

**IN THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA**  
**Civil Division**

**DISTRICT OF COLUMBIA,**  
a municipal corporation  
441 4th Street, N.W.  
Washington, D.C. 20001,

Plaintiff,

v.

**TOWN SPORTS INTERNATIONAL, LLC,**  
d/b/a WASHINGTON SPORTS CLUBS  
399 Executive Boulevard  
Elmsford, NY 10523,

**Serve On:**  
**CT Corporation System**  
**Registered Agent**  
1015 15<sup>th</sup> Street, N.W., Suite 1000  
Washington, D.C. 20005

Defendant.

Case No.:

**JURY TRIAL DEMANDED**

**COMPLAINT FOR VIOLATIONS OF THE CONSUMER PROTECTION**  
**PROCEDURES ACT**

Plaintiff District of Columbia (“District”), by the Office of the Attorney General, brings this action against Defendant Town Sports International, LLC (“TSI”), doing business as Washington Sports Clubs, for violations of the District’s Consumer Protection Procedures Act (“CPPA”), D.C. Code §§ 28-3901, *et seq.* In support of its claims, the District states as follows:

1. TSI is a subsidiary of Town Sports International Holdings, Inc., and is one of the largest owners and operators of fitness clubs in the Northeast United States. TSI owns and operates fitness clubs in nine states. It operates in the Washington, D.C. metropolitan area as Washington Sports Clubs, and has six locations within D.C. Services offered by TSI vary by club. Some clubs include pools, saunas, and children’s programs in addition to personal training,

free weights, and cardio and strength training machines. TSI offers both month-to-month and annual memberships.

2. In November 2016, following an investigation in which the District found that TSI was engaged in deceptive cancellation practices, TSI entered into an Assurance of Voluntary Compliance (“AVC”) with the District. *See* Exhibit A (Assurance of Voluntary Compliance). As part of the AVC, TSI agreed that it would not “engage in any unlawful practice prohibited by the Consumer Protection Procedures Act (CPPA),” that it would not “make any oral or written statements that have the capacity, tendency, or effect of deceiving or misleading consumers concerning their ability to cancel their fitness center memberships,” and that it would “clearly and conspicuously inform consumers of its cancellation policies, both at the time consumers enter into or renew any membership agreement(s), or at the time they seek to cancel their memberships, if such cancellation request is made in any manner inconsistent with TSI’s operative cancellation policies.” AVC at Paragraphs 13-14.

3. Nevertheless, since entering into the AVC, TSI has continued to engage in cancellation practices in violation of both the AVC as well as the CPPA. In particular, TSI makes misrepresentations about its cancellation policies and fees to lure consumers to purchase memberships. For example, consumers are told that they may cancel at any time for free, when, in fact, TSI requires approximately six weeks’ notice and charges cancellation fees. TSI also maintains policies that make it extremely difficult for consumers to cancel their memberships and TSI fails to inform consumers of these policies. As a result, consumers believe that they have taken the appropriate steps to cancel their memberships, but TSI continues to charge consumers for months (and sometimes years). In some cases, consumers have continued being charged even after receiving emails confirming their cancellation or being verbally assured by TSI

representatives that their memberships had been effectively cancelled. Adding to this confusion, TSI does not provide written membership contracts to consumers that include its cancellation policies, even after consumers request copies.

4. The District institutes this proceeding as a result of TSI's ongoing violations of its AVC with the District and to stop TSI from engaging in the unlawful trade practices described in more detail below, including, but not limited to, its practices of (1) making oral or written statements that have the capacity, tendency, or effect of deceiving or misleading consumers about the cancellation of their memberships; (2) making untrue or misleading representations regarding its cancellation policies; and (3) failing to provide consumers with written copies of their contracts. The District seeks injunctive relief to prevent TSI from engaging in these and similar unlawful trade practices, civil penalties to deter TSI from engaging in these and similar unlawful trade practices, costs and attorney's fees, and restitution for consumers.

#### **Jurisdiction**

5. This Court has jurisdiction over the subject matter of this case pursuant to D.C. Code §§ 11-921 and 28-3909.

6. This Court has personal jurisdiction over Defendant TSI pursuant to D.C. Code § 13-423(a).

7. The Attorney General for the District of Columbia brings this action pursuant to the authority granted by D.C. Code § 28-3909.

