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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): September 8, 2020

Town Sports International Holdings, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	001-36803	20-0640002
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1001 US North Highway 1, Suite 201, Jupiter, Florida	33477
(Address of Principal Executive Offices)	(Zip Code)

399 Executive Boulevard, Elmsford, New York	10523
(Mailing address)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (914) 347-4009

(Former Name or Former Address, If Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, $0.001 par value per share	CLUB	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.03 Bankruptcy or Receivership.

On September 14, 2020 (the "Petition Date"), Town Sports International, LLC ("TSI LLC"), TSI Holdings II, LLC ("Holdings II") and certain subsidiaries of TSI LLC (TSI LLC, Holdings II, and such subsidiaries collectively, the "Debtors") each filed voluntary petitions for relief (the "Petitions") under chapter 11, title 11 ("Chapter 11") of the United States Bankruptcy Code (the "Bankruptcy Code", and such cases, the "Chapter 11 Cases") in the United States Bankruptcy Court for the District of Delaware (the "Court").

The Debtors continue to operate their business as "debtors-in-possession" subject to the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. The Debtors are seeking approval of a variety of "first day" motions containing customary relief intended to permit the Debtors to continue their ordinary course operations, including by rejecting certain leases for club locations leased by the Debtors and by providing authority for the Debtors to use cash collateral to operate their business.

The Debtors have received two separate proposals from certain of their pre-petition lenders for the provision of debtor-in-possession financing, which the Debtors expect will be necessary to support the restructuring of the existing debt, existing equity interests in and certain other obligations of the Debtors, including the fees and costs incurred by the Debtors in connection with the Chapter 11 Cases.

The first such proposal is from Kennedy Lewis Investment Management, LLC ("KLIM") and would provide the Debtors with an $80.0 million multi-draw senior secured super-priority debtor-in-possession credit facility ("KLIM DIP Facility"). KLIM would commit to provide the full amount of the KLIM DIP Facility, provided that each other lender under the Credit Agreement (as defined below) would have the opportunity to provide its pro rata share of $39.0 million of such DIP Facility. The KLIM DIP Facility would mature upon the earliest to occur of (i) the four month anniversary of the closing on such KLIM DIP Facility, (ii) the date that is 30 days after the Petition Date if a final order satisfactory to KLIM regarding the KLIM DIP Facility has not been entered by the Court on or before such date, (iii) the date of consummation of any sale of all or substantially all of the assets of any of the Debtors pursuant to section 363 of the Bankruptcy Code, (iv) the date on which the Court orders a conversion of any of the Chapter 11 Cases to a liquidation under chapter 7, title 11 of the Bankruptcy Code or the dismissal of any of the Chapter 11 Cases and (v) the effective date of any plan of reorganization of the Debtors subject to confirmation under section 1129(b)(2)(A)(iii) of the Bankruptcy Code. KLIM holds over forty-five percent of the total amount of debt owed by Debtors under the Credit Agreement, dated November 15, 2013, as amended (the "Credit Agreement"), by and among Holdings II, TSI LLC, as Borrower (as defined in the Credit Agreement), the Lenders party thereto and Deutsche Bank AG New York Branch as administrative agent. However the KLIM DIP Facility is conditioned on a consensual priming of the Debtors' pre-petition secured debt which requires consent from a majority of the holders (the "Required Lenders") of debt owed by Debtors under the Credit Agreement. The KLIM DIP Facility does not currently have the support of the Required Lenders and, as a result, is not yet actionable.

The second proposal is from Tacit Capital, LLC ("Tacit") and an ad hoc group of certain lenders to the Debtors that have indicated that they own a majority of the total amount of debt owed by the Debtors under the Credit Agreement, and therefore would constitute the Required Lenders. The Tacit proposal is for a $17.5 million priming, super-priority, senior secured debtor-in-possession delayed-draw term loan facility (the "Tacit DIP Facility"), tied to a credit bid that provides for an additional $47.5 million of financing for the business following the Debtors' exit from bankruptcy proceedings. The Tacit DIP Facility is also premised on a priming of the Debtors' pre-petition lenders as well as a commitment by the Required Lenders to credit bid their debt.

The Debtors believe that the lenders under the Credit Agreement will consent to provide debtor-in-possession financing, whether in substantially the form laid out in the KLIM proposal, the Tacit proposal or otherwise. However, given the financial pressures on the Debtors' operations, the Debtors determined it necessary to initiate the Chapter 11 Cases while discussions with its lenders to secure financing are ongoing. The Debtors intend to use cash on hand and cash from the results of operations to fund the working capital needs of the business prior to the entry of any order of the Court approving any debtor-in-possession financing facility.

Though Town Sports International Holdings, Inc. (the "Registrant") is not a Debtor and has not filed a petition with the Court, as the parent of the Debtors, the Registrant will be subject to the risks and uncertainties associated with the bankruptcy process insofar as the assets of the Debtors constitute a substantial and material portion of the assets of the Registrant and its subsidiaries taken as a whole.

The filing of the Petitions constituted an event of default that accelerated the obligations of the Debtors under certain debt instruments and triggered defaults as described in greater detail in Item 2.04 herein.

Item 2.04. Triggering Events that Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.

The commencement of the Chapter 11 Cases constitutes an event of default under the following debt instruments and agreements (the "Debt Instruments"):

- The Credit Agreement, and the $14.164 million outstanding under the Revolving Credit Facility (as defined in the Credit Agreement) (with letters of credit totaling approximately $325,000), and the $152.999 million outstanding under the Term Loan (as defined in the Credit Agreement);

- The Business Loan Agreement and Promissory Note, dated April 20, 2020, by and between TSI LLC and BankUnited, N.A., and the $2.742 million outstanding thereunder.

The Debt Instruments provide that as a result of the Chapter 11 Cases, the principal and interest thereunder shall be immediately due and payable. The Debtors believe that any efforts to enforce the financial obligations under the Debt Instruments are stayed as a result of the filing of the Chapter 11 Cases in the Court.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Key Employee Retention Agreements

On September 8, 2020, TSI LLC entered into Retention Award Agreements (the "Retention Agreements") with each of the Chief Executive Officer and Chief Financial Officer for the award of certain one-time lump sum cash retention bonuses. In recognition of the importance to the Registrant and its stakeholders of retaining highly qualified executives to manage the operations and finances of the Registrant and its subsidiaries during a time of great uncertainty for the business, and in order to incentivize the continued service of Mr. Walsh, our Chief Executive Officer, and Mr. Juhan, our Chief Financial Officer, one-time cash payments were made to these executives pursuant to the Retention Agreements in the amount of $1.5 million to Mr. Walsh, and $750,000 to Mr. Juhan (the "Retention Bonuses"). Each Retention Bonus is subject to repayment of 100% of such award if prior to the date that is six months following the date of the applicable Retention Agreement (i) the employment of the applicable executive with TSI LLC is terminated by TSI LLC for Cause (as defined in the applicable Retention Agreement) or by the executive without Good Reason (as defined in the applicable Retention Agreement) or (ii) the case of TSI LLC before the Court is converted to a liquidation pursuant to chapter 7, title 11 of the Bankruptcy Code (except in the event that such conversion occurs after Court approval and closing on a sale of all or substantially all of TSI LLC's assets as a going concern).

