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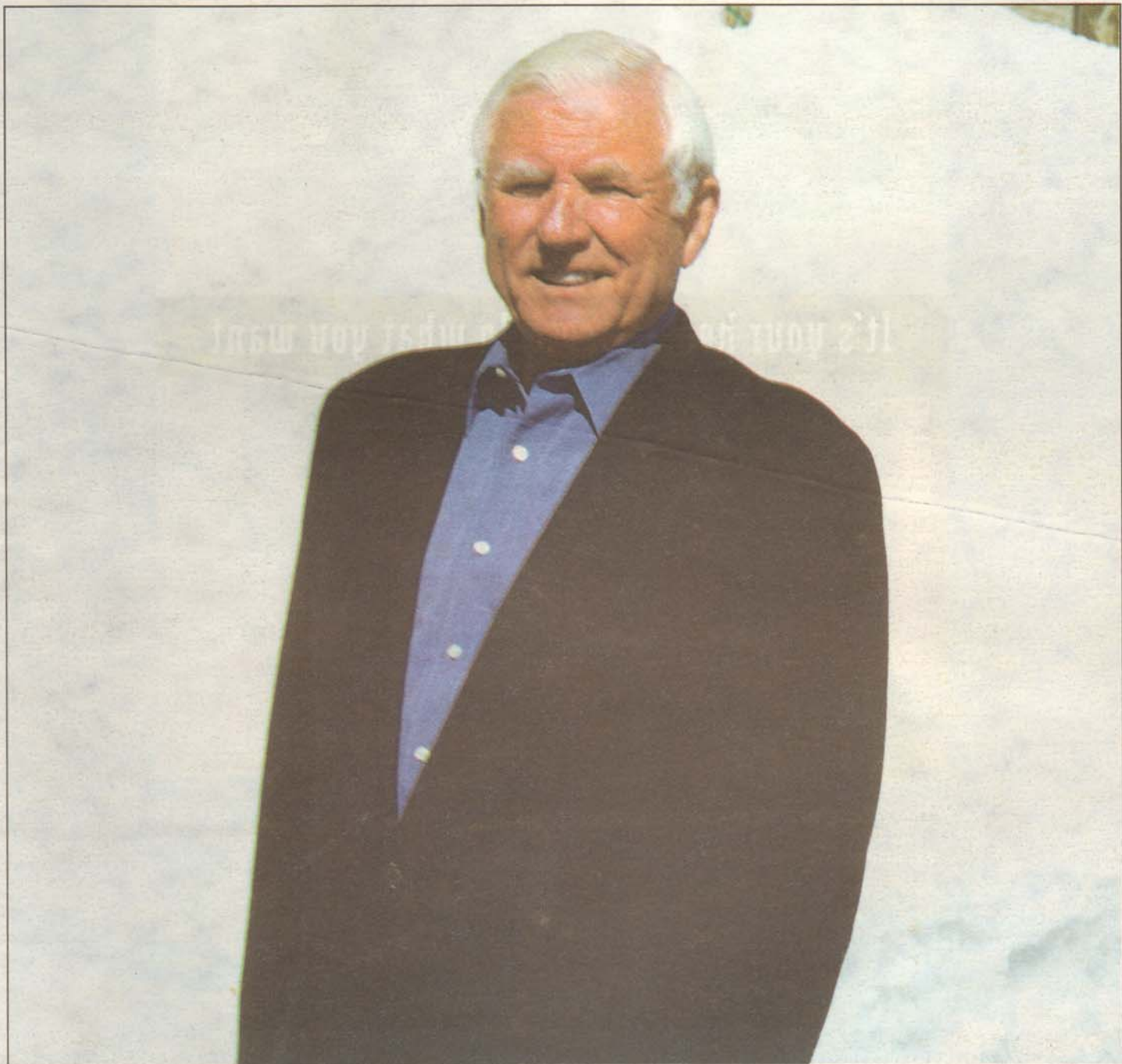
THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business

MARCH 2000

VOLUME VII NUMBER 3



**Cecil Spearman Honored By IHRSA Friends
With Distinguished Service Award**

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NEWS

The Pulse of the Health, Racquet & Sports Club Business

Cecil Spearman Honored By IHRSA Friends With Distinguished Service Award

By Norm Cates, Jr.

IHRSA, The International Health, Racquet and Sportsclub Association, celebrated its 19th Anniversary in San Francisco, March 22nd-25th. During that 19-year run, IHRSA has arguably helped advance the health, racquet and sportsclub industry more than any other orga-

nization in the history of the business.

When IHRSA started 19 years ago, it was not the powerhouse it is today. The Association was founded in 1981 with the merger of the National Tennis Association (NTA) and the National Court Club Association (NCCA, the racquetball club owner's association).

Over the years, IHRSA

has benefited from the service of many members who have served on the Board of Directors and countless committees. These leaders have facilitated the evolution of the Association into an organization that provides its member clubs and Associate members with a vast array of services including educational materials, conventions, trade shows, governmental relations and a variety of other services that have helped the member clubs and the industry at-large prosper.

Cecil Spearman, IHRSA's 10th President, was honored at the Association's 19th Annual Convention on March 22nd when he received IHRSA's Distinguished Service Award. The Award is given each year to an individual that has provided outstanding service to the Association.

Gale Landers of Chicago's Fitness Formula and 19th President of IHRSA commented on the selection of Cecil Spearman for IHRSA's Distinguished Service Award. Landers said, "Cecil has distinguished himself in all of his endeavors throughout his career. Whether it was in the Marines, his career with Ameri-

(See *Spearman* page 8)

Tilley Named Chief Information Officer At Spectrum Clubs

Dallas, Tx.- Spectrum Clubs, Inc. (SCI) named former Cobblestone Golf senior executive, Daniel Tilley, as Chief Information Officer and Vice President of Finance.

SCI Chief Executive Officer, Bob Steele, stated, "We are committed to making SCI the industry leader in the use of information technology to drive unprecedented levels of efficiency. Dan's extensive experience in information systems, accounting and operations make him uniquely qualified to lead this vital area as a member of our

senior management team."

Tilley was previously Vice President and Chief Information Officer for both KSL Fairways and Cobblestone Golf, which became the nation's third largest operator of country clubs. Cobblestone was an investment managed by Brentwood Associates, the Los Angeles-based investment firm that also established SCI last year in partnership with Rick Caro, co-founder of the International Health, Racquet and Sportsclub Association (IHRSA).

Tilley noted, "It is a pleasure to once again work with a Brentwood company and with

an executive like Bob Steele. The combination of Bob's leadership, Brentwood's backing and track record and Rick Caro's industry expertise will help position us as the premier company in the health and fitness industry."

Tilley is currently also filling the role of interim CFO, pending the naming of a permanent CFO later this year. Tilley is a resident of Dallas, Texas and received his Bachelor's Degree in Computer Science and Mathematics from the University of Pittsburgh at Johnstown. He is also listed as an information technology expert in Who's Who International.

In August, 1999, SCI acquired the eight Racquetball and Fitness Clubs of San Antonio and then in September acquired the ten Spectrum Clubs in Southern California from the Sports Club Company, Inc. SCI pursues the growth build-up of existing clusters of quality health clubs with strong positions in key metropolitan cities.

Spectrum Clubs will continue to acquire these platform companies and develop new clubs in those markets with the ultimate goal of be-



Dan Tilley

coming the premier fitness club operator in the United States.

Judge Rules Against Hospital Tax-Free Health Club In Ohio

Inside The Insider

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- One Company Re-defining An Industry
- Working Woman Magazine Recognizes Judi Sheppard Missett
- Mastering The Emotional Connection In The Sales Process
- YMCA Loses Another One
- FitnessMX.com To Provide Procurement Solutions

By Norm Cates, Jr.

Springfield, Ohio - In Springfield, Ohio, the Community Hospital of Springfield and Clark County had purchased 24 acres of land and started construction on a 80,000 square-foot, \$10,000,000 facility that was to be called the Healthplex. On October 6, 1999, Moore's Fitness

World Dayton, Inc., a 12-club company owned by IHRSA member, Joe Moore, filed a lawsuit against the Community Hospital of Springfield and Clark County, Ohio for unfair competition and deceptive trade practices. The hospital is a tax-exempt organization as a not-for-profit entity under Ohio law. It pays no federal, state or local income tax. It pays very little real or personal property tax for the

substantial property it owns.