#### **The Parties**

8. Plaintiff District of Columbia, a municipal corporation empowered to sue and be sued, is the local government for the territory constituting the permanent seat of the government of the United States. The District is represented by and through its chief legal officer, the

Attorney General for the District of Columbia. The Attorney General has general charge and conduct of all legal business of the District and all suits initiated by and against the District and is responsible for upholding the public interest. D.C. Code § 1-301.81(a)(1). The Attorney General is specifically authorized to enforce the District's consumer protection laws, including the CPPA, pursuant to D.C. Code § 28-3909.

9. Defendant TSI is a New York corporation with its headquarters and principal place of business at 1001 US North Highway 1, Suite 201, Jupiter, Florida 33477. TSI owns and operates fitness centers in the United States under various trade names, including six clubs in Washington, D.C. ("D.C.") under the name Washington Sports Clubs. TSI engages, and has engaged, in the offer and sale of goods or services to consumers in D.C. for their personal, household or family purposes, by offering and selling fitness memberships and services.

#### **TSI's Fitness Centers**

10. TSI is one of the largest fitness center operators in the country. It has six locations in Washington, D.C. where it offers fitness and personal training memberships among other services.

11. To use TSI's facilities, consumers must sign up for a membership online or in person at a facility. Consumers have the option to sign up for a membership at a single club, known as a "Neighborhood" membership, or they may elect to have a "Regional Passport" membership, granting access to all clubs within the region. Either membership can be month-to-month or require an annual commitment. The annual membership includes an annual fee but offers a discounted monthly rate. All memberships require consumers to pay their membership dues monthly via recurring payment to a consumer's bank or credit card.

### **TSI's Misrepresentations to Induce Consumers to Purchase Memberships**

12. When consumers sign up for memberships, many consumers are concerned about how easily they can cancel or change their memberships and what terms they must satisfy to do so. In order to reassure consumers that they are able to cancel easily and to induce them to purchase a membership, TSI representatives frequently make false representations to consumers about TSI's membership policies and fees.

13. For example, TSI representatives tell consumers that they can cancel for free and at any time permitted they have a valid reason. In practice, however, TSI requires forty-five (45) days' notice when consumers elect to cancel and charges consumers cancellation fees ranging from \$10 to \$99.95.

14. TSI also fails to disclose all applicable fees for signing up for its services. For example, TSI typically advertises promotional fees in emails and other advertisements. These promotions offer enrollment fees for as low as \$1. When consumers sign up for a membership, however, they are charged undisclosed additional fees. When consumers request refunds, those requests are denied.

15. When selling consumers annual memberships, TSI tells consumers that they have no obligation to renew after the year is up, stating or implying that the membership will end after one year. TSI representatives fail to disclose, however, that annual memberships automatically convert to month-to-month memberships at the end of the first year. When consumers realize that their memberships continue after one year, TSI informs them that they must still provide forty-five (45) days' notice, pay a new annual fee, pay monthly fees during the forty-five (45) day period, and pay a cancellation fee.

16. Finally, TSI offers trial memberships for consumers to test facilities and determine whether they want to join. TSI representatives tells consumers who sign up for trials that no action is required if they do not wish to continue with the membership after the trial period. In fact, TSI requires that consumers affirmatively cancel or they are charged for the membership.

17. When consumers lodge complaints or request refunds based on the misrepresentations described above, TSI directs consumers to language in TSI's membership contracts. However, TSI fails to (i) permit consumers to read contracts when signing up, (ii) provide copies of the contract to consumers when signing up, and (iii) provide executed copies of contracts when later requested by consumers.

18. TSI uses an electronic signing pad when signing up consumers for memberships at its facilities. TSI representatives verbally communicate the terms of membership to consumers. As described above, however, TSI representatives make false and misleading statements about consumers' membership terms that contradict the terms in TSI's membership contracts. TSI does not allow consumers to view the terms of membership when signing up. Instead, consumers are asked to sign an electronic pad without having the opportunity to read or review the terms of their membership agreements. When consumers later request copies of their executed membership agreements, they either do not receive them or are provided an unsigned copy of TSI's general agreement.

