "Security Ownership and Certain Beneficial Owners."

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USE OF PROCEEDS

This exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the New Notes. In consideration for issuing the New Notes contemplated in this prospectus, we will receive outstanding securities in like principal amount, the form and terms of which are the same as the form and terms of the New Notes, except as otherwise described in this prospectus. The old Notes surrendered in exchange for New Notes will be retired and canceled. Accordingly, no additional debt will result from the exchange. We have agreed to bear the expense of the exchange offer.

The gross proceeds from the sale of the Old Notes were approximately \$124,807. We used the net proceeds, together with funds from borrowings under our new credit facility, as follows (all amounts presented in thousands):

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USES:

Redeem preferred stock.....	\$ 50,634
Shareholder dividend(1).....	68,405
Employee bonus in lieu of dividend(2).....	1,090
Transaction fees and expenses.....	4,316
General corporate purposes.....	362

Total uses.....	\$124,807
	=====

- (1) The total dividend amount is shown net of \$526 of stock option exercise proceeds received.
- (2) Employees with vested stock options as of the dividend payment date, were paid bonuses in amounts equivalent to the dividend they would have received had they exercised and been a common shareholder.

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CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of December 31, 2003 on an actual basis and as adjusted to reflect the transactions. This table should be read in conjunction with our consolidated financial statements and the related notes to the consolidated financial statements included elsewhere in this offering memorandum.

All amounts presented in thousands.

	AS OF DECEMBER 31, 2003	
	ACTUAL	AS ADJUSTED
	-----	-----
Cash and cash equivalents.....	\$ 40,802	\$ 41,947 (1)
	=====	=====
Debt:		
Senior secured revolving credit facility.....	\$ --	\$ -- (2)
Notes payable for acquired businesses.....	4,358	4,358
Capitalized lease obligations.....	2,519	2,519
Existing senior notes.....	255,000	255,000
Senior discount notes offered hereby, net of discount.....	--	124,807
	-----	-----
Total debt.....	261,877	386,684
Series A redeemable preferred stock.....	39,890	--
Total shareholders' deficit(3).....	(34,294)	(113,750)
	-----	-----
Total capitalization.....	\$267,473	\$ 272,934
	=====	=====

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- (1) The increase of as adjusted cash and cash equivalents reflects expected cash outflows associated with \$783 of accretion of our preferred stock for periods subsequent to December 31, 2003 and \$362 of cash maintained for general business purposes. See "Use of Proceeds."
- (2) Does not reflect \$50,000 in revolving credit loans and letters of credit available under our senior secured revolving credit facility.
- (3) As of December 31, 2003 actual total shareholders' deficit includes \$10,000 of Series B preferred stock.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA (IN THOUSANDS, EXCEPT CLUB AND MEMBERSHIP DATA)

Set forth below is TSI, Inc.'s selected historical consolidated financial, other operating data and club and membership data as of the dates and for the periods presented. The selected historical consolidated statement of operations data for the years ended December 31, 2001, 2002, and 2003 and the selected historical consolidated balance sheet data as of December 31, 2002 and 2003, were derived from the audited Consolidated Financial Statements, which are included herein. The selected historical consolidated statement of operations data for the year ended December 31, 1999 and 2000 and the selected historical consolidated balance sheet data as of December 31, 1999, 2000 and 2001 were derived from our audited consolidated financial statements of the Company, which are not included herein. The information contained in this table and accompanying notes should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and accompanying notes thereto appearing elsewhere herein.

	YEAR ENDED DECEMBER 31,			
	1999	2000	2001	2002
STATEMENT OF OPERATIONS DATA:				
Revenues.....	\$158,184	\$223,828	\$281,633	\$319,427
Operating expenses:				
Payroll and related.....	63,838	90,801	112,766	129,105
Club operating.....	52,048	68,806	88,941	99,113
General and administrative.....	10,797	14,626	18,785	21,368
Depreciation and amortization(1).....	20,513	26,248	32,185	31,748
Operating income.....	10,988	23,347	28,956	38,093
Loss on extinguishment of debt(2).....	--	--	--	--
Interest expense, net of interest income.....	10,243	13,120	14,527	16,421
Income from continuing operations before provision for corporate income tax.....	745	10,227	14,429	21,672
Provision for corporate income tax.....	622	5,031	6,853	9,709
Income from continuing operations.....	123	5,196	7,576	11,963
Loss from discontinued operations of closed clubs(3) (including loss on club closure of \$996 in 2002), net of income taxes.....	(74)	(365)	(530)	(767)
Cumulative effect of a change in accounting principle, net of income tax				