So far, there have been two lawsuits filed to stop this tax-exempt hospital club. The first one was filed by a homeowner, Luigi Vizzari, whose property is in the neighborhood where the hospital bought the land and started construction. The second lawsuit is Joe Moore's. Vizzari's lawsuit was filed to stop the tax-exempt hospital club because of improper zoning. (See *Joe Moore* page 26)

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Spa At The Fountainbleau (FL).....	31% Increase	...Just to mention a few	

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• NORM'S NOTES •

•NORM'S NOTES depends upon your information coming in, so don't hesitate to mail, phone, fax or e-mail information about what is going on at your club, what you are doing or what is happening in your market that is interesting. Remember, our deadline for **NORM'S NOTES** is the 5th Day of each month. Send your info to: The **CLUB INSIDER** News, P.O. Box 681241, Marietta, Ga. 30068-0021, (o) (770) 850-8506, (f) (770) 933-9698 or e-mail: clubinsidernews@mindspring.com

•Congratulations to **AUGIE NIETO** and the entire team at **Life Fitness** as Brunswick Chairman, **PETER LARSON** has cited the terrific performance of Life Fitness as being very important to the big picture with Brunswick, the recreation conglomerate. Life Fitness has continued to generate double digit growth over the last few years and remains the Number 1 company in the world for cardiovascular and other fitness products. To keep that double digit production cranking, Life Fitness has appointed **DAVE GIBBONS** as the new Vice President of Marketing. Dave was formerly with Johnson Worldwide Associates. Good luck Mr. Gibbons in your new role with the best company in the business.

•Speaking of Life Fitness, Life Fitness has also announced that it has provided equipment to **DotComGuy**. A fellow that has locked himself into his home for one year, a vacant town home in Dallas,

Texas, vowing to live exclusively from e-commerce for one year. He will not leave his home and will order all goods and services through the Internet.

•**GALE LANDERS**, the current **IHRSA** President and co-owner of 6 Chicago area **Multi-Plex** facilities, tells me that he and his partner, **HAZEL GITLITZ**, have their 7th location ready to begin construction in April. This baby is 70,000 square-feet and will cost \$13 million. It is situated adjacent to **Chicago's Union Station** and in the very heart of downtown Chicago. The facility will be called the **Union Station Multi-Plex**. Gale has done a great job on the **IHRSA** Board for 3 years and as President of the Association for the past year. It takes great a deal of time to serve on the Board and my hat is off to all of those who have served the Association on the Board and on committees for the past 19 years.

•Congratulations and best of luck to **JUDI SHEPPARD MISSETT**, the dynamo lady who founded **Jazzercise** over nearly 30 years ago. Judi has been chosen as a finalist by **Working Woman Magazine** for the **2nd Annual Working Woman Entrepreneurial Excellence Awards**. Get this. She was not selected for just one category, but for 3! Check out the article on page #18 of this issue.

•**JOHN GIBBONS** has resigned from the **Sports Club Company** after 6 years with the upscale club company. Best of luck John wherever you go. The Sports

Club Company has opened its new mega-club in Rockefeller Center in New York City on some of the most expensive real-estate in the world. Maybe John wanted out before they had to start paying the rent there!

•**TSI's** revenues continue to soar, up 45% to \$159.8 million with adjusted EBITA for '99 up 50.4% to \$36.9 million. Nice work **MARK SMITH** and Team!

•**24 Hour Fitness** has opened a 14,000 square-foot facility in the **Las Vegas Airport**.

•**Wasserstein/Parella**, a big New York investment banking firm has issued a "Strong-Buy" recommendation on **Bally Total Fitness** stock.

•**JOE MOORE** is the owner of 12 **Moore's Fitness Centers** in Ohio and has done a terrific job of stopping the construction of a mega-hospital club that actually started construction across the street from one of his locations. Check out the story on page #3.

•**RAYMOND LONG** has been in the club business for many years in Deland, Florida. And, Raymond has a lot of experience dealing with the **YMCA of Central Florida**. In fact, to help in his fight against unfair competition, Raymond ran for office in local government. Now his presence is very apparent when tax-exempt issues are discussed and considered. Raymond may be reached at (904) 822-4764.

•**DOTTIE ISON** has owned and operated health clubs in South Florida for 25 years. Dottie informs me that she has sold her clubs

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and is now in the e-commerce business with a company called **Internet Community Concepts**. We'll have more about Dottie's ventures later.

•**WOW! Work Out World**, has signed its second license agreement with **Fitness & Nutrition, Inc.** **WILLIAM KANE** is the owner of FNI and also owns other facilities in CT. **WOW** now has 4 company owned clubs and 3 licensed locations.

•**The AMERICAN COLLEGE OF SPORTS MEDICINE** will host Summit 2000, a **Health and Fitness Summit and Exposition** in San Diego, April 5-8. The event will be loaded with learning opportunities for health and fitness professionals. Premier Sponsors of the event are: **Reebok, Life Fitness, Gatorade and StairMaster**. For more information call: (317) 637-9200 X 141.

•**MICHAEL MAHONEY** has been named National Tennis Director by **Tennis Corporation of America**. Mike is also a TCA Regional Vice President overseeing the operation of 14 TCA clubs and will continue in that role as well. Also, **RAY BALADAD, G.M. of The Bannockburn Club**, a TCA property, has announced the appointment of **AARON PANKAU** as the club Fitness Director. Congratulations to both men.

•**ACE and First Fitness, Inc.** have announced a strategic alliance to introduce the **Fitness Equipment Specialist Certificate**, a comprehensive sales and fitness

certificate training program.

•**STEVE PATERSON** is the Vice President of Sales for **WorldWide Fitness**, one of our advertisers. Steve informs me that he has established **www.UsedGymEquipment.com** to help prospective buyers reach him. That website replaces another website. **www.ihrsa.com** which Steve had been using to get leads from people who were trying to reach **IHRSA's** website: **www.ihrsa.org**. After seeing the light, Steve has stopped using the **IHRSA** website and has promised me and **IHRSA** officials that he will sign over the **IHRSA** website as soon as he receives the papers. Definitely the right thing to do! **STAY TUNED!**

•Congratulations to my fine son, **JUSTIN CATES**, who competed in his first weight lifting competition last weekend. In June, 1996, I taught Justin how to lift weights as he wanted to develop strength, size and speed for football. He weighed 92 pounds. Now, he weighs 145 pounds. All muscle. In his first power lifting competition, he finished second in the Region. He bench pressed 205#, (barely missing at 225) Squatted with 265#s and deadlifted 335 pounds to take 1st place in that lift. Justin already has a whole den wall full of trophies in soccer, baseball, football, track and weight lifting. In addition to being a terrific athlete, he is an all A and B student. (Except for his first C in years on his last report card. He promises that won't happen again!) He also has taught himself to play the guitar. Quite a guy this Justin Cates! (Just-in-case you forget his name, remember, Justin Cates)

FitForAll.com Partners with Health Club Authority IHRSA In Combined Appeal to Get More Americans "Off The Couch"

BOSTON, Mass., Mar. 9, 2000 - FitForAll.com, the premier online resource for personalized health and fitness programs, announced today a strategic partnership with the International Health, Racquet & Sports Club Association (IHRSA), the world's leading voice in the health club industry.

An innovator in online fitness, FitForAll.com also announced that it will launch its FitForAll.com Professional Site at IHRSA's 19th Annual International Convention and Trade Show in San Francisco, March 23-25. The FitForAll.com Prosite, developed in conjunction with the American Council on Exercise (ACE), is the first totally integrated online resource designed specifically for the nearly 50,000 ACE-certified fitness professionals worldwide. The new site will provide revenue opportunities and business tools for personal trainers to expand and support their client base. As part of its new partnership with IHRSA, FitForAll.com will implement a co-branded health club locator for consumers nationwide; publish feature articles authored by IHRSA; and conduct cross promotions intended to drive FitForAll.com members to

health clubs, while driving health club members to FitForAll.com's web site as an online enhancement to their established club workout programs.

FitForAll.com also joins with IHRSA and ACE, the preeminent source of education and certification for fitness professionals, in a long-term alliance to promote exercise and grow the total number of health club members to 100 million people worldwide by the year 2010.

Together, the three organizations are committed to improving the health, optimizing fitness and effecting emotional and physical change in the daily lives of people everywhere.

"Through our partnerships with ACE and IHRSA, FitForAll.com will develop tools for fitness professionals and health club managers that enable them to extend their reach from the club environment into the home or office environment," said Mary Ann

Russo, chief executive officer of FitForAll.com. "Our personalized online connection will help both or-

ganizations reach out to new audiences, while also enhancing the overall fitness (See FitForAll.com page 23)

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One Company Re-defining An Industry

By Casey Conrad

Only in one's dreams as a club owner can you imagine this scene. Your club has been open just 30 days. You didn't have any pre-sales. It is now the last day of the "Grand Opening," no initiation-fee special. In house you have a sales training session going on and at 2:00 in the afternoon one of your employees covering the floor interrupts the training. "I hate to bother you but I need 25 pens because there is a line of 30 people outside who want to enroll but I don't have enough pens to go around."

Sound like a dream? If not a dream at least an overexaggerated story? Maybe in America but not in England for the Fitness First company. I was there and saw it with my own two eyes. I was the one doing the training and watched in amazement

as the line of prospects kept filing in throughout the day. It actually turned out to be only an average "last day of the sale" day, reporting just 127 memberships by the close of business; approximately 2,500 for the first 30 days, give or take a few!