19. In some instances, TSI does not require consumers to sign contracts to initiate memberships. When consumers attempt to cancel their memberships, TSI tries to enforce the cancellation provisions in its standard contracts that consumers never signed.

### **TSI's Misleading Representations Regarding Cancellation**

20. TSI also makes it extremely difficult for consumers to cancel their memberships and often continues to charge consumers after consumers have notified TSI of their intent to cancel.

21. As with the other terms of its membership contracts, TSI fails to disclose or adequately disclose to consumers its requirements for cancellation. In addition, TSI representatives fail to disclose to consumers that are attempting to cancel in person the necessary steps consumers must take to cancel their membership. As a result, consumers that attempt to cancel their memberships often think they have done so, only to later discover that they are still being charged by TSI.

22. In some instances, TSI continues to charge consumers after it has confirmed the consumers' memberships were cancelled. In several instances, consumers were informed by management or received email confirmation of cancellation, yet TSI continued to charge them.

### **TSI'S Conduct Violates the Assurance of Voluntary Compliance**

23. TSI entered into an AVC with the District in November 2016. As part of the AVC, TSI agreed that it would not "make any oral or written statements that have the capacity, tendency, or effect of deceiving or misleading consumers concerning their ability to cancel their fitness center memberships" and would "clearly and conspicuously inform consumers of its cancellation policies, both at the time consumers enter into or renew any membership agreement(s), or at the time they seek to cancel their memberships, if such cancellation request is made in any manner inconsistent with TSI's operative cancellation policies." AVC at Paragraphs 13-14.

24. Furthermore, the AVC stated that any violations of the agreement would be considered an unlawful trade practice that violates the CPPA. AVC at Paragraph 29.

25. Since entering into the AVC with TSI, the District is aware of at least forty (40) complaints that describe conduct that violates the AVC. As described above in paragraphs 12-22, TSI has, in direct violation of the AVC: (i) continued to mislead consumers about the cancellation process; (ii) made oral statements that misled consumers concerning their ability to cancel their memberships; (iii) failed to clearly and conspicuously inform consumers of its cancellation policies both when entering into membership agreements and at the time members sought to cancel memberships in a manner inconsistent with TSI's operative cancellation policies; and (iv) failed to provide copies of contracts to consumers or to allow them to read them when signing.

**TSI's Conduct Violates the Consumer Protection Procedures Act**

26. TSI's representations to consumers that they could cancel for free at any time, when, in fact, TSI required forty-five (45) days' notice for a cancellation request to be effective and charged cancellation fees, are misrepresentations of material facts that tend to mislead consumers.

27. TSI's failure to inform or adequately inform consumers of all applicable sign up and initiation fees are material facts, the omission of which tends to mislead consumers.

28. TSI's failure to inform or adequately inform consumers that annual memberships automatically convert to month-to-month memberships are material facts, the omission of which tend to mislead consumers.

29. TSI's representations that consumers do not need to take any action to cancel trial memberships, when, in fact, TSI will continue to charge consumers that do not affirmatively cancel trial memberships, are misrepresentations of material fact that tend to mislead consumers.

30. TSI's failure to inform or adequately inform consumers about TSI's cancellation processes and requirements are material facts, the omission of which tend to mislead consumers.

31. TSI's failure to inform consumers that their cancellation attempts were insufficient are material facts, the omission of which tends to mislead consumers.

32. TSI's failure to explain its cancellation processes and requirements, and its representations that consumers may cancel at any time for free, are ambiguities as to material facts that tend to mislead consumers.

33. TSI's failure to provide consumers copies of membership agreements is a violation of the CPPA.

34. TSI's deceptive and misleading statements to consumers concerning their ability to cancel their memberships constitute violations of Paragraphs 13-16 of the AVC.

35. TSI's failure to "clearly and conspicuously inform consumers of its cancellation policies, both at the time consumers enter into or renew any membership agreement(s), [and] at the time they seek to cancel their memberships" constitute violations of Paragraph 14 of the AVC.