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benefit of \$612(4).....	--	--	--	(689)
Net income	49	4,831	7,046	10,507
Accreted dividends on preferred stock.....	(7,880)	(9,016)	(10,201)	(11,543)
Net loss attributable to common stockholders.....	\$ (7,831)	\$ (4,185)	\$ (3,155)	\$ (1,036)
OTHER DATA:				
Non-cash rental lease expense, net of non-cash income.....	\$ 3,061	\$ 2,976	\$ 4,224	\$ 1,670
Cash provided by (used in):				
Operating activities.....	29,496	40,573	44,348	50,805
Investing activities.....	(55,078)	(70,048)	(58,358)	(40,182)
Financing activities.....	33,553	5,715	16,103	(10,530)
CLUB AND MEMBERSHIP DATA:				
New clubs opened(5).....	14	9	12	8
Clubs acquired(5).....	4	11	2	4
Closed, relocated or sold clubs.....	(1)	(1)	--	(2)
Wholly-owned clubs operated at end of period(5).....	82	103	117	127
Total clubs operated at end of period(6).....	86	105	119	129
Members at end of period(7).....	203,000	278,000	317,000	342,000
Mature club revenue increase(8).....	16.0%	18.6%	12.3%	4.1%

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	YEAR ENDED DECEMBER 31,			
	1999	2000	2001	2002
Revenue per weighted average club (in thousands)(9).....	\$ 2,130	\$ 2,428	\$ 2,619	\$ 2,606
Ratio of earnings to fixed charges(10).....	1.0:1.0	1.4:1.0	1.5:1.0	1.7:1.0
Pro forma ratio of earnings to fixed charges(11)....				

	AS OF DECEMBER 31,			
	1999	2000	2001	2002
BALANCE SHEET DATA:				
Working capital deficit(12).....	\$ (1,015)	\$ (38,414)	\$ (42,565)	\$ (43,192)
Total assets.....	215,678	256,085	296,005	314,250
Long-term debt, including current installments.....	132,202	144,498	163,979	160,943
Redeemable senior preferred stock.....	42,066	48,029	54,687	62,125
Redeemable Series A preferred stock(13).....	23,216	26,580	30,432	34,841
Total stockholders' deficit(13).....	\$ (28,813)	\$ (30,491)	\$ (32,797)	\$ (31,740)

(1) Effective January 1, 2002 we implemented Statement of Financial Accounting Standards ("SFAS") No. 142 No. 142 ("SFAS 142"), Goodwill and Other Intangible Assets. In connection with this implementation we no longer

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amortize goodwill, but rather test it for impairment when circumstances indicate it is necessary, and at a minimum annually. A reconciliation of reported net income to net income adjusted for the impact of SFAS 142 is as follows for the presented periods:

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
Net income as reported.....	\$ 49	\$ 4,831	\$ 7,046
Goodwill amortization.....	2,845	3,545	4,436
Deferred tax benefit.....	(1,195)	(1,064)	(1,344)
Net income as adjusted.....	\$ 1,699	\$ 7,312	\$10,138
	=====	=====	=====

- (2) The \$7.8 million loss on extinguishment of debt recorded in 2003 is a result of the refinancing of our debt on April 16, 2003. In connection with this refinancing, we wrote-off \$3.7 million of deferred financing costs related to extinguished debt, paid a \$3.0 million call premium, and incurred \$1.0 million of additional interest on the 9 3/4% old Notes representing interest incurred during the 30 day redemption notification period.
- (3) In the fourth quarter of 2002, we closed or sold two remote underperforming, wholly-owned clubs. In connection with the closure of one of the clubs, we recorded club closure costs of \$996 related to the write-off fixed assets. We have accounted for these two clubs as discontinued operations and, accordingly, the results of their operations have been classified as discontinued in the Consolidated Statement of Operations and prior periods have been