And, no, I'm not joking. In fact, having worked with the Fitness First company for over two years now, this scene has become common place. (I know, it makes me sick too!) In January, 2000 the company opened 9 new facilities, all of which can boast this same type of incredible success. So, what is this company doing that allows them to seemingly re-define the norms of the health and fitness industry club openings and sales and how did they get to where they are today? I spent some time on my most recent trip to the UK with the Managing Director, Mike Balfour, and the Op-

erations Director, Sean Phillips to try and uncover their secret.

Basic Beginnings

Before Mike Balfour ever set foot in a commercial health club, he was a Chartered Accountant working for a UK company and looking after their businesses in North America. It just happened by chance that one of those companies was the Houstonian, in Houston, TX. In 1985 Balfour was asked to be on the Houstonian's Board of Directors, giving him his first insights into the health and fitness industry, albeit a US perspective.

Seeing the US trends and knowing that the UK market was behind the times, Balfour persuaded an investor to start a chain of UK clubs called Livingwell. Although the company was doing well (and still is a force in the market), it was apparent to Balfour that all the UK clubs were aiming at the premium end of the health club market leaving the middle market, that was having so much success in the US, untapped. As a result, in 1992 Balfour decided to leave Livingwell and create a chain of clubs that would be affordable to the average person. He named the company Fitness First.

Sean Phillips' background, on the other hand, was industry related. While working for the YMCA in PA, Phillips was head hunted by a US company that was contracted by Livingwell to bring Americans to work in their new UK clubs. In 1990 Phillips accepted the offer and went to the UK to work for Livingwell and Balfour. After Balfour began Fitness First, Phillips left Livingwell

and in 1993 began working at the chains' first location in Bournemouth. Neither have looked back since and together have made an incredible success story.

"From 1993 till 1996 the chain experienced a steady growth, with their total up to 6 locations. As Balfour notes, "After four years we had developed a successful formula for going after the middle market. Our concept was 'Affordable Fitness for Everyone.'" At an average monthly dues of 29 Pounds (US \$45), the clubs were extremely affordable compared to what was out there but what made the club so popular was the fact that the facilities were as good as the premium clubs, just not as big and without any sports courts or wet areas.

Positioning For Growth

Knowing that the concept was solid and positioned to take off, Balfour knew he needed funds to grow the company. As a result, in October 1996 he took the company public, being the first pure health and fitness company to float on the London Stock Exchange's Alternative Investment Market. The offering brought in 8 million Pounds (\$13 million US) and gave the company the shot in the arm it needed for growth.

And grew it did, much faster than anticipated. By February of 1998 the chain was up to 18 clubs and needed more capital to keep the growth going. As a result, another



Casey Conrad

offering went out, raising another 10 million Pounds (\$16 million US). In addition to continuing the growth of their UK clubs, in August of 1998 the company made a strategic decision to be the first UK health club chain to venture into Europe. They raised another 5.5 million Pounds and bought half of a German company called The Fitness Company (not affiliated in any way with the US-based Fitness Company).

The Pay Off Begins!

By January 1999 Fitness First had 33 clubs in the UK and 9 in Germany. This unprecedented growth and success led to their changing from the Junior Market to the main London Stock Market. The company's club success reaped major financial success as well. Having

(See Casey Conrad page 16)



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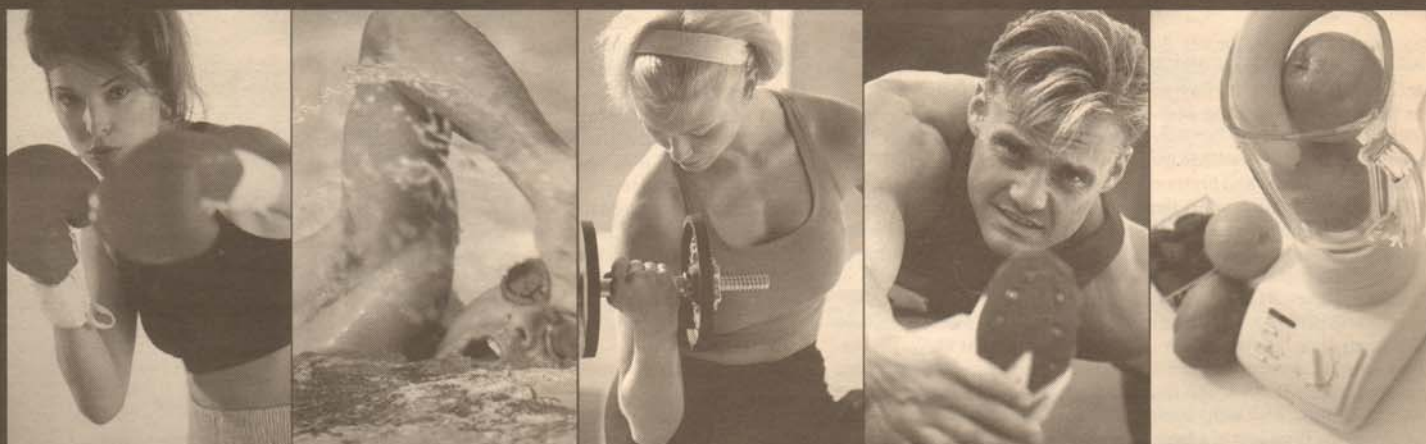
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(L to R) - Tony deLeede, Sean Phillips, Casey Conrad, Mike Balfour, Chris Pearce and Malcolm Guscott



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A Brief History of ISSA

The International Sports Sciences Association (ISSA) was founded in 1988 by Sal A. Arria, D.C., MSS, and Frederick C. Hatfield, Ph.D., MSS. These two pioneers in the field of fitness and sports medicine sought to build a solid foundation for health and fitness education that would standardize knowledge, techniques, and philosophy both nationally and internationally. ISSA then formed an advisory board culled from the elite ranks of research, coaching, sports medicine, and other branches of sport and fitness science. The majority of ISSA professors and advisors are both world class athletes and Masters or Ph.D.s—people who have extraordinary academic backgrounds, and also practical “in the trenches” fitness training experience.

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International Sports Sciences Association

...Spearman

continued from page 3

can Hospital Supply or his 20 years in the club business, he has excelled. Each step of the way, he has been a distinguished individual. The club industry certainly owes Cecil a debt of gratitude for his role on the Board and his time as President of IHRSA when the financial protocols were established for the Association."

John McCarthy, IHRSA Executive Director for 19 years, has more experience with Cecil Spearman than anybody. We asked John to comment on Cecil's contributions to IHRSA and the industry at large. McCarthy said, "Cecil was the President of a large public company before he began developing clubs in Illinois, California and Arizona. He is a family man, par excellence. His wife, Jean, and his three sons work with him, shoulder to shoulder, day in and day out. Cecil is enormously focused on essentials. His mantra, when he was on the Board of IHRSA and as President of IHRSA, was simply this: what are we doing to increase value of membership in IHRSA for a club? He was so focused on this concept that the statement has become his legacy to IHRSA. Ever since Cecil's presidency, every IHRSA president and every IHRSA Board Member has had the same focus, 'We must work on programs that make membership in IHRSA more valuable to a club.' IHRSA

is forever indebted to him and to the sharply focused legacy he has left us."

U.S. Marine Corp Preparation

Cecil Spearman was born and raised in Alabama until the 9th grade when his father moved his family to Hinsdale, Illinois. His Dad, Cecil Spearman, Sr., a Ph.D. from Columbia University, accepted a job as Superintendent of Schools in the upscale suburb of Chicago. While in high school, Spearman played football, basketball and tennis. At Duke University he played tennis and graduated in the Class of 1953 with a major in accounting and business. After graduating from Duke, Spearman worked as a tennis pro during the Summer of 1953 before entering the United States Marine Corp Officer Candidate School in Quantico, Virginia in October '53. The Marine Corp training was a true "gut-test" and learning experience for Spearman. He recalls, "They challenge you at the Marine Corp OCS to see if you can take the grief and stress they give you. They really check to see if you are going to break under pressure. They put you through mental and physical harassment that is second to none in the world to see if you are going to break! The logic is that if you can't stand the pressure during training, how can you stand the pressure of being in a fire-fight in combat with 20 men's lives depending on your ability to stand up

to the pressure of combat and make decisions that affect lives? When you go into the Marine Corp OCS or Boot Camp, they absolutely strip you to the bone in terms of your personality. Then they gradually rebuild you with an immense amount of confidence and pride. The discipline you learn as a Marine and the pride and confidence you feel from getting through that God awful ordeal called OCS carries on with you throughout your personal and business life for the rest of your life."

On To The Club Industry

Prior to joining the Marine Corps, Spearman had a taste of the club business while working as a tennis pro in Wisconsin. The owner of the hotel where he worked as a Tennis Pro was raking in the money. Spearman liked what he saw and felt that he could do well as a tennis club owner since the tennis club at the hotel did so well. He decided to pursue a career as a tennis club owner. Upon leaving the Marines in 1958, he was accepted at the Harvard Business School for the Fall of '58 and was offered jobs by IBM and Proctor and Gamble in their fast track management program. He turned all of those opportunities down. Instead, he chose to go to work at the Gulf Hills Country Club in Ocean Springs, Mississippi as a management trainee



Cecil & Jean Spearman At Home - Mammoth Lakes, California

and tennis pro. After about two years, it became apparent to Spearman that he was making no real money at that job, and the future appeared limited. There was no career path in clubs in those days. His parents told him that if he would take a job in industry and save some money, they would back him and provide funding assistance for him to start his own company or tennis club. They wanted their son off the tennis court and into mainstream industry.