**Count I: Violations of the Consumer Protection Procedures Act**

36. The allegations of paragraphs 1 through 35 are re-alleged as if fully set forth herein.

37. The CPPA is a remedial statute that is to be broadly construed. It establishes an enforceable right to truthful information from merchants about consumer goods and services that are or would be purchased, leased or received in D.C.

38. The fitness memberships and services that TSI sells to consumers are purchased for personal, household or family purposes and, therefore, are consumer goods and services.

39. TSI, in the ordinary course of business, offers to sell or supply consumer goods and services and is therefore a merchant.

40. The CPPA prohibits unlawful trade practices in connection with the offer, sale and supply of consumer goods and services.

41. Under the CPPA, it is an unlawful trade practice for any person to:

(e) misrepresent as to a material fact which has a tendency to mislead;

\* \* \*

(f) fail to state a material fact if such failure tends to mislead;

\* \* \*

(f-1) use innuendo or ambiguity as to a material fact, which has a tendency to mislead; [and]

\* \* \*

(q) fail to supply to a consumer a copy of a sales or service contract, lease, promissory note, trust agreement, or other evidence of indebtedness which the consumer may execute.

42. TSI's representations that consumers could cancel at any time for free, that annual memberships expired at the conclusion of one year, and that trial memberships expired without any action by consumers, are misrepresentations concerning material facts that have a tendency

to mislead consumers and are unlawful trade practices that violate the CPPA, D.C. Code § 28-3904(e).

43. TSI's failure to disclose to consumers all applicable initiation fees, that annual memberships automatically convert to month-to-month memberships, that consumers must affirmatively cancel trial memberships, all applicable cancellation fees, the processes and requirements for cancellation, and that consumers' cancellation attempts were insufficient, are material facts, the omission of which tended to mislead consumers and constitute unlawful trade practices that violate the CPPA, D.C. Code § 28-3904(f).

44. TSI's failure to explain its cancellation processes and requirements, and its representations that consumers may cancel at any time for free, constitute ambiguities as to material facts that have the tendency to mislead consumers and are unlawful trade practices that violate the CPPA, D.C. Code § 28-3904(f-1).

45. TSI's failure to supply consumers with a copy of a sales or service contract which the consumer may execute is an unlawful trade practice that violates the CPPA, D.C. Code § 28-3904(q).

46. TSI's conduct in violation of the AVC constitutes a violation of the CPPA pursuant to Paragraph 29 of the AVC.

### **Prayer for Relief**

WHEREFORE, the District of Columbia respectfully requests this Court enter a judgment in its favor and grant relief against Defendant TSI as follows:

(a) Preliminarily or permanently enjoin Defendant, pursuant to D.C. Code § 28-3909(a), from violating the CPPA;

(b) Order Defendant to pay restitution pursuant to D.C. Code § 28-3909(a) for amounts collected from District of Columbia consumers in violation of the CPPA;

(c) Order the payment of civil penalties as permitted by statute pursuant to D.C. Code § 28-3909(b), for the Defendant's violations of the CPPA;

(d) Award the District the costs of this action and reasonable attorney's fees pursuant to D.C. Code § 28-3909(b); and

(e) Grant such further relief as the Court deems just and proper.

**Jury Demand**

The District of Columbia demands a trial by jury by the maximum number of jurors permitted by law.

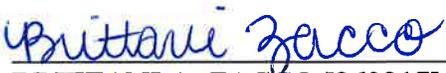
Respectfully submitted,

Dated: January 8, 2019

KARL A. RACINE  
Attorney General for the District of Columbia

ROBYN BENDER  
Deputy Attorney General  
Public Advocacy Division

  
BENJAMIN WISEMAN [1005442]  
Director, Office of Consumer Protection  
Public Advocacy Division

  
BRITTANI A. ZACCO [263217]  
NAOMI CLAXTON\*  
Assistant Attorneys General  
Office of the Attorney General  
441 Fourth Street, N.W., Suite 600 South  
Washington, D.C. 20001  
(202) 724-6622

(202) 445-9894  
(202) 730-1893  
[brittani.zacco@dc.gov](mailto:brittani.zacco@dc.gov)  
[naomi.claxton@dc.gov](mailto:naomi.claxton@dc.gov)

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\*Licensed in Arizona and Maryland. Practicing in the District of Columbia under supervision of Benjamin Wiseman, Director, Office of Consumer Protection, Public Advocacy Division.