The foregoing description of the Retention Agreements does not purport to be complete and is qualified in its entirety by reference to the terms and conditions of the Retention Agreements attached hereto as Exhibits 10.1 and 10.2.

Resignation of General Counsel

On September 10, 2020, Stuart Steinberg notified the Registrant of his resignation as the Registrant's General Counsel. Mr. Steinberg's resignation is effective immediately, and was not due to any disagreement with the Registrant on any matter relating to the operations, policies or practices of the Registrant or any of its subsidiaries.

In connection with Mr. Steinberg's resignation, on September 10, 2020, the Registrant entered into a letter agreement (the "Letter Agreement") with Mr. Steinberg's firm, Stuart M. Steinberg, P.C. ("Steinberg P.C."), amending the Amended Engagement Letter Agreement (the "Engagement Letter"), dated May 1, 2017, by and between the Registrant and Steinberg P.C. Pursuant to the Letter Agreement, the Registrant will pay Steinberg P.C. a fee of $200,000 to provide transition services for a period of sixty days to facilitate the transition of the firm's former duties. The Letter Agreement also terminated the engagement of Steinberg P.C. as counsel to the Registrant. The foregoing description of the Letter Agreement and the Engagement Letter does not purport to be complete and is qualified in its entirety by reference to the terms and conditions of the Letter Agreement and the Engagement Letter, each as attached hereto as Exhibits 10.3 and 10.4 respectively.

Forward-Looking Statements

Certain statements in this Current Report regarding the Registrant's future intentions contain "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates," "target," "could," or the negative version of these words or other comparable words. Such statements are subject to various risks and uncertainties, many of which are outside our control, including, among others, the impact of and risks and uncertainties related to the Chapter 11 Cases, the Debtors' ability to obtain timely approval by the Court of the motions filed in the Chapter 11 Cases, the Debtors' ability to obtain debtor-in-possession financing, objections to any such debtor-in-possession financing facility or other pleadings that could protract the Chapter 11 Cases, employee attrition and the Registrant's ability to retain senior management and other key personnel, the Registrant's ability to comply with the continued listing criteria of NASDAQ and risks arising from the potential delisting of the Registrant's common stock from NASDAQ, the duration and severity of the COVID-19 pandemic, actions that may be taken by governmental authorities to contain the COVID-19 outbreak or treat its impact, the potential negative impacts of COVID-19 on the economy in the United States and the impact of COVID-19 on our financial condition and business operations, and other specific risk factors disclosed in our prior SEC filings. We believe that all forward-looking statements are based on reasonable assumptions when made; however, we caution that it is impossible to predict actual results or outcomes or the effects of risks, uncertainties or other factors on anticipated results or outcomes and that, accordingly, one should not place undue reliance on these statements. Forward-looking statements speak only as of the date when made, and we undertake no obligation to update these statements in light of subsequent events or developments. Actual results may differ materially from anticipated results or outcomes discussed in any forward-looking statement.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

10.1	Retention Award Agreement, dated September 8, 2020 by and between TSI LLC and Patrick Walsh.
10.2	Retention Award Agreement, dated September 8, 2020 by and between TSI LLC and Phillip Juhan.
10.3	Letter Agreement, dated September 10, 2020 by and between the Registrant and Steinberg P.C.
10.4	Amended Engagement Letter Agreement, dated May 1, 2017 by and between the Registrant and Steinberg P.C. (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed April 28, 2017).

SIGNATURE

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

TOWN SPORTS INTERNATIONAL HOLDINGS, INC.
(Registrant)

Date: September 14, 2020

By: /s/ Patrick Walsh
Patrick Walsh
Chairman and Chief Executive Officer

RETENTION AWARD AGREEMENT

THIS RETENTION AWARD AGREEMENT (this "Agreement") is entered into and effective as of September 8, 2020 (the "Effective Date"), by and between Town Sports International, LLC, a New York limited liability company (the "Company"), and Patrick Walsh, an employee of the Company ("Employee").

RECITALS

A. The Company has determined that (i) Employee's performance of his duties has been and continues to be exceptional and highly valuable to the Company and (ii) Employee's continuation of his duties is critically important to the Company's ability to manage successfully its business and all activities and endeavors necessary therefor and ancillary thereto, particularly in light of the challenging business environment facing the Company.

B. The Company has obtained a binding commitment to receive debtor-in-possession financing in order to effectuate the restructuring of its debts and operations.

C. The Company desires to recognize Employee's past services and to assure itself of Employee's continued services for an extended period of time by paying Employee a cash award in the amount of $1,500,000 (the "Award") that is subject to repayment by Employee if Employee's employment with the Company is terminated under certain circumstances prior to the expiration of the Retention Period (as defined herein), as provided for in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the Company and Employee agree as follows:

1. **Definitions**. For purposes of this Agreement:

(a) "Affiliate" shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(b) "Cause" shall mean:

(i) Employee's willful failure to perform Employee's duties (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) Employee's continuous willful failure to comply with any valid and legal directive of the individual to whom Employee reports or the Board of Directors of the Company (the "Board") or a committee of the Board;

(iii) Employee's willful engagement in dishonesty, illegal conduct, or gross misconduct that is, in each case, materially injurious to the Company or its affiliates;

(iv) Employee's embezzlement, misappropriation, or fraud, whether or not related to Employee's employment with the Company;

(v) Employee's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude, if such felony or other crime (A) is work-related, (B) materially impairs Employee's ability to perform services for the Company or (C) in the reasonable judgment of the Company, has resulted or will result in material reputational or financial harm to the Company or its affiliates; or

(vi) Employee's material breach of any obligation under this Agreement or the Existing Agreement, if such breach causes material reputational or financial harm to the Company.

For purposes of this Agreement, no act or failure to act on the part of Employee shall be considered "willful" unless it is done, or omitted to be done, by Employee in bad faith or without reasonable belief that Employee's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Employee in good faith and in the best interests of the Company.