So Cecil went back into the job market. For a second time, he turned down IBM because they paid on a salary basis and earnings were limited compared to a sales job that paid on commission. Instead, he took a position with American Hospital Supply, a big company that paid commissions and was recruiting the same quality people as IBM, Proctor and Gamble and Xerox. He sought commission sales work because he felt he could make more money faster if he were paid on what he produced and thus start his own company faster. His plan was to work as a sales rep for 3 years and then start his own small tennis club with the money he expected to save from commissions on sales and build up a club by reinvesting profits.

While Spearman had planned to remain in sales to earn money, he began to receive offers from American Hospital Supply to go into management. American was growing and needed managers to keep the growth going. He decided to try management for one year to be better qualified to run his own tennis club. He ended up getting promoted 5 times in 12 years and became Vice President at American Hospital Supply, running American's largest profit center at the home office in Chicago.

The ironic thing was that although he was doing very well in the corporate world, he didn't really like it. Spearman comments, "I still don't like the corporate life with a lot of back stabbing and a lot of politics, with people trying to get ahead of each other. It wasn't a fun experience for me to be in corporate America. I am definitely entrepreneurial, not corporate. My best friend at American Hospital Supply was the President of the company, Carl Bays. Our wives were the closest of friends. Before Carl was 40 he was the President of a billion-dollar company. He was on the board of Delta Airlines, Northwestern University, IBM and Northern Trust Bank. All before he was 40. He was one of those boy wonder geniuses. His wife encouraged him to take up tennis to help manage his weight. He was a big guy, 6'5" and 250. He knew that I'd been a tennis pro, and he and I became tennis buddies and belonged to an outdoor club. We wanted to continue playing during the Chicago winter, but when I looked for court time for the winter, I found I could not get court time at the only indoor club around because it was all sold out for the '71 season." When Cecil told his friend Bays, "I can't get any court time", he then said, "Carl, if tennis is this popular, we ought to build one of these indoor clubs!" The next day Carl called Cecil and said, "I know you were just kidding last night. But Lamar Hunt is probably the smartest businessman in America, and he just got into the tennis business with World Championship of Tennis. I think tennis has a great future. Let's build one of those indoor tennis centers. I've set up an appointment for you at the Northern Trust Bank with one of the Vice Presidents." (See Spearman page 10)

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...Spearman

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dents who will help you with what you have to do." Carl put his name on the club deal and over the next year Cecil did all the work and they were able to get an indoor tennis club open in Chicago in October 1972. It was just unbelievable. They were sold out before the first season started. They called it the Racquet Club of Lake Forest/Lake Bluff. They didn't have a court available in the 8-court facility from 9:00am to 9:00pm from November '72 to April '73.

Off to California

Spearman kept his job at American Hospital Supply

while operating the Racquet Club. He was also making plans to develop and open 5 or 6 additional clubs. He had a wealthy investor ready to provide the capital based on the results at the first club. One day in early 1973 the phone rang and it was a headhunter calling to ask if he would talk to them about coming to California to take a job as President of a troubled health care company. Spearman said "no" as he was anticipating another promotion to a new position at American Hospital Supply. Two days later, one of Cecil's associates was chosen to receive the promotion instead of Cecil. Ironically, the headhunter called back that same day. Spearman recalls, "It was like fate. Instead of refusing to talk to them, I began to sell my qualifications for the job. I got the job and ended up coming to California in May 1973 as

President of the Medical/Surgery subsidiary of Bergen Brunswick Corporation. I spent 6 tough years turning around that company that was put together through acquisition. We were the only one of 6 companies developed by acquisition to successfully make a turn-around. The other companies all failed to make the transition from independent local dealer to a multi-location centralized company. This consolidation of independent companies in health care is similar to the consolidation going on in clubs today. The Bergen Brunswick Corporation stock skyrocketed after I turned around the Med/Surg subsidiary. I had a bunch of stock options and when I sold out, I had enough cash to buy a very successful club, the Laguna Niguel Racquet Club, in 1984."

Spearman Joined NITA And IRSA for Help

After acquiring the Laguna Niguel Racquet Club, Spearman learned, as he had in the early 1970's with indoor tennis, that he lacked the experience to operate an outdoor multi-sport tennis facility. He needed some help. In the early 1970's he had been a member of the NITA (National Indoor Tennis Association) and had learned a lot about indoor tennis operations through that Association. But, outdoor tennis operations were a whole new ball game. When he sought out NITA in 1984, he couldn't find it anywhere. He happened to come across a notice that a tennis buying show being held in Long Beach, California was going to host a meeting of a group called IRSA (International Racquet Sports Association). Spearman recalls, "I met John McCarthy and heard the story of how the National Tennis Association and the National Court Club Association had merged and become IRSA. I joined immediately. I liked John right away. I got the same quality of help from IRSA in 1984 that I received from NITA in 1972. I remember going to the NITA meeting in Boca Raton, Florida in '72. Alan Schwartz was President. Rick Caro, Curt Beusman, Dick Trant, Todd Pulis were all there. Charlie Swayne gave a terrific presentation. Those guys literally took me from a kindergarten level to a college graduate level on how to run a tennis club. I could not believe the outpouring of information and the willingness to share and help. Clay Hamner, a college professor from Duke University, was there and personally spent two hours with me. I received the same quality of help when I went to my first IRSA meeting in Reno, Nevada. I learned a great deal at that meeting. That's why I wanted to be involved in IRSA. I think NITA and IRSA enabled me to succeed in this business and I'm very appreciative of the help I received. I've been trying to give back to the Association ever since then. My tennis clubs might be warehouses and condos today without the help of the Association."

A Determined IRSA Leader Dealing with Tough Issues

In 1989, Cecil Spearman was elected to the IRSA (now IHRSA) Board of Directors. He was elected President of the Board of IRSA in 1991.

During his years in business in Chicago and Laguna, California, Spearman served on the Board of Directors of several companies, hospitals, churches, civic organizations and very ma-

ture non profit organizations with long-established boards. Through those experiences, he gained valuable information on how established senior boards should function. That was experience and knowledge that paid off when he took over the leadership of IRSA's Board of Directors.

Spearman recalls his arrival as an IRSA Board Member. "First, I felt honored to be elected to the IRSA Board. Then, I was taken back a bit by two things: #1, the Association had a negative net worth on its 1988/89 financial statements. Secondly, the Board was trying to micro manage the IRSA staff. During the early days of the Association, IRSA might not have survived if the Founders and early Board Members had not provided lots of help with management. I admire their effort and the fact that they helped IRSA so much. But, IRSA had become big enough by the time I joined the Board that the Board should no longer be getting involved with the nitty-gritty things. I felt the Board should spend its time on establishing policy, developing vision, missions and core values and letting the staff run everything day to day. I think the fact that I had served on so many boards helped me recognize that the time had come for the Board to back off of IRSA's day-to-day operations. As desirous as all of this micro managing was the first 7 or 8 years, the time had come to change. Like most businesses, circumstances change. I spent a lot of time trying to steer this Board away from being involved with staff operations. I focused on three primary goals: (1) Getting the Board to let John McCarthy and Rick Devereux run things and administer the policies that we had established as a Board of Directors; (2) developing our mission, vision and core values; and (3) developing financial programs to provide incentives for the IRSA staff to become long-term employees." The seniority and quality of the IHRSA staff confirms these goals were achieved.

That "Name Change" Business

Spearman recalls the Board spending a significant amount of time on discussions of a name change at his first Board meeting. It was hard to spend time on policies or planning as a large percentage of the meeting time was on "name change".

As a part of the IRSA selection process for President, he was asked why he would like to serve as President of IRSA. Spearman replied, "I'd like to give back to the Association that helped me learn the business. Second, I think we are at the stage where we need to change. We must do something to be able to retain good, competent employees. We have to set visions, missions and core values. (See Spearman page 12)

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...Spearman

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In my opinion, we have to strive to increase the value of a club being a member of IRSA. There is no need to work on something unless it would increase the value of membership in IRSA to the clubs."

Spearman was convinced that discussions of a name change for the Association would not increase the value of the membership in IRSA to the clubs. Therefore, when he stepped into the role of President, he established a clear understanding that while he was President, the name change would not be on the agenda.