# EXHIBIT A

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OFFICE OF CONSUMER PROTECTION OF  
THE OFFICE OF THE ATTORNEY  
GENERAL FOR THE DISTRICT OF  
COLUMBIA  
441 4th Street, NW  
Washington, DC 20001,

Proponent,

v.

TOWN SPORTS, INTERNATIONAL, LLC  
d/b/a WASHINGTON SPORTS CLUBS  
5 Penn Plaza, 4th Floor  
New York, NY 10001,

Respondent.

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### **ASSURANCE OF VOLUNTARY COMPLIANCE**

This Assurance of Voluntary Compliance (“Assurance”) is being entered into between the Office of Consumer Protection of the Office of the Attorney General for the District of Columbia (the “Office of Consumer Protection”) and Town Sports International, LLC, doing business as Washington Sports Clubs (hereinafter referred to as “TSI”). The Office of Consumer Protection and TSI agree as follows:

#### **THE PARTIES**

1. The Office of Consumer Protection is authorized to bring legal actions seeking injunctive relief, consumer restitution, civil penalties, costs, and attorneys’ fees for violations of the District of Columbia consumer protection laws, including the Consumer Protection Procedures Act (CPPA), D.C. Code §§ 28-3901, *et seq.*

2. TSI owns and operates fitness centers on the eastern coast of the United States under various trade names, including eight clubs in the District of Columbia under the name Washington Sports Club.

### **THE OFFICE OF CONSUMER PROTECTION'S ALLEGATIONS**

3. In order to become members at one of TSI's Washington Sports Clubs, TSI requires consumers to enter into membership agreements that generally contain one year terms. Although TSI's membership agreements state that consumers must terminate their memberships in writing with thirty days' notice, TSI's employees have told consumers at the time they enter into their memberships and/or during the term of their memberships that they can cancel their memberships at any time by simply informing the desk manager at their clubs. The net impression these representations have had on consumers is that they have the flexibility to end their memberships at any time and that TSI's cancellation practices are informal.

4. At various times pertinent hereto, TSI has accepted consumers' oral and written requests to cancel their memberships, but continued to bill and collect amounts from consumers for their memberships, notwithstanding the consumers' prior cancellation.

5. The Office of Consumer Protection alleges that TSI's representations that consumers could cancel their memberships and practice of accepting such cancellation requests while continuing to bill consumers for their fitness center memberships, are unlawful practices that are prohibited by the CPPA.

6. The Office of Consumer Protection alleges that TSI's representations that consumers owed payments for their cancelled gym memberships violated the District's Debt Collection Law, D.C. Code § 28-3814.

## **TSI'S DENIAL**

7. TSI denies it has committed any unlawful practices or violated any laws, including the CPPA and Debt Collection Law.

## **INJUNCTIVE TERMS**

8. For purposes of resolving disputes concerning the above allegations, TSI agrees to do as is set forth below.

9. The provisions of this Assurance shall apply to TSI and its officers, employees, agents, successors, assignees, affiliates, merged or acquired entities, parent or controlling entities, wholly owned subsidiaries, and all other persons acting in concert with TSI.

10. The provisions of this Assurance shall apply to TSI's conduct in connection with its offer and sale of consumer goods and services in the District of Columbia.

11. TSI shall not engage in any unlawful practice prohibited by the Consumer Protection Procedures Act (CPPA), D.C. Code §§ 28-3901, *et seq.*

12. TSI shall not collect any debts in violation of the Debt Collection Law, D.C. Code § 28-3814.

13. TSI shall not make any oral or written statements that have the capacity, tendency, or effect of deceiving or misleading consumers concerning their ability to cancel their fitness center memberships.