Furthermore, a termination of Employee's employment shall not be deemed for Cause unless and until the Company delivers to Employee a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Board (after reasonable written notice is provided to Employee and Employee is given an opportunity, together with counsel, to be heard before the Board), finding that Employee has engaged in the conduct described in any of clauses (i)-(vi) above. Except for an action or breach described in clause (iv) or (v) above, or any other failure, breach, or refusal that, by its nature, cannot reasonably be expected to be cured, Employee shall have ten (10) business days from the delivery of written notice by the Company within which to cure any acts or omissions constituting Cause, and if the Company were to determine the attempted cure is not sufficient, Employee shall have the opportunity to appeal this determination to a neutral mediator, selected and approved by the Company and Employee. However, if the Company reasonably expects irreparable injury or material reputational or financial harm from a delay of ten (10) business days, the Company may give Employee notice of such shorter period within which to cure as is deemed reasonable by the Board under the circumstances, which may include the termination of Employee's employment without notice and with immediate effect. However, if the Company terminates Employee's employment without notice and with immediate effect and there is a discrepancy of opinion between the Company and Employee as to whether the termination of Employee's employment may be deemed for Cause, Employee shall have the opportunity to appeal this determination to a neutral mediator, selected and approved by the Company and Employee, whose resolution shall be binding and conclusive between the Company and Employee.

The Company may place Employee on paid leave for up to thirty (30) days while it is determining whether there is a basis to terminate Employee's employment for Cause. The placement of Employee on paid leave for up to thirty (30) days in such circumstances shall not constitute Good Reason.

For the avoidance of doubt, nothing herein shall modify any definition of "Cause" included in the Existing Agreement, which definition therein shall continue to govern the terms of the Existing Agreement.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Disability" shall mean Employee is entitled to receive long-term disability benefits under the Company's long-term disability plan, or if there is no such plan, Employee's inability, due to physical or mental incapacity, to substantially perform Employee's duties and responsibilities for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days; *provided however,* in the event that the Company temporarily replaces Employee, or transfers Employee's duties or responsibilities to another individual on account of Employee's inability to perform such duties due to a mental or physical incapacity that is, or is reasonably expected to become, a Disability, then Employee's employment shall not be deemed terminated by the Company, and Employee shall not be able to resign for Good Reason as a result thereof. Any question as to the existence of Employee's Disability as to which Employee and the Company cannot agree shall be determined in writing by a qualified independent physician mutually reasonably acceptable to Employee and the Company. If Employee and the Company cannot agree as to a qualified independent physician within fifteen (15) days, each shall appoint such a physician and those two physicians, within fifteen (15) days, shall select a third, who, within thirty (30) days, shall make such determination in writing. The determination of Disability made in writing to the Company and Employee shall be final and conclusive for all purposes of this Agreement.

(e) "Existing Agreement" shall mean that certain Offer Letter, dated September 20, 2016, by and between the Company and the Employee.

(f) "Good Reason" shall mean the occurrence of any of the following during the Retention Period, in each case without Employee's written consent:

(i) a reduction in Employee's base salary;

(ii) a relocation of Employee's principal place of employment by more than 50 miles;

(iii) any material breach by the Company of any material provision of this Agreement or any material provision of any other agreement between Employee and the Company;

(iv) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law; or

(v) a material, adverse change in Employee's title, authority, duties, or responsibilities (other than temporarily while Employee is physically or mentally incapacitated) as of the date of this Agreement.

For purposes of this Agreement, Employee's termination of his employment shall not be deemed for Good Reason unless Employee has provided written notice to the Company (a "Notice") of the existence of the circumstances providing grounds for termination for Good Reason within ninety (90) days of the later of (i) the initial existence of such circumstances and (ii) Employee's actual knowledge of the existence of such circumstances, and the Company has had at least thirty (30) days from the date on which such notice is provided to cure such circumstances. If Employee does not (i) provide a Notice of the existence of the circumstances providing grounds for termination for Good Reason within ninety (90) days of the later of (A) the initial existence of such circumstances or (B) Employee's actual knowledge of the existence of such circumstances, or (ii) terminate employment for Good Reason within sixty (60) days following Employee's delivery of a Notice to the Company (where the Company has not cured the circumstances providing such grounds for termination for Good Reason within thirty (30) days of the date of Employee's delivery of such Notice), then Employee will be deemed to have waived Employee's right to terminate for Good Reason with respect to such grounds.

For the avoidance of doubt, nothing herein shall modify any definition of "Good Reason" included in the Existing Agreement, which definition therein shall continue to govern the terms of the Existing Agreement.

(g) "Retention Period" shall commence on the Effective Date and terminate on the date that is six (6) months after the Effective Date.

(h) "Termination Date" shall mean the date on which Employee's employment by the Company is terminated.

2. **Duties**. Except as specifically provided in Section 3(b) below, in order to retain the Award, Employee agrees that, during the Retention Period, Employee shall perform fully the terms of this Agreement and Employee's duties for the Company.

3. **Award; Termination of Employment; Repayment**.

(a) Award. On the Effective Date, the Company shall pay Employee, in cash in a single lump sum, an amount equal to the Award, less all applicable withholdings and deductions required by law.

(b) Repayment of Award upon Termination. In the event that Employee's employment is terminated prior to the end of the Retention Period due to (x) a termination by the Company for Cause or (y) any termination by Employee other than for Good Reason, Employee must repay to the Company within sixty (60) days of the Termination Date the entire, gross amount of the Award. In the event that Employee's employment by the Company is terminated prior to the end of the Retention Period due to (i) Employee's death, (ii) Employee's Disability, (iii) a termination by the Company without Cause, or (iv) a termination by Employee for Good Reason, Employee shall not be obligated to repay to the Company any amount of the Award. For the avoidance of doubt, Employee's retirement from the Company without Good Reason shall constitute a termination by Employee other than for Good Reason for purposes of this Agreement and require the repayment of the Award pursuant to this Section 3(b). Except as may be limited by Section 409A of the Code, the parties acknowledge and agree that the Company may, subject to a judicial determination as to Employee's obligation to repay the Award, offset any amounts owed to the Company by Employee pursuant to Employee's repayment obligations under this Section 3(b) against any amounts owed to Employee by the Company as of or following the Termination Date.