Spearman's focus on investing Board meeting time wisely paid off. He recalls, "I told the Board that discussing a name change did not increase the value of membership in IRSA and we should be spending our time on profitable things. Secondly, a lot of talented people have spent 10 years working very hard to increase the value of the name IRSA. People recognize it. It stands for quality. I'm not prepared to lose that equity in the name. We're not going to talk about it in my term as President." The end result was that the Association enjoyed the most successful year in its 10-year history during Spearman's year as President. "We got out of the red and produced a positive net worth. We set in place a lot of things that are still there. One of the most important things we did was to develop a retirement plan for the key staff to give them a vested interest in sticking around. I'm very proud of the fact that nearly 10 years later, almost everyone of our very competent IHRSA staff is still with us and I think that plan has made a difference. They are doing a great job!"

When you consider the excellence of John McCarthy and his management team and all they have accomplished, you can't argue with that success. In short, IHRSA has become a world-class Association that produces incredible services and results for all of its member clubs and Associate members.

TAQC or AQC, The Names That Weren't

Once Cecil Spearman handed over the gavel to the incoming President, Bruce Buckbee, Spearman became the Ex-officio President. That meant he would have a seat on the Board for one year without a vote. Cecil Spearman proved to be one of the most influential Ex-officio Presidents ever, even without a vote.

The name change discussions, while not conducted at meetings during Spearman's year as President, would not go away. Specifically, three name change crusaders, Bruce Buckbee, Patricia Laus and Rob Goldman were very determined Board Members that continued to spearhead and push for a name change for IRSA as soon as Cecil went out of office.

Spearman recalls, "In his

first act as President, Bruce Buckbee announced that he had lined up the votes on the Board to change the name of IRSA to The Association of Quality Clubs (the IRSA tagline). Spearman asked, "What are you going to call the Association? Are you going to call it 'The' or 'ACQ'?" Bruce was considerate to give me a chance as Ex-officio without a vote to express my case for why the name shouldn't be changed to ACQ or TACQ. But, after my presentation to them the Board went on to vote 9-0 in favor of the name change to "The Association of Quality Clubs." I told the Board, "The battle has just begun."

Cecil Spearman is not a fellow that gives up without a fight. Once that Board vote was concluded, Spearman told the Board, "I am going to fight this name change with a passion. I'm going to involve a number of friends of mine that were involved in the creation of this Association." And that he did. Spearman continues, "I had been appointed Chairman of the IRSA Advisory Council and I wrote a letter and sent it to all of the members of the Advisory Council stating that I thought this was a tacky name and in poor judgment to change the name from a name with great equity. I told my fellow Advisory Council Members that 'if they agreed with the Board, I would back off instantly.' However, if you all send me the word that you feel as I do that this is a tacky name and that the name should not be changed because of the loss of identity, I will pursue the leadership to help stop this name change." 90% of the respondents agreed with me, including a number of the Founders of IRSA including, Rick Caro, Norm Cates, Todd Pulis, Dick Trant, Alan Schwartz and 30 or so other leaders. The furor that was raised caused the Board to table the name change and Rick Caro suggested that we hire a name change consultant to develop an alternative name. The consultant, Brian McBain, came up with the name Exercera, Latin for "To Exercise."

Exercera...Another Name That Did Not Fly

Over the years, those that wanted to change the name argued that there were two primary reasons that they thought it should happen: (1) They always had to explain what the name stood for when conducting IRSA business. (2) They always had to tell people how it was pronounced. While changing the name to ACQ's was unpopular, changing to Exercera caused many more people to become opposed.

Spearman comments on the continued saga of the name change, "Other people got vehemently involved in the leadership against Exercera. Mark Eisenzimmer, of the Cascade Athletic Clubs in Portland, Oregon,



THE SPEARMAN FAMILY: Front Row - Kaitlyn and Cassidy, Middle Row - Dorene (Mark's wife), Cameron, Jean, Alaina (baby), Samantha (Scott's wife), Olivia (little girl) and Scott, Back Row - Mark, Cecil, Kristine (Steve's wife), Steve

who had voted for the name change, strongly opposed the name Exercera. Numbers of people that had just been moderate in their opposition to a name change became vehement in their opposition to Exercera. And then, The CLUB INSIDER News got started and really set everything on its ear with the incredibly successful campaign in which the new publication printed comments of many prominent IRSA members in opposition to Exercera. My influence on the name change battle was reduced at that time because so many people opposed Exercera," stated Spearman. "The leadership of the name change opposition moved to the CLUB INSIDER and others."

The significance of IRSA member opposition to Exercera was demonstrated at an Open Forum meeting held at the 1994 IRSA Convention in Reno, Nevada. At a meeting with approximately 300 members in attendance, 32 individuals stood to speak on the issue. 31 of those individuals spoke in strong opposition to a name change to Exercera. The Board, which included new members Carl Porter, Steven Schwartz and Stephen Tharrett, voted to drop Exercera. In the Summer of 1994, the Board of Directors wisely decided to install the word Health into the name IRSA, changing the Association name once and for all time to The International Health, Racquet and Sportsclub Association, (IHRSA). Cecil had suggested the name "International Racquet and Sportsclub Association (IRSA)" as a name for years. However, it was the addition of "Health" with a silent "H" that made the name IHRSA with no change in pronunciation. That decision maintained the very valuable name equity that Cecil Spearman fought so hard to pro-

tect and it opened the door to literally thousands of health clubs around the world for inclusion as IHRSA members. There was NO opposition to this name change at all! Now, IHRSA has over 5,000 member clubs in over 50 countries worldwide and the Association is making a huge difference in the health, racquet and sportsclub industry globally. We can all thank Cecil Spearman for the guts it took to provide the leadership that retained the name "ER-SA" and for fighting to protect IHRSA's very valuable name equity.

Living The "Good Life" In Mammoth Lakes, California!

I asked Cecil the following question, "Cecil, I'm speaking with you while you are sitting up there in your new mansion in beautiful Mammoth Lakes Ski Resort in California the day after a foot of fresh snow has fallen. You and your family have your health, you have your lovely wife Jean with you, you look 41 years old, but are pushing 69, you've got 3 sons, Mark, 38, Steve, 35, and Scott, 32, running the business, you've got a very large net worth and you have the admiration of all of your peers. How do you feel?"

Cecil responded, "I feel great. The first career as a tennis pro and my time as an officer in the Marine Corp prepared me to make my career in hospital supply distribution a great experience. The 25 years with public companies helped me make my third career running clubs the joy of my life because I like the entrepreneurial stuff, we've been very successful with it, and my kids all enjoy it. It is a rare family that can have 5 family members working side-by-side in a business together. I have felt that in order for my sons to really flex their muscles

and run things that I need to be away for extended periods. I am in Mammoth for most of January through May. I love to ski and get out 3 or 4 hours at least every other day. I love having a second home up here. We have 4,000 square-feet with great mountain views. InterWest bought the mountain two years ago and the real estate up here is just skyrocketing, so it is a really good investment as well as great fun." He added, "I love having two homes, one in an oceanfront community with a great ocean view and one in a ski resort with a great mountain view. It makes the 70 hour work weeks of many years more acceptable."

We asked Cecil if he ever planned to retire? He responded, "I don't ever plan to retire. When I go 6' under the ground is when I'll retire. However, I don't intend to do any of the day-to-day operations anymore. Even when I'm in Laguna Niguel, I work in my home office with our ocean view. When I do go into the club office, I refer all member questions to my sons because they are running the businesses. I monitor our 5 clubs through reports and that seems to be working well for all of us. The boys are better managers each year, and the business is doing very well."

IHRSA has been blessed with a lot of individuals that have been willing to go above and beyond the call of duty to serve the Association. Cecil Spearman is one of those individuals and it is terrific that he was honored by IHRSA for his Distinguished Service to the Association. Congratulations to a great leader!

(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News. Cates, a 27 year veteran of the health club industry, was a co-founder of IHRSA & 1st IHRSA President in 1981.)

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IHRSA's Capitol Report

Capitol Report Reprinted Courtesy Of IHRSA

WASHINGTON LEGISLATURE REPORTS ON Y COMPETITION

The Washington House of Representatives' Finance Committee has completed its interim study into whether competition exists between the YMCA and taxpaying health clubs.

The report identifies 197 private taxpaying clubs and 34 YMCAs providing fitness facilities in the State. While noting that a specific market analysis is needed, the report concluded that "the fitness facilities provided by many local YMCAs are comprehensive enough to assume that there is at least some competition occurring between local YMCAs and fitness clubs."

While this is hardly news to IHRSA members, it is significant because it represents an unbiased examination of the fitness marketplace by an official legislative committee.

The study also examined the prices charged by YMCAs and found that those prices "are not always lower than prices charged by fitness clubs." In fact, the report identified at least four cities "where the local YMCA's monthly dues for single adults are higher than those charged by some fitness clubs."

The report noted that while no YMCA has closed since 1990, 45 private fitness clubs have either closed completely or closed a branch location. About one half of those were in communities where a Y was located.

An interesting finding in the report is that "both the YMCAs and the private fitness clubs experienced a decline in membership in 1993" which was the year the legislature expanded the sales tax to apply to fitness club memberships.

"We will use these findings

to support our call for a sales tax repeal and for fair competition legislation," said George Eusterman, owner of the Riverside Health Club.