14. TSI shall clearly and conspicuously inform consumers of its cancellation policies, both at the time consumers enter into or renew any membership agreement(s), or at the time they seek to cancel their memberships, if such cancellation request is made in any manner inconsistent with TSI's operative cancellation policies. For purposes of this paragraph, a clear and conspicuous disclosure when referring to a written disclosure shall mean that such statement

or disclosure be in a type, size and location sufficiently noticeable for a consumer to read and comprehend it, and in a print that contrasts with the background against which it appears. A statement may not contradict or be inconsistent with any other information with which it is presented. If a statement modifies, explains, or clarifies other information with which it is presented, it must be presented in proximity to the information it modifies, in a manner that is likely to be noticed, readable, and understandable, and it must not be obscured in any manner. An oral disclosure shall be delivered in a volume and cadence sufficient for a consumer to hear and comprehend it and shall not be inconsistent with any previously made statements.

15. TSI shall not make any misleading or contradictory representations to consumers concerning its cancellation policies.

16. TSI shall not represent that consumers owe it any monies for any fitness club memberships that have been previously cancelled consistent with TSI's cancellation policies.

17. TSI shall not collect or attempt to collect any amounts from consumers that are not legally chargeable or otherwise owed by consumers.

## **PAYMENT TERMS**

### Restitution Payments

18. TSI shall pay restitution to the District equal to the amounts that TSI has collected from consumers residing in the District who were charged amounts for fitness center memberships after they cancelled the memberships. For purposes of calculating restitution owed, a consumer's membership was canceled effective the date the consumer complied with either oral cancellation instructions of a TSI employee or agent or with any applicable written cancellation policy, whichever date is earlier.

19. After a review of its business records, TSI represents and affirms that it is unable to identify the entire class of consumers for whom restitution can be calculated based on the company's available business records. The Office of Consumer Protection agrees to enter into this Assurance based on its acceptance of TSI's representation that, from its available business records, it cannot reasonably identify all of the consumers who were charged amounts after they cancelled their memberships, either consistent with a then-TSI policy or with instructions provided by a TSI employee or agent. If the Office of Consumer Protection receives information that establishes this representation as untrue, the Office of Consumer Protection may set aside this Assurance. In light of this representation, TSI shall pay restitution based on consumer complaints, as described in paragraphs 20 through 24 below.

20. The Office of Consumer Protection shall provide TSI information concerning any consumers it has identified as having complaints regarding TSI's collection of any amounts from those consumers for fitness club memberships after the consumers cancelled their memberships. Within thirty (30) days of receiving the consumer complaint information provided by the Office of Consumer Protection, and based on this information, as well a reasonable review of its own business records to identify any other consumers owed restitution under this Assurance, TSI shall provide the Office of Consumer Protection a list of consumers it is aware of as having complaints regarding TSI's collection of any amounts from those consumers for fitness club memberships after the consumers cancelled their memberships (the "Consumer Complaint List"). TSI shall produce the Consumer Complaint List in both electronic and paper form. For each consumer whose name is contained on the Consumer Complaint List, TSI shall provide the following information in the form of a spreadsheet, with each item below contained in a separate field:

- a. the consumer's name;
- b. the consumer's street address;
- c. the city, state and zip code;
- d. the date on which the consumer claims to have cancelled his or her membership;
- e. the amount the consumer paid for his or her membership following the date on which the consumer claims to have canceled his or her membership; and
- f. the amount of any membership fees already refunded to the consumer based on his or her claim that they were billed for membership fees after cancelling his or her membership.

21. For a period of three (3) years following the date of this Assurance, TSI shall maintain all of its records in its possession concerning consumers identified in the Consumer Complaint List, as well as all other billing and cancellation records it maintains concerning consumers. TSI shall provide the Office of Consumer Protection access to such documents upon request.

22. TSI shall pay restitution within thirty (30) days of providing the Consumer Complaint List to the Office of Consumer Protection by sending a refund check to each consumer listed on the Consumer Complaint List in the amount that the consumer claims he or she paid for his or her membership following the date on which the consumer claims to have canceled his or her membership, which amounts will be set forth in the Consumer Complaints List. TSI may credit against these payments any amounts it has already refunded to a consumer in connection with his or her complaint. Each refund check shall be valid for ninety (90) days.

At the same time each refund check is delivered to any consumer, TSI shall deliver a copy of the check to the Office of Consumer Protection.