(c) Repayment of Award for Other Reason. In the event that the Company either files a petition for protection under chapter 7 of the United States Code, 11 U.S.C. § 101-1532 (the "Bankruptcy Code"), or the Company's petition under chapter 11 of the Bankruptcy Code is converted to a proceeding under chapter 7 of the Bankruptcy Code (except in the event that such conversion occurs after court approval and closing on a sale of all or substantially all of the Company's assets as a going concern), within the Retention Period, Employee must repay to the Company within sixty (60) days of the Termination Date the entire, gross amount of the Award.

4. **Legal Fees and Expenses**. If either party commences any proceeding, action, or litigation against the other party concerning the terms of this Agreement or the rights and duties of the parties hereto or for the breach of this Agreement by the other party of any of the terms hereof, the prevailing party shall be entitled to recover all costs and expenses incurred by the other party in connection with responding to and prosecuting or defending such action and the enforcement and collection of any judgment rendered therein, including without limitation all out-of-pocket expenses, court costs, administrative fees, attorneys' fees, consultant fees, expert witness fees, personnel expenses, duplicating expenses, and other related expenses that are associated with enforcement of the other party's legal rights under this Agreement (including all such costs, fees, and expenses incurred in all appeals) and a right to such costs and expenses shall be deemed to have accrued upon the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

5. **Covenants.**

(a) Non-Compete; Non-Solicitation. Employee is a party to the Existing Agreement. Employee continues to be bound by the Existing Agreement and the covenants therein, including but not limited to paragraph 9 thereof (regarding Non-Compete and Non-Solicitation).

(b) Non-Disparagement. While Employee is employed by the Company and at all times following the termination of Employee's employment for any reason, Employee shall not, directly or indirectly, for Employee or on behalf of, or in conjunction with, any other person, persons, company, partnership, corporation, business entity, or otherwise, make any statements that are inflammatory, detrimental, slanderous, or negative in any way to the interests of the Company or any affiliate. Nothing in this paragraph infringes on Employee's right to participation or cooperation in any charge or investigation by the Federal Equal Employment Opportunity Commission or any comparable state agency, or any other self-regulatory organization or any other state or federal regulatory authority or making other disclosures that are produced under the whistleblower provisions of federal or state law or regulation.

The Company agrees that it will not engage in any conduct that is injurious to the Executive's reputation or interest, or any conduct that would reasonably be expected to lead to unwanted or unfavorable publicity to Executive, including but not limited to publicly disparaging (or inducing or encouraging others to publicly disparage) Executive. For the preceding sentence only, the Company shall mean executive officers or directors of the Company.

(c) Confidentiality. Employee continues to be bound by the Existing Agreement and the covenants therein, including the terms regarding Non-Use and Non-Disclosure in section 8.03 of the Existing Agreement.

6. **Successors.**

(a) Assignment by Employee. This Agreement is personal to Employee and, without the prior written consent of the Company, shall not be assignable by Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Employee's legal representatives.

(b) Assignment by the Company. This Agreement shall inure to the benefit of and be binding upon the Company and its successors. The Company shall require any successor to all or substantially all of the business or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

7. **Miscellaneous.**

(a) Applicable Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware, applied without reference to its principles of conflict of laws.

(b) Jurisdiction and Venue. Each party irrevocably submits to the exclusive jurisdiction of the Federal District Court for the District of Delaware, for the purposes of any suit, action, or other proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the suit, action, or other proceeding shall be heard and determined in any such court. Each party agrees to commence any such suit, action, or other proceeding in the Federal District Court for the District of Delaware. Each party waives any defense of improper venue or inconvenient forum to the maintenance of any suit, action, or other proceeding so brought. Each party waives its right to a jury trial with respect to any action, or claim arising out of any dispute in connection with this Agreement, any rights or obligations hereunder, or the performance of such rights and obligations.

(c) Amendments. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) Entire Agreement. This Agreement shall constitute the entire agreement between the parties hereto with respect to the Award and shall supersede all prior or existing agreements between the parties hereto with respect to the Award. There are no promises, representations, inducements, or statements between the parties with respect to the Award other than those that are expressly contained herein. Notwithstanding any rule of law to the contrary, this Agreement may not be modified, changed, amended or waived in any way (either in whole or in part) orally, by conduct, by informal writings or by any combination thereof. In the event that any provision of this Agreement is invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not be affected. Employee is entering into this Agreement of his own free will and accord and has read this Agreement and understands it and its legal consequences. Nothing in this Retention Award Agreement shall affect the Existing Agreement between the Company and Employee, which Existing Agreement shall continue in full force and effect.

(e) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Employee:	To the most recent address on file at the Company
If to the Company:	Town Sports International, LLC 399 Executive Boulevard Elmsford, New York 10523 Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(f) Counterparts. This Agreement may be executed in separate counterparts, including by facsimile and electronic delivery, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(g) Section 409A Compliance. The parties intend that all amounts payable under this Agreement comply with Section 409A of the Code or an exemption therefrom, including regulations and guidance thereunder, so as not to subject Employee to the payment of any additional taxes, penalties, or interest imposed under Section 409A with respect to amounts paid under this Agreement or any other agreement or arrangement between the parties. The parties agree to amend this Agreement to the extent necessary to bring this Agreement into compliance with Code Section 409A (or to meet an exemption therefrom) as it may be interpreted by any regulations, guidance, or amendments to Section 409A issued or adopted after the date of this Agreement. Nothing in this Agreement shall be interpreted to permit (i) accelerated payment of nonqualified deferred compensation, as defined in Section 409A, (ii) any other payment in violation of the requirements of Section 409A, or (iii) Employee to designate the taxable year of any payment. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from Employee or any other individual to the Company or any Affiliate, employee, or agent. All taxes imposed on or associated with payments made to Employee pursuant to this Agreement, including any liability imposed under Section 409A (but excluding the employer portion of any payroll taxes), shall be borne solely by Employee.

(h) Confidentiality. Notwithstanding any disclosure by the Company of the fact or content of this Agreement, whether in whole or in part, Employee hereby covenants and agrees that Employee shall keep confidential this Agreement and the terms hereof, including the eligibility for the Award and the amount thereof, except as required by applicable law. Further, Employee may disclose to his attorney, his spouse, and his tax and financial advisors the fact or content of this Agreement, provided the Employee obtains the recipient's agreement to keep this Agreement and its contents confidential.

IN WITNESS WHEREOF, Employee and the Company have each executed or caused the execution of this Agreement, as applicable, as of the Effective Date.

COMPANY:

By: /s/ Justin Lundberg
Name: Justin Lundberg
Title: Member, Board of Directors

EMPLOYEE:

By: /s/ Patrick Walsh
Name: Patrick Walsh

RETENTION AWARD AGREEMENT

THIS RETENTION AWARD AGREEMENT (this "Agreement") is entered into and effective as of September 8, 2020 (the "Effective Date"), by and between Town Sports International, LLC, a New York limited liability company (the "Company"), and Phillip Juhan, an employee of the Company ("Employee").