CHARITY & FAIRNESS GO HAND IN HAND

About ten times a year, IHRSA member Kay Yuspeh holds events to benefit charitable organizations at her Highlander Elite and North Shore Elite Fitness and Racquet Clubs in Wisconsin. These events include tennis tournaments, an indoor triathlon, a shoe collection drive and silent auctions. The money raised benefits cultural organizations and those serving people with cerebral palsy, multiple sclerosis, diabetes and cancer.

"[Kay] gets very personally involved," Cheryl Boehmke, Executive Director of United Cerebral Palsy of Southeastern Wisconsin, told the Milwaukee Business Journal. "She's a passionate person about the things she believes in."

While Yuspeh dedicates much of her time to charity, she still manages to be a key player in Wisconsin clubs' fight against unfair competition from tax-exempts that offer the same services — organizations that appear to have strayed from their charitable missions.

For Yuspeh, the question isn't whether YMCAs should continue to offer fitness services, but rather, that the Y should target its services to the people who need them.

"I do believe in the Y's mission," Yuspeh explains. "The need is to bring fitness to the population that can't afford private clubs."

The market for the local Ys, she says, are increasingly simi-

lar to the market for private clubs. "If you look at the parking lots out at West Suburban Y and here, you wouldn't be able to differentiate the membership base."

FLORIDA SALES TAX FIGHT WINNING ALLIES

Earlier this month, The Orlando Sentinel Tribune reported on the current efforts to repeal the Florida sales tax on health club dues. Here's an excerpt:

How would you like it if your competitor didn't have the same expenses you had?

What if it could knock something off the cost of its product because it wasn't required to pay taxes?

Now you know how Merrill Brick feels.

The owner of Orlando Fitness and Racquet Club illustrates the plight of any small businesses operating in a world with nonprofit competitors.

He feels he's being hurt. Like hundred of other health club owners in Florida, he must charge members sales tax, while nonprofit operators, such as the YMCA, do not.

"We're definitely at a disadvantage," Brick said.

For Brick, who's in Orange County, that's 6 percent he tacks on membership fees ranging from \$29 to \$57 a month. That's still less expensive than some YMCA charges, but to Brick's mind, that's not the point: He shouldn't have to charge sales tax if nonprofits do not.

Private clubs haven't always been taxed. Until 1990, the clubs enjoyed a sales-tax exemption. But the Legislature eliminated the exemption that year, claiming

the money would be used for school services, including sex education.

But a spokeswoman for the Department of Education said the money is not used for those services and, in fact, just goes into the general revenue fund.

It may still be difficult to persuade the state to forgo bucks with the dollars already rolling in. The sales tax on memberships means at least \$10 million a year to the state.

"It's an unfair tax on exercising," said Steve Metz, the lobbyist for the health club industry. "If you exercise at a private health club, you have to pay the tax. If you exercise at the YMCA or hospital health club, you don't."

"The Y is pulling customers out of the market" that could have chosen a for-profit club," Brick said.

Bill Herrle, Executive Director of the National Federation of Independent Business in Tallahassee, concurs.

"No one likes to sit around and beat up on nonprofits, but they are taking real customers off the street," Herrle said. "When you are out there trying to run a business, it's a little disheartening to be suffering that disadvantage."

The breaks among nonprofits vary: Some pay no property tax or taxes on purchases. The YMCA, for instance, buys all its exercise and other equipment without paying a penny in sales tax.

Brick is not so lucky. Pointing to a room where thousands of dollars of exercise bikes sit, he explained he paid sales tax on everything that came into his shop.

And that's another element of the argument made by small gym operators. Helping people stay physically fit reduces health-insurance costs and is a service akin to preventive medical care, which is not taxed.

"A business like ours that promotes health and well-being shouldn't be taxed, period," Brick said.

To get involved in the Florida sales tax repeal effort, contact Bob Karshner at Shapes Health and Fitness Centers (813-264-1711).

All Florida club operators should call (850) 488-1234 and ask their legislators to support House Bill 745 and Senate Bill 1306, which would repeal the sales tax on health club dues.

ALASKA SENATE OKAYS SINGLE-SEX CLUBS

The state of Alaska is one step closer to protecting

women-only health clubs from claims of illegal discrimination. On February 24, the state Senate approved a bill that would explicitly legalize single-sex fitness facilities.

Senate Bill 176 states that a physical fitness facility can operate exclusively for men or women to protect their "privacy interests."

"Many women shy away from working out at co-ed health clubs, even when their physicians prescribe such exercise, out of the fear of being stared at, judged or physically groped," said Senator Drue Pearce, the bill's sponsor.

The Senate action was welcome news to the Women's Health Club, which operates two facilities in Anchorage. After a complaint was filed, the state Human Rights Commission ruled that the club illegally discriminated against men.

Senate Bill 176 remedies that concern by drawing on the Alaska Constitution, which states that the people's right to privacy must be recognized.

Senate Bill 176 passed the Senate with a 17-3 vote and now must pass the House of Representatives.

This controversial issue has surfaced elsewhere, including in Massachusetts, where in 1998 a law was passed allowing single-sex health clubs.

CONGRESSIONAL TAXATION COMMITTEE RECOMMENDS MORE NONPROFIT DISCLOSURE

Citing public interest in the records of tax-exempt organizations, the Congressional Joint Committee on Taxation has issued several recommendations concerning what information should be made available to the public.

The committee's recommendations include:

- * Disclosure of written determinations concerning tax-exempt organizations, as well as the results of audits conducted by the IRS;

- * Disclosure of applications for tax-exempt status when they are submitted, including any action taken on the applications;

- * Disclosure of all Forms 990-T, as well as returns filed by affiliated organizations of tax-exempt entities;

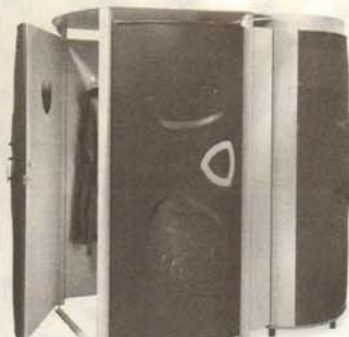
- * Form 990 should be revised to include more comprehensible and relevant information to the public including information on the transfer of funds between organizations;

- * Disclosure of expenditures for self-defense lobbying and expenditures for nonpartisan study, analysis and research if the activity includes a limited "call to action."

"Taxpayers deserve to know about the business activity of tax-exempt organizations," said Helen Durkin, IHRSA's director of public policy.

"Complete public disclosure becomes more important as tax-exempt organizations increase the size and scope of their business activities," said Durkin, (See *Capitol Report* page 25)

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Balancing Food And Exercise

By Nancy Clark, MS, RD

People exercise for many reasons—to improve fitness, excel as a competitor, lose weight and reduce stress. But confusion abounds among health-conscious people who want to get the most from their exercise program; I often am asked questions about how much exercise is enough and the best way to balance food and exercise to have plenty of energy. The following article addresses some of these concerns.

Q. How often should I exercise?

A. The amount you exercise should be based upon your fitness goals—do you want to be fit enough to survive a rugby game, run the Boston Marathon, or simply age successfully? For baseline health and fitness, The American College of Sports Medicine recommends at least 30 minutes of accumulated activity over most days of the week. This minimal amount reduces your risk of heart disease, hypertension, and diabetes. Clearly, athletes need to train far more than that for competitive excellence.

Many exercisers and athletes believe they fail at fitness if they don't exercise every day. Wrong! Days free of rigorous exercise are an important and appropriate part of a training program because your muscles need time to heal and refuel. And, if you are competitive, your

mind also needs time to recharge the mental energy required for rigorous training.

Clearly, competitive athletes who get exhausted during their daily training sessions have a greater need for rest days than do casual exercisers who do not deplete themselves during their 30 minutes of activity. Yet, fitness exercisers should feel no guilt if they take a day off for sickness, rain, or personal commitments. Exercise tends to become a punishment rather than a pleasure if you repeatedly push yourself to workout day after day, week after week.

One of my clients boasted "I haven't missed a day of running in eight years—not even when I was sick, injured, or rained on." Although our society commonly praises such dedication with responses such as "I only wish I could be as disciplined as you are...," the question arises: Is this person a dedicated athlete or a compulsive exerciser? Commonly, the latter.

True athletes exercise to improve performance. They plan rest into their training programs. They know they'll get better only if they work harder or longer, so they eliminate much of the compulsive exerciser's "junk training" that falls into the category of simply burning calories due to fear of getting fat.

Q. I was told I had to exercise at least an hour a day in

order to lose weight. Is that true?

A. No. In order to lose weight, you simply have to create a calorie deficit. That is, you have to burn off more calories than you consume. When people are sick, they commonly create a calorie deficit and lose weight—without doing any purposeful exercise. Exercise is not essential to lose weight—but it is a key for maintaining weight loss.

I often recommend dieters separate exercise and weight reduction. Otherwise, exercise can too easily become punishment for having excess body fat. (Remember: the E in exercise stands for Enjoyment.) I prefer my clients to exercise because they enjoy it and are hooked on the benefits of exercise.