23. No later than one hundred twenty (120) days following its payment of the restitution amounts pursuant to paragraph 22, TSI shall deliver to the Office of Consumer Protection:

- a. a copy of each cancelled check deposited by a consumer reflecting a payment to a consumer pursuant to paragraph 22;
- b. a list of all consumers who did not deposit a refund check sent pursuant to paragraph 22; and
- c. a check for the total amount of un-deposited refund checks sent pursuant to paragraph 22. Any part of these restitution amounts may, at the discretion of the Attorney General, be (a) held in trust for, or paid over to, consumers by the District or (b) used in accordance with District law for any other lawful purpose.

24. For a period of three (3) years from the date of this Assurance, TSI shall resolve any further complaints it receives by paying restitution to consumers who claim they were charged any amount for fitness club memberships after cancelling their memberships, either consistent with (i) a then-TSI policy or (ii) instructions provided by a TSI employee. To be eligible for restitution, consumers must have cancelled their memberships before this Assurance was signed. TSI shall resolve complaints pursuant to this paragraph either by (i) paying restitution to complaining consumers within thirty (30) days of their receipt of the consumers' complaint and documenting the payment of restitution pursuant to this paragraph by providing

the District a copy of any cancelled check evidencing such payment or (ii) challenging any such complaints consistent with the procedures set out in this Assurance at paragraphs 25-32 below.

Claims Procedure

25. If TSI contends that any consumer claim submitted pursuant to paragraphs 18 through 24 of this Assurance is not eligible for a restitution payment, TSI shall, within thirty (30) days of receiving the claim, provide the Office of Consumer Protection with a written explanation of the basis for TSI's denial of the claim. Within fifteen (15) days of the Office of Consumer Protection notifying TSI that it agrees with TSI's reasons for declining payment to any consumer, TSI shall send a letter to the consumer notifying the consumer of the denial of the claim.

26. If the Office of Consumer Protection disagrees with TSI's reasons for declining to pay restitution to any consumer, TSI must resolve the disputed claim using the following claim resolution procedure:

- a. Within thirty (30) days of the first instance of the Office of Consumer Protection notifying TSI of a dispute over a claim pursuant to this Assurance, TSI shall hire a neutral third party (the "Claims Administrator") to resolve disputed consumer claims under this Assurance. TSI shall hire and pay for the Claims Administrator, but the selection of the Claims Administrator shall be subject to approval by the Office of Consumer Protection. To be eligible for appointment, the Claims Administrator must agree to remain available to resolve disputed claims for the entire period of time remaining under paragraph 24 of this Assurance.

- b. Within ten (10) days of the Claims Administrator being appointed, or, once appointed, within ten (10) days of being notified by the Office of Consumer Protection that it disagrees with TSI's decision to deny paying restitution for a claim, TSI shall (i) mail consumers the Claim Form attached hereto as Exhibit A and (ii) provide the Claims Administrator a copy of the following: (A) the consumer's complaint, (B) all documents provided by the consumer concerning the complaint, (C) all other documents or information relied upon by TSI in declining to pay restitution to the consumer, and (D) any other relevant information to the claim in the possession of TSI.
- c. The Claims Administrator shall request from TSI and the consumer any additional information the Claims Administrator deems necessary to make a full and fair decision regarding any consumer claim challenged by TSI.
- d. The Claims Administrator may resolve a claim solely based on the information provided pursuant subparagraphs (b) and (c).
- e. The Claims Administrator may conduct hearings on challenged claims by telephone when requested by either party or when the Claims Administrator deems it necessary. The consumer shall be informed in writing of the option for a telephone hearing. No state or federal rule of evidence shall apply to the Claims Administrator's review, including any telephonic hearing conducted pursuant to this paragraph. However, no *ex parte* communications with the Claims Administrator shall occur in connection with any challenged claim other than for purposes of the Claim Administrator requesting and receiving information from TSI or a consumer.

- f. The Claims Administrator shall issue a written decision regarding the review of any challenged claim within a reasonable period of time, but in no event later than sixty (60) days following receipt of the challenged claim or any supporting documentation without good cause. The Claims Administrator's decision shall be binding only as to the District and TSI.
- g. The Claims Administrator shall deliver the decision to TSI, the Office of Consumer Protection and the consumer. In the event a decision issued by the Claims Administrator requires TSI to provide restitution to a consumer, TSI shall pay that amount to the consumer within thirty (30) days of receiving the decision.
- h. At the request of TSI or the Office of Consumer Protection, the Claims Administrator or his or her designee shall meet and confer with TSI and the Office of Consumer Protection for any purpose relating to the administration of the claims review process, including, but not limited to, monitoring and auditing the claims review process.