RECITALS

A. The Company has determined that (i) Employee's performance of his duties has been and continues to be exceptional and highly valuable to the Company and (ii) Employee's continuation of his duties is critically important to the Company's ability to manage successfully its business and all activities and endeavors necessary therefor and ancillary thereto, particularly in light of the challenging business environment facing the Company.

B. The Company has obtained a binding commitment to receive debtor-in-possession financing in order to effectuate the restructuring of its debts and operations.

C. The Company desires to recognize Employee's past services and to assure itself of Employee's continued services for an extended period of time by paying Employee a cash award in the amount of $750,000 (the "Award") that is subject to repayment by Employee if Employee's employment with the Company is terminated under certain circumstances prior to the expiration of the Retention Period (as defined herein), as provided for in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the Company and Employee agree as follows:

1. **Definitions**. For purposes of this Agreement:

(a) "Affiliate" shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(b) "Cause" shall mean:

(i) Employee's willful failure to perform Employee's duties (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) Employee's continuous willful failure to comply with any valid and legal directive of the individual to whom Employee reports or the Board of Directors of the Company (the "Board") or a committee of the Board;

(iii) Employee's willful engagement in dishonesty, illegal conduct, or gross misconduct that is, in each case, materially injurious to the Company or its affiliates;

(iv) Employee's embezzlement, misappropriation, or fraud, whether or not related to Employee's employment with the Company;

(v) Employee's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude, if such felony or other crime (A) is work-related, (B) materially impairs Employee's ability to perform services for the Company or (C) in the reasonable judgment of the Company, has resulted or will result in material reputational or financial harm to the Company or its affiliates; or

(vi) Employee's material breach of any obligation under this Agreement if such breach causes material reputational or financial harm to the Company.

For purposes of this Agreement, no act or failure to act on the part of Employee shall be considered "willful" unless it is done, or omitted to be done, by Employee in bad faith or without reasonable belief that Employee's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Employee in good faith and in the best interests of the Company.

Furthermore, a termination of Employee's employment shall not be deemed for Cause unless and until the Company delivers to Employee a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Board (after reasonable written notice is provided to Employee and Employee is given an opportunity, together with counsel, to be heard before the Board), finding that Employee has engaged in the conduct described in any of clauses (i)-(vi) above. Except for an action or breach described in clause (iv) or (v) above, or any other failure, breach, or refusal that, by its nature, cannot reasonably be expected to be cured, Employee shall have ten (10) business days from the delivery of written notice by the Company within which to cure any acts or omissions constituting Cause, and if the Company were to determine the attempted cure is not sufficient, Employee shall have the opportunity to appeal this determination to a neutral mediator, selected and approved by the Company and Employee. However, if the Company reasonably expects irreparable injury or material reputational or financial harm from a delay of ten (10) business days, the Company may give Employee notice of such shorter period within which to cure as is deemed reasonable by the Board under the circumstances, which may include the termination of Employee's employment without notice and with immediate effect. However, if the Company terminates Employee's employment without notice and with immediate effect and there is a discrepancy of opinion between the Company and Employee as to whether the termination of Employee's employment may be deemed for Cause, Employee shall have the opportunity to appeal this determination to a neutral mediator, selected and approved by the Company and Employee, whose resolution shall be binding and conclusive between the Company and Employee.

The Company may place Employee on paid leave for up to thirty (30) days while it is determining whether there is a basis to terminate Employee's employment for Cause. The placement of Employee on paid leave for up to thirty (30) days in such circumstances shall not constitute Good Reason.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Disability" shall mean Employee is entitled to receive long-term disability benefits under the Company's long-term disability plan, or if there is no such plan, Employee's inability, due to physical or mental incapacity, to substantially perform Employee's duties and responsibilities for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days; *provided however,* in the event that the Company temporarily replaces Employee, or transfers Employee's duties or responsibilities to another individual on account of Employee's inability to perform such duties due to a mental or physical incapacity that is, or is reasonably expected to become, a Disability, then Employee's employment shall not be deemed terminated by the Company, and Employee shall not be able to resign for Good Reason as a result thereof. Any question as to the existence of Employee's Disability as to which Employee and the Company cannot agree shall be determined in writing by a qualified independent physician mutually reasonably acceptable to Employee and the Company. If Employee and the Company cannot agree as to a qualified independent physician within fifteen (15) days, each shall appoint such a physician and those two physicians, within fifteen (15) days, shall select a third, who, within thirty (30) days, shall make such determination in writing. The determination of Disability made in writing to the Company and Employee shall be final and conclusive for all purposes of this Agreement.

(f) "Good Reason" shall mean the occurrence of any of the following during the Retention Period, in each case without Employee's written consent:

(i) a reduction in Employee's base salary;

(ii) a relocation of Employee's principal place of employment by more than 50 miles;

(iii) any material breach by the Company of any material provision of this Agreement or any material provision of any other agreement between Employee and the Company;

(iv) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law; or

(v) a material, adverse change in Employee's title, authority, duties, or responsibilities (other than temporarily while Employee is physically or mentally incapacitated) as of the date of this Agreement.

For purposes of this Agreement, Employee's termination of his employment shall not be deemed for Good Reason unless Employee has provided written notice to the Company (a "Notice") of the existence of the circumstances providing grounds for termination for Good Reason within ninety (90) days of the later of (i) the initial existence of such circumstances and (ii) Employee's actual knowledge of the existence of such circumstances, and the Company has had at least thirty (30) days from the date on which such notice is provided to cure such circumstances. If Employee does not (i) provide a Notice of the existence of the circumstances providing grounds for termination for Good Reason within ninety (90) days of the later of (A) the initial existence of such circumstances or (B) Employee's actual knowledge of the existence of such circumstances, or (ii) terminate employment for Good Reason within sixty (60) days following Employee's delivery of a Notice to the Company (where the Company has not cured the circumstances providing such grounds for termination for Good Reason within thirty (30) days of the date of Employee's delivery of such Notice), then Employee will be deemed to have waived Employee's right to terminate for Good Reason with respect to such grounds.

(g) "Retention Period" shall commence on the Effective Date and terminate on the date that is six (6) months after the Effective Date.

(h) "Termination Date" shall mean the date on which Employee's employment by the Company is terminated.

2. **Duties**. Except as specifically provided in Section 3(b) below, in order to retain the Award, Employee agrees that, during the Retention Period, Employee shall perform fully the terms of this Agreement and Employee's duties for the Company.