Regular workouts help you feel good, relieve stress, feel good about yourself, tone muscles, and improve health. If exercise contributes to a calorie deficit, yes, it will contribute to weight reduction. But often, the more you exercise, either the more you eat or the more sedentary you will be in the rest of your day—both of which affect your calorie balance.

I do recommend strength training as the wave of the future in terms of weight control. By strengthening your muscles and increasing your muscle mass, you'll increase your metabolic rate. Because most calories are burned by muscle, the more muscle you have, the more calories you need.

Q. How many calories do I burn off after I exercise due to a higher metabolic rate?

A. Not many. If you exercise intensely for a long period of time, your metabolic rate will likely remain elevated for a little bit. But the average recreational exerciser who works out moderately will experience very little post-exercise calorie expenditure. A recent study comparing the metabolic effects of endurance and strength-trained men vs sedentary peers shows all three groups burned the same amount of calories when they spent a sedentary day in a room calorimeter that measured their caloric expenditure for 24 hours. This suggests no chronic increase in metabolism due to moderate exercise in similarly sized men. (Int'l J Sports Nutr, Dec 1996).

Q. I often get lightheaded when I'm exercising. Help!

A. Lightheadedness is a common complaint, but it is abnormal and can be prevented. When your blood sugar drops too low, your brain gets inadequate fuel and you experience lightheadedness. You can prevent low blood sugar by fueling properly before you exercise. For example, if you workout in the late afternoon after having endured a busy day with little breakfast and lunch, you'll likely become lightheaded during exercise. The solution is simple: schedule in substantially more food dur-



Nancy Clark, MS, RD

ing the day so you won't be left running on fumes. An adequate pre-exercise fueling program resolves the lightheadedness problem—and also reduces post-exercise hungry horrors! The best plan is equal meals every 4 hours.

(Nancy Clark, MS, RD counsels individuals at Boston-area's Sports Medicine Brookline. Her popular Nancy Clark's Sports Nutrition Guidebook, 2nd Edition (\$20) and nutrition guide for endurance athletes The NYC Marathon Cookbook (\$20) are available by sending a check to Sports Nutrition Materials, 830 Boylston St., Brookline MA 02467 or via www.nancyclarkrd.com)

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Casey Conrad

continued from page 6

ing initially floated the company in October of 1996 at 80 Pence (approximately \$1.30), the stock went onto the Main Market just two years and three months later at 3.30 Pounds. Then, in June of 1999 with growth continuing at an explosive rate (opened 20 clubs in one year!), Fitness First went back to the Market and raised another 40 million Pounds (\$65 million US). In November of 1999 the company continued its expansion into Europe and bought 40% of a Belgium 3-club company called Passage.

Today, just one year after entering the Main Market, Fitness First's share price has gone from 3.30 Pounds to over 12 Pounds! As of January, 2000 they have 58 UK clubs, 19 German clubs (have opened 13 clubs in 18 months) and 3 in Belgium. In fact, as of the printing of this article, Fitness First is now one of the highest valued health club chains in the world, having achieved stock market capitalization in ex-

cess of 900 million US dollars.

So, What's the Secret?

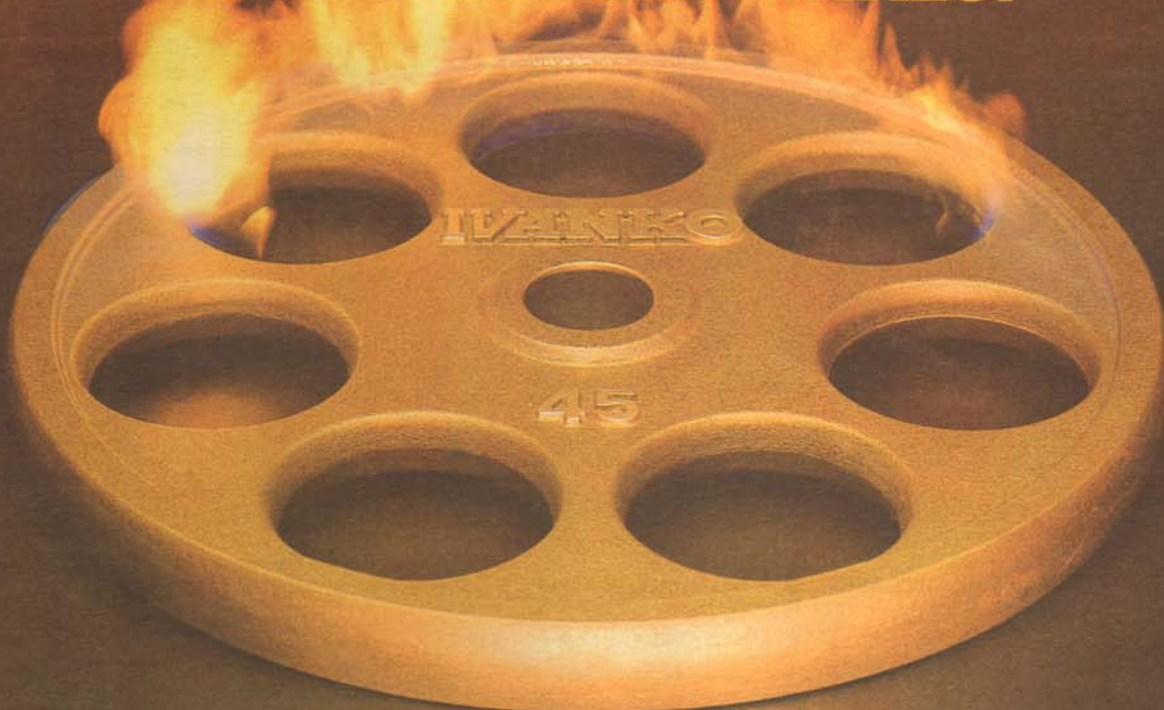
With the incredible growth they have created and maintained, club operators around the world frequently ask me, "So, what is their secret?" I've asked myself that question over and over again because I have never seen anything like it anywhere. On the surface it is difficult to detect any major differences that would result in such incredible numbers but when one looks at the UK market and what Fitness First has done you find that their success had a lot to do with their quality product combined with timing. As Balfour noted, "When we look back at it, what made us different was that we were the first to break down the barriers to joining a health club in the UK and offer affordable fitness. We have low joining fees, low monthly fees and no contracts. For those reasonable rates the consumer gets a well-designed, high quality facility that is consistent throughout all of our locations. In fact, because consumers can get a great facility at almost half the price, we attract members

from high-end clubs that only want the fitness equipment. We branded ourselves as 'affordable' to anyone and that has allowed us to become the fastest growing chain of health clubs in all of Europe."

Plans for the Future

Given their current level of success what exactly does Fitness First have planned for the future? According to Balfour, "Our plan is to roll out the Fitness First concept throughout the whole of Europe, particularly Northern Europe and Spain." At the moment they are building about 40 clubs a year and the overall plan is to have a total of 300 clubs in the UK and Continental Europe by 2005. Of course, with that type of growth, the company has to work very hard at creating high quality staff that can maintain the consistency of the product. Notes Phillips, "We will not get complacent in this area. We are working very hard in-house as well as bringing in outside resources to provide our entire team with the type of training and development they need to succeed." At their most (See Casey Conrad page 20)

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Working Woman Recognizes Jazzercise Founder And CEO, Judi Sheppard Missett

Carlsbad, CA.- Judi Sheppard Missett, Founder and CEO of Jazzercise, was recently honored at Working Woman's magazine's second annual Entrepreneurial Excellence Awards Ceremony in Phoenix, AZ, as a regional finalist in three categories: Social Responsibility, Customer/Client Service and General Excellence. The awards program recognizes and celebrates the accomplishments of women business owners for their entrepreneurial achievement. The criteria goes beyond company size and revenue and instead, focuses on vision, ambition and excellence of the founder and leader of the nominated company. The national award ceremony will be held on April 10 in Phoenix, AZ.

"It was thrilling to have been nominated as a finalist in one category," says Missett, "but to be recognized as a finalist in three categories was humbling, considering the incredible talent in the world of working women. I applaud the vision of Working Woman magazine, and national strategic partners, Bank One and Office Depot, for creating a platform to celebrate the dedication and courage of women business owners everywhere."

The "Social Responsibility" category places importance in the com-

mitment of using business resources to correct a social ill or to positively impact society. Over the past 30 years, Missett has taken an active role in leading her company and fellow-instructors in projects designed to "give back to the community." This has resulted in raising more than \$22 million for various charitable causes (American Heart Association, American Cancer Society, March of Dimes, American Diabetes, Rush-Presbyterian-St. Luke's Medical Center, etc.), as well as the launch of free community service projects such as "Kids Get Fit," aimed at raising an awareness of the importance of fitness and health for kids, and the "CyberStretch School Giveaway Program" designed to teach kids healthy computer habits to avoid the onset of repetitive stress injuries.