Payments to the District

27. Within thirty (30) days of the date of this Assurance, TSI shall pay to the District the sum of Five Thousand (\$5,000.00) for costs the District has incurred investigating this matter or that may be incurred by the Agency in administering the terms of this Assurance.

28. Within thirty (30) days of the date of this Assurance, TSI shall pay to the District the sum of Fifteen Thousand (\$15,000.00) as a civil penalty.

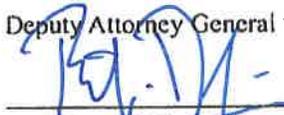
29. TSI understands that this Assurance is enforceable by the Office of Consumer Protection and agrees that any violations of this Assurance shall be considered an unlawful

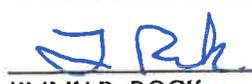
practice that violates the Consumer Protection Procedures Act subjecting TSI to all available legal and equitable remedies.

**FOR THE OFFICE OF THE ATTORNEY GENERAL  
FOR THE DISTRICT OF COLUMBIA:**

KARL A. RACINE  
Attorney General for the District of Columbia

NATALIE LUDAWAY  
Deputy Attorney General for the District of Columbia

  
\_\_\_\_\_  
PHILIP ZIPERMAN  
Director, Office of Consumer Protection

  
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JIMMY R. ROCK  
Deputy Director, Office of Consumer Protection  
441 4th Street, N.W., Suite 630 South  
Washington, D.C. 20001  
(202) 741-0770  
Jimmy.rock@dc.gov

Dated: 11-21-2016

**FOR TOWN SPORTS INTERNATIONAL, INC.:**

  
\_\_\_\_\_  
Carolyn Spatolera  
Chief Financial Officer  
Town Sports International, Inc.

Dated: 11-1-2016

**EXHIBIT A – CLAIMS FORM**

[Date]

Re: Town Sports International, LLC (operating the Washington Sports Clubs)  
[Consumer Name]

Dear [Consumer]:

Pursuant to a settlement that Town Sports International, LLC (TSI) recently reached with the Office of the Attorney General for the District of Columbia concerning cancellation and billing issues at the Washington Sports Clubs, we have reviewed your complaint that you were billed monthly membership charges after canceling your membership. TSI is denying your complaint because [state reason].

You have the right to have your complaint reconsidered by [Insert Name of Claims Administrator], who is a neutral third-party serving as the Claims Administrator in connection with the settlement. If you wish to have your complaint reconsidered, please return the Claim Form attached to this letter to:

[Name of Claims Administrator]  
[Address of Claims Administrator]  
[Fax # of Claims Administrator]

TSI will provide the Claims Administrator with your complaint and all supporting documents it has or that you provided to TSI. You may provide additional information on the space provided in the attached Claim Form. Under the settlement, the Claims Administrator may contact you for more information. Otherwise, the Claims Administrator will notify you of the decision on your complaint within approximately sixty (60) days.

If you have any questions about this process, you may contact the Office of the Attorney General for the District of Columbia at (202) 442-9828.

[Signature block]

**Return to:**

[Name of Claims Administrator]  
[Address of Claims Administrator]  
[Fax # of Claims Administrator]

**WASHINGTON SPORTS CLUB CLAIM FORM**

Consumer's Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Do you want to have your complaint against Town Sports International, LLC (operating the Washington Sport Clubs) reviewed by [Name of Claims Administrator], a neutral third-party claims administrator?

Yes \_\_\_\_\_ No \_\_\_\_\_

If you want to provide more information concerning your complaint to [Name of Claims Administrator], please use the space provided below.

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**PLEASE CALL THE OFFICE OF THE ATTORNEY GENERAL FOR THE DISTRICT OF COLUMBIA AT (202) 442-9828 IF YOU HAVE ANY QUESTIONS CONCERNING YOUR CLAIM.**