3. **Award; Termination of Employment; Repayment**.

(a) Award. On the Effective Date, the Company shall pay Employee, in cash in a single lump sum, an amount equal to the Award, less all applicable withholdings and deductions required by law.

(b) Repayment of Award upon Termination. In the event that Employee's employment is terminated prior to the end of the Retention Period due to (x) a termination by the Company for Cause or (y) any termination by Employee other than for Good Reason, Employee must repay to the Company within sixty (60) days of the Termination Date the entire, gross amount of the Award. In the event that Employee's employment by the Company is terminated prior to the end of the Retention Period due to (i) Employee's death, (ii) Employee's Disability, (iii) a termination by the Company without Cause, or (iv) a termination by Employee for Good Reason, Employee shall not be obligated to repay to the Company any amount of the Award. For the avoidance of doubt, Employee's retirement from the Company without Good Reason shall constitute a termination by Employee other than for Good Reason for purposes of this Agreement and require the repayment of the Award pursuant to this Section 3(b). Except as may be limited by Section 409A of the Code, the parties acknowledge and agree that the Company may, subject to a judicial determination as to Employee's obligation to repay the Award, offset any amounts owed to the Company by Employee pursuant to Employee's repayment obligations under this Section 3(b) against any amounts owed to Employee by the Company as of or following the Termination Date.

(c) Repayment of Award for Other Reason. In the event that the Company either files a petition for protection under chapter 7 of the United States Code, 11 U.S.C. § 101-1532 (the "Bankruptcy Code"), or the Company's petition under chapter 11 of the Bankruptcy Code is converted to a proceeding under chapter 7 of the Bankruptcy Code (except in the event that such conversion occurs after court approval and closing on a sale of all or substantially all of the Company's assets as a going concern), within the Retention Period, Employee must repay to the Company within sixty (60) days of the Termination Date the entire, gross amount of the Award.

4. **Legal Fees and Expenses**. If either party commences any proceeding, action, or litigation against the other party concerning the terms of this Agreement or the rights and duties of the parties hereto or for the breach of this Agreement by the other party of any of the terms hereof, the prevailing party shall be entitled to recover all costs and expenses incurred by the other party in connection with responding to and prosecuting or defending such action and the enforcement and collection of any judgment rendered therein, including without limitation all out-of-pocket expenses, court costs, administrative fees, attorneys' fees, consultant fees, expert witness fees, personnel expenses, duplicating expenses, and other related expenses that are associated with enforcement of the other party's legal rights under this Agreement (including all such costs, fees, and expenses incurred in all appeals) and a right to such costs and expenses shall be deemed to have accrued upon the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

5. **Covenants.**

(a) Non-Disparagement. While Employee is employed by the Company and at all times following the termination of Employee's employment for any reason, Employee shall not, directly or indirectly, for Employee or on behalf of, or in conjunction with, any other person, persons, company, partnership, corporation, business entity, or otherwise, make any statements that are inflammatory, detrimental, slanderous, or negative in any way to the interests of the Company or any affiliate. Nothing in this paragraph infringes on Employee's right to participation or cooperation in any charge or investigation by the Federal Equal Employment Opportunity Commission or any comparable state agency, or any other self-regulatory organization or any other state or federal regulatory authority or making other disclosures that are produced under the whistleblower provisions of federal or state law or regulation.

The Company agrees that it will not engage in any conduct that is injurious to the Executive's reputation or interest, or any conduct that would reasonably be expected to lead to unwanted or unfavorable publicity to Executive, including but not limited to publicly disparaging (or inducing or encouraging others to publicly disparage) Executive. For the preceding sentence only, the Company shall mean executive officers or directors of the Company.

6. **Successors.**

(a) Assignment by Employee. This Agreement is personal to Employee and, without the prior written consent of the Company, shall not be assignable by Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Employee's legal representatives.

(b) Assignment by the Company. This Agreement shall inure to the benefit of and be binding upon the Company and its successors. The Company shall require any successor to all or substantially all of the business or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

7. **Miscellaneous.**

(a) Applicable Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware, applied without reference to its principles of conflict of laws.

(b) Jurisdiction and Venue. Each party irrevocably submits to the exclusive jurisdiction of the Federal District Court for the District of Delaware, for the purposes of any suit, action, or other proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the suit, action, or other proceeding shall be heard and determined in any such court. Each party agrees to commence any such suit, action, or other proceeding in the Federal District Court for the District of Delaware. Each party waives any defense of improper venue or inconvenient forum to the maintenance of any suit, action, or other proceeding so brought. Each party waives its right to a jury trial with respect to any action, or claim arising out of any dispute in connection with this Agreement, any rights or obligations hereunder, or the performance of such rights and obligations.

(c) Amendments. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) Entire Agreement. This Agreement shall constitute the entire agreement between the parties hereto with respect to the Award and shall supersede all prior or existing agreements between the parties hereto with respect to the Award. There are no promises, representations, inducements, or statements between the parties with respect to the Award other than those that are expressly contained herein. Notwithstanding any rule of law to the contrary, this Agreement may not be modified, changed, amended or waived in any way (either in whole or in part) orally, by conduct, by informal writings or by any combination thereof. In the event that any provision of this Agreement is invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not be affected. Employee is entering into this Agreement of his own free will and accord and has read this Agreement and understands it and its legal consequences.

(e) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Employee:	To the most recent address on file at the Company
If to the Company:	Town Sports International, LLC 399 Executive Boulevard Elmsford, New York 10523 Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(f) Counterparts. This Agreement may be executed in separate counterparts, including by facsimile and electronic delivery, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(g) Section 409A Compliance. The parties intend that all amounts payable under this Agreement comply with Section 409A of the Code or an exemption therefrom, including regulations and guidance thereunder, so as not to subject Employee to the payment of any additional taxes, penalties, or interest imposed under Section 409A with respect to amounts paid under this Agreement or any other agreement or arrangement between the parties. The parties agree to amend this Agreement to the extent necessary to bring this Agreement into compliance with Code Section 409A (or to meet an exemption therefrom) as it may be interpreted by any regulations, guidance, or amendments to Section 409A issued or adopted after the date of this Agreement. Nothing in this Agreement shall be interpreted to permit (i) accelerated payment of nonqualified deferred compensation, as defined in Section 409A, (ii) any other payment in violation of the requirements of Section 409A, or (iii) Employee to designate the taxable year of any payment. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from Employee or any other individual to the Company or any Affiliate, employee, or agent. All taxes imposed on or associated with payments made to Employee pursuant to this Agreement, including any liability imposed under Section 409A (but excluding the employer portion of any payroll taxes), shall be borne solely by Employee.

(h) Confidentiality. Notwithstanding any disclosure by the Company of the fact or content of this Agreement, whether in whole or in part, Employee hereby covenants and agrees that Employee shall keep confidential this Agreement and the terms hereof, including the eligibility for the Award and the amount thereof, except as required by applicable law. Further, Employee may disclose to his attorney, his spouse, and his tax and financial advisors the fact or content of this Agreement, provided the Employee obtains the recipient's agreement to keep this Agreement and its contents confidential.

IN WITNESS WHEREOF, Employee and the Company have each executed or caused the execution of this Agreement, as applicable, as of the Effective Date.

COMPANY:

By: /s/ Justin Lundberg
Name: Justin Lundberg
Title: Member, Board of Directors

EMPLOYEE:

By: /s/ Phillip Juhan
Name: Phillip Juhan

STUART M. STEINBERG P.C.
ATTORNEYS AND COUNSELORS AT LAW

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LAURIE SAYEVICH HORZ
SHARON D. SIMON

OF COUNSEL:
DOMENICK P. LEONARDI
ROBERT M. MORGILLO

September 10, 2020

Via email
Patrick Walsh
Town Sports International Holdings, Inc.
1001 U.S. North Highway 1-Suite 201
Jupiter, FL 33477

Re: Stuart M. Steinberg, P.C.

Dear Patrick:

This letter will confirm that the Amended Engagement Letter Agreement dated May **1,** 2017 between, Stuart M. Steinberg, P.C. and Town Sports International Holdings, Inc. ("TSI"), is amended as follows:

The Agreement with respect to paragraph 1, 2, 3 and 5 are deemed deleted and amended as follows:

1. Paragraph 1 and 2: The firm shall, for a period of sixty (60) days, provide transition services to any firm and/or firms engaged by TSI to perform the Duties previously provided. Such transition services shall not require the actual provision of the Duties described, shall be no more than five (5) hours per week and shall be purely advisory;

2. Paragraph 3: TSI will pay upon execution of this Agreement, the amount of $200,000 by wire transfer from TSI account in accordance with instructions attached;

3. All fees previously paid to the firm pursuant to the Amended Engagement Letter Agreement are deemed earned and/or an advance for the Duties described in paragraph 1 above.

4. All other terms of the Amended Engagement Letter Agreement to the extent not inconsistent with the above, are hereby incorporated in their entirety.

Yours truly,

Stuart M. Steinberg, P.C.

By: /s/ Stuart M. Steinberg
Stuart M. Steinberg

AGREED AND ACCEPTED TO:

Town Sports International Holdings, Inc.

By: /s/ Patrick Walsh
Patrick Walsh – Chief Executive Officer

AMENDED ENGAGEMENT LETTER AGREEMENT

This Engagement Letter Agreement (the "Agreement") is made as of May 1, 2017, by and among Town Sports International, Inc., a corporation with its corporate headquarters located at 5 Penn Plaza, New York, New York 10001 ("TSI" or the "Company"), and Stuart M Steinberg P.C., a professional corporation, with its offices located at 2 Rodeo Drive, Edgewood, New York 11717 (the "Firm").

WHEREAS, TSI and the Firm entered into that certain Engagement Letter Agreement dated February 4, 2016 which Engagement Letter Agreement was revised on August 1, 2016 ("Initial Engagement Letter"); and

WHEREAS, the Parties desire to amend terms of the Initial Engagement Letter to retain the Firm, subject to the terms and conditions of this Amended Engagement Letter Agreement to provide certain legal services to the Company, and the Firm's desire to provide such legal services to the Company;

WHEREAS, TSI simultaneously entering into an Offer Letter with Stuart M. Steinberg, to serve as TSI's General Counsel in his individual capacity.

NOW, THEREFORE, in consideration of the mutual promises, agreements and covenants contained herein, the parties agree as follows:

1. **Term.** The Firm's retention by TSI commenced February 4, 2016. This Amendment will be effective May 1, 2017 and continue month to month, unless earlier terminated as provided in Section 4 (the "Term"); provided that the Term shall renew automatically for successive monthly periods unless either party gives the other party written notice of its intention not to renew Agreement no later than 30 days prior to the expiration of the then current Term.

2. **Duties.** The Firm will provide general legal services requested by the Company, including, for example, legal research, factual investigation, the review and preparation of real estate documents, the review and negotiation of contracts, the review and handling of employment matters, litigation management and such other legal services requested by TSI to support the Company's General Counsel Office.

3. **Monthly Retainer; Billings; Office Space; Expenses.**

(a) Monthly Retainer.

(i) Monthly Retainer Hours. In consideration of the Firm providing legal services to TSI, the Company shall pay the Firm a Monthly Retainer of $21,250 in advance. The Monthly Retainer amount does not include legal services for special matters, which are described below.

(ii) Fees for Special Matters. The Monthly Retainer does not include fees for litigation in which the Firm directly represents TSI, transactional work or Special Matters outside of the ordinary course of business of TSI. Fees to be paid for exceptional matters shall be agreed to in advance by the Firm and the Company. TSI shall be under no obligation to engage the Firm, and the Firm shall be under no obligation to accept any engagement with respect to, any Special Matter.

(iii) Expenses. In the course of rendering services to the Company, it may be necessary for the Firm to incur expenses for items such as filing and recording fees, deposition transcripts, computerized legal research, third party contractors, notary service, overnight or special delivery service, postage, travel, lodging and meals. Expense items incurred on the Company's behalf will be itemized separately and billed monthly.

(iv) Payment of Monthly Retainer and Expenses. The Company shall remit payment to the Firm for the Monthly Retainer in advance and for, any Special Matter hours and any expense reimbursement, within fifteen (15) days of the approval by the Company of a Monthly Billing Statement.

4. **Services to be Provided as Independent Contractor**. The Firm, in the performance of this Agreement, shall be acting as an independent contractor, and shall have exclusive control of the manner and means of performing the legal services to be performed under this Agreement and the employees providing such services. The Firm acknowledges and agrees that TSI will be under no obligation to act as an employer or co-employer with respect to the Firm or any employee of the Firm. The Firm will be solely responsible for the salaries, bonuses and benefits of all Firm personnel who provide services to TSI. Except as set forth in Steinberg's Offer letter, Employees of the Firm will not be eligible to participate in any employee benefit, bonus, incentive, severance or compensation plans or programs of the Company. The Firm agrees to defend and indemnify Company for: (1) any violations of law by the Firm; (2) any breaches of the Agreement by the Firm; and (3) losses incurred by the Company due to the negligence of the Firm in fulfilling its responsibilities.

5. **Termination of Agreement**. Notwithstanding anything else herein to the contrary, the Agreement may be terminated at any time by either party upon providing thirty (30) days written notice to the other party. If this Agreement is terminated for any reason, the Firm shall have no right to receive any further compensation, whether under this Agreement or otherwise, on and after the effective date of such termination other than: (i) any then earned, but unpaid Monthly Retainer or Special Matters fees, if any, and (ii) reimbursement, in accordance with the terms of this Agreement, for expenses properly incurred prior to the effective date of termination.

6. **Conflicts of Interest.** Based on this retention, it is essential that the Firm does not represent any clients or participate in any activities that conflict with its representation of the Company. Accordingly, neither the Firm nor any employee of the Firm may represent, maintain any ownership or other financial or equity interest, directly or indirectly, in any business that is a competitor of the Company. If the Company determines, in its sole judgment, that a conflict of interest exists, or could exist, the Firm agrees it will not represent or provide services to the other client.

7. **Confidential Information and Privileged Information; Trade Secrets; Preservation of Company Property; Proprietary Information; Developments**.

(i) Confidential Information. The Firm acknowledges and agrees that all information concerning the Company's operations to which it has access as a result of this Agreement is confidential to and constitutes privileged and trade secrets of the Company, and the Firm will not directly or indirectly disclose such information to any third person or entity except for such disclosures as the Firm may be authorized to make as part of the performance of its legal services for the Company. Information concerning the Company's operations as used herein includes, but shall not be limited to, any information not publicly disclosed by the Company in the usual course of business and specifically includes identities of the Company's customers, suppliers and subcontractors, information concerning historical or forecast costs or sales. Information includes materials written or recorded by any means and also includes non-recorded facts.

(ii) Preservation of Company Property. All files, records, documents, drawings, supplies, equipment and similar items relating to the business of the Company, whether prepared by the Firm or otherwise coming into the Firm's possession as a result of this Agreement shall be deemed Company property and returned to TSI upon the termination of this Agreement.

(iii) Proprietary Information. The Firm agrees that all information and know-how, whether or not in writing, of a private, secret or confidential nature concerning TSI's business or financial affairs or business methods received by them from TSI or of which they became aware during the term of this Agreement shall be deemed "Proprietary Information", and shall be the exclusive property of TSI. Except as may be required by law, a court of competent jurisdiction, the Firm shall not disclose any Proprietary Information to others outside TSI (except as part of the performance of its proper duties on behalf of TSI), or use the Proprietary Information for any unauthorized purposes, either during or after this Agreement terminates. The Firm agrees that all Proprietary Information, whether created by the Firm pursuant to this Agreement or otherwise, which shall come into their custody, shall be and is the exclusive property of TSI to be used by the Firm only in the performance of their duties for TSI. The Firm agrees to deliver promptly to TSI on termination of this Agreement, all Proprietary Information which the Firm may then possess or have under their control.

(iv) Firm Materials. Notwithstanding anything to the contrary contained herein, the Firm shall be entitled to retain: (i) papers and other materials of a personal nature, including photographs, personal correspondence, personal diaries and rolodexes and personal files and phone books; (ii) information showing their compensation or relating to reimbursement of expenses; (iii) information that they reasonably believes may be needed for tax purposes; or (iv) copies of plans, programs and agreements relating to this Agreement, or termination thereof, with TSI.

(v) Survival. The obligations of this Paragraph 7 shall survive the termination of this Agreement.

8. **Rights and Remedies upon Breach**. The Firm acknowledges and agrees that a breach of any provision of Paragraph 7 would result in irreparable injury and damage to the Company for which money damages do not provide an adequate remedy. Therefore, if the Firm breaches or threatens to commit a breach of any Covenant contained therein, notwithstanding the provisions of Paragraph 9(vi) below, at the Company's option, the Company may ask a court of competent jurisdiction to grant an injunction, including pending the outcome of arbitration, and also to decide so much of the merits of any dispute as is necessary for that court to grant an injunction. In case a court of competent jurisdiction found such injunctive relief was appropriate, the Firm agrees that the Company need not post a bond.

9. **Miscellaneous Provisions.**

(i) Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

(ii) Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, sent by reputable overnight courier, or mailed (certified or registered mail, return receipt requested):

If to Town Sports International to:
399 Executive Boulevard
Elmsford, New York 10523
Attention: Chief Financial Officer
Chief Executive Officer

If to the Firm to:
Stuart M. Steinberg P.C.
2 Rodeo Drive
Edgewood, New York 11717
Attention: Stuart M. Steinberg, Esq.

All such notices, requests, demands, waivers and communications shall be deemed to have been given and received on the date on which so hand-delivered or delivered by overnight courier (unless not received during a business day in which event receipt shall be deemed to occur on the next occurring business day) or, if mailed, on the business day actually delivered, except for a notice of change of address which shall be effective only upon receipt; provided, however, that if any notice is refused, then the date such notice shall be deemed to have been given and received shall be on the date of refusal thereof.

(iii) Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements, written or oral, with respect thereto.

(iv) Waivers and Amendments. This Agreement may be amended, superseded or canceled, and the terms hereof may be waived, only by a written instrument signed by the parties. No delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of either party of any such right, power or privilege nor any single or partial exercise as any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

(v) Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York, including the New York Rules of Professional Conduct.

(vi) Arbitration of Disputes. It is agreed that any and all disputes, claims or controversies arising out of or relating to this Agreement, including any dispute regarding performance of legal services hereunder, legal fees, the Monthly Retainer and the quality or appropriateness of the Firm's legal services, shall be resolved exclusively by arbitration in New York County, New York, under the Commercial Arbitration Rules of the American Arbitration Association. In rendering the award, the arbitrator shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of New York.

(vii) Assignment. This Agreement may not be assigned by the Firm. Any purported assignment by the Firm in violation hereof shall be null and void. In the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, consolidation or otherwise, TSI may assign this Agreement and their rights hereunder to the party acquiring such assets or business.

(viii) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representatives.

(ix) Counterparts. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be an original but both such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

(x) Approval. The Effectiveness of this Amended Engagement Letter is subject to the approval by the Audit Committee of the Board of Directors of the Company.

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

TOWN SPORTS INTERNATIONAL, INC.

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

Stuart M. Steinberg P.C.

By: /s/ Stuart M. Steinberg
Stuart M. Steinberg
President