The "Customer/Client Service" award recognizes the ways in which the nominee's company delivers high quality customer service and client satisfaction and how they have resulted in business growth. In this regard, Missett has constantly looked to what's new and what's next, and developed a variety of innovative services, programs and goods to better meet the requirements and wants of customers and franchisees. This includes the introduction of the "Easy



(L to R) Working Woman Network President Barbara Litrell & Judi Sheppard Missett

Fitness Ticket" or electronic funds transfer method of payment for customers; the development of an informative website, a toll free line; performances and events; product diversification; free community service programs; strategic business alliances; merchandising via mail order catalog and website; and television/video production services.

The "General Excellence" award recognizes how the

nominee's company excels in several of the award categories, which include: Innovative Business Strategies, Original Product and/or Service, Social Responsibility, Best Employer, Overcoming Obstacles and Customer/Client Service. When it comes to Jazzercise -one of her main passions in life - Missett believes in thinking big, and going for the gold. It is no surprise that one of her personal credos is: "If you can dream it, you can

do it!" And the standard she goes by to achieve these dreams is no less than sheer excellence.

Jazzercise is the world's largest fitness program with more than 19,000 classes taught weekly to 450,000 students in 38 countries by 5,000+ instructors around the globe. For local and worldwide Jazzercise class information, go to www.jazzercise.com or call 1(800) FIT-IS-IT.

"It Has Come To The Point Where Buying Brand New Fitness Equipment Is A Waste Of Money!"

Buying Professional Fitness Equipment Is A BUSINESS EXPENSE!

That's why YOU need solutions to help you cut costs without sacrificing durability or name brand. You know lowering the cost of doing business directly improves bottom-line profits.

Worldwide Fitness, Inc. has a way for you to improve profits by reducing your operating costs. Without your members having any idea that you didn't buy brand new equipment and spend twice as much money as you did!

Worldwide Fitness offers fitness center products that have already depreciated in value. We provide you a consistent supply of Bank Repossessed, Refurbished, Brand New, and Factory Blemished gym fitness equipment.

We Believed Business Owners Wanted To Save Money On Operating Costs To Free Up More Capital To Grow.

If you buy your cardio equipment from Worldwide Fitness and save \$30,000. And you add this new found capital to your advertising and marketing budget, you will see exponential growth in cash flow and profits. This \$30,000 savings can bring in 200 extra members. If you get \$350 for each new member in the first year, that's \$70,000 added to your gross sales. That's extra income over and above what you're already doing.

Could your business use an extra \$70,000?

We Invest Over \$250,000 Every Month To Assure You Save Money.

The whole operation is a huge undertaking. With over 25 employees and a monthly payroll around \$50,000. More than \$30,000 in building leases. Over \$20,000 a month is spent on replacement parts to refurbish the equipment. The cost to buy this depreciated equipment is over \$150,000. The point is we have made the necessary investments to insure a consistent and reliable product for you.

We've put ourselves in a position that forces us to perform for you or we don't make a profit. I'm not trying to impress you but I want you to see our commitment. We must satisfy you so you will buy from us on your next fitness room project and refer more customers to us. We can't service our huge overhead without repeat business.

Guaranteed To Look Like New, Work Like New, And Make Everybody Think You Paid Full Price.

When our client's come see our National headquarters in Orange, California, they're amazed. They enter our gigantic warehouse with over 1,000 machines on racks 3 stories high. It looks like 50 health clubs went out of business and we bought all their inventory. When we tour them through our state-of-the-art remanufacturing facility, they say they've never seen anything like it. When they see our finished product they think it's brand new, and after we convince them that it is not, they say they will never buy brand new fitness equipment again.



We warranty this equipment, give you a National service technician network, and give you 24 hour technical information on our award winning website. You see, the only equipment we sell is the top brands: LifeFitness, Cybex, Stairmaster, Trotter, Precor, Star Track, Paramount, Tec-trix, Quinten and others. These manufacturers have built a national service network that we have access to when our customers need service. It's as easy for us to repair a treadmill in New York as it is in California. We take care of your business.

We Have Over 1,300 Customers That You Can Speak With To Give You Buying Confidence

In today's business climate you have to protect yourself from mis-information. You can't take advertising statements as fact. We understand this, and make accessible to

you our past customers so you can make your own judgments, we don't want you to make a mistake. We want to make sure this is the right buy for your business.

"Worldwide Fitness Saved Me Over \$150,000 And My Maintenance Staff Still Thinks The Equipment Was Brand New, I Don't Feel I Sacrificed Anything. I Will Do All My Future Purchases With Worldwide." (Mike Boccini is the CEO of 5 YMCA's)

"I Bought My Equipment From Worldwide For my second Club. I Saved Over \$25,000 And Used These Savings To Increase My Advertising Budget. This Extra Advertising Money Allowed me To Hit My One Year Sales Goals In My First 90 Days." Stephen Priest, MS. Fitness Health Club.

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Your time is valuable so we make the process easy. It starts with a phone call from you, to one of our customer assistants. You are asked some questions to provide us with needed information. Next, a complete packet of information is expressed out to you. This packet contains: A video tour of our facility, a customized video of the machines you need. A proposal with all your options, prices and freight charges, room layout if needed, samples of rubber flooring and other samples.

When you receive your packet you'll get a follow up call from your customer assistant to answer any questions. When all your questions are answered and your proposal looks better than any of your other options, you can get the deal started by faxing us a copy of your 50% deposit. Technology has provided a time saving payment solution called "Checks-By-Fax". Of course you can mail your deposit if you want. This way your order starts immediately.

You Can't Afford To Pass This Up Without At Least Getting A FREE Packet And Proposal.

The pressure to grow in today's business climate is high. Grow or die is the rule of the future. You have to look at all your options and do what gives you a competitive advantage. Your customers think the best fitness equipment is what you provide them. They like the equipment your staff trains them on. A treadmill made 2 years ago is no different than the one made yesterday. The only difference is how much money it cost YOU. How much of your operating capital had to be used to acquire the new equipment? Anybody can spend too much money. The most successful and wealthy business people are the most spend thrifty.

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wwwfi@nl.net, and/or go to our award winning website www.worldwidefitness.com

Sincerely
Steve Patterson
Worldwide Fitness, Inc.

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Why The YMCA Should Pay Taxes

By Norm Cates, Jr.

Steven Schwartz's letter on this page expresses thanks to me for highlighting the Fair Competition issue. The views expressed in Steven's letter mirrors the views of many club owners across America.

The ad on the opposite page from this article on page #21 summarizes the facts about this unfair advantage that YMCAs enjoy over their commercial counterparts, the taxpaying clubs across the land. Did you know that even though the YMCAs of the USA want you to believe that they still serve the underprivileged, less than 10% of their membership receives financial assistance? Did you know that many YMCAs have very strict no-kids al-

lowed policies? Did you know that a tax-exempt \$5 million YMCA enjoys a \$600,000 per year financial advantage over a similar commercial club?

Now is the time for all 15,300+ - U.S. commercial health clubs to rise up together and rebel against this unfair no-tax advantage that YMCAs have enjoyed for over 100 years!

Why? Because the YMCAs of the USA no longer have the same mission, the mission of serving youth and the underprivileged, the mission that qualified them for tax-exempt status in the first place. Their mission has become the same as many commercial health, racquet and sports clubs and that is selling membership and services to the more wealthy members of our society. A recent study

showed that the average member of a tax-exempt fitness center earns a salary that is just slightly less than the average member of a commercial health club in the U.S. (\$65,000 vs \$71,400 annually).

In a letter to me a couple of months ago, Roger Ralph stated that he has placed his focus on attempting to get the YMCA back on Mission. We would argue that the likelihood of that happening is slim. Why? Because of money. The Executive Director of the YMCAs of the USA earns a huge salary. More than the President of the United States! Many of the new-upscale-mega YMCAs pay General Managers almost double what commercial clubs operators pay. In some markets, YMCAs even pay aerobic instructors far more than the average. How can they do this and still

stay in business? The answer: They don't have to pay taxes and in most cases have no debt service because the YMCAs are built on donated capital.

The only way to get the YMCA to return to their original Mission of serving the underprivileged and youth is to convince the various levels of governments (Federal, State and Local) that YMCAs should pay taxes because they no longer have the Mission that gave them the no-tax status in the first place. We should all ask the simple question, "Since the YMCA no longer pursues the Mission that initially qualified them for tax exemptions, why should they continue to receive a Government mandated tax-exempt status?"

The Tennessee State Board of Equalization determined on May 28, 1999, that the de-facto mission of thirteen facilities operated by the YMCA of Middle Tennessee was to compete directly with private, taxpaying clubs. As a result, the Board recommended that all thirteen facilities should lose their tax exemption and be placed on the tax rolls. That was a landmark decision that should clearly show the YMCAs that their time is up.

The resolution of this issue is not going to come easy. Nor will it come overnight. This will be a marathon, not a sprint. If you want to join the fight, here is what you should do:

(1) Make copies of the full-page ad headed "Citizens of America!"

shown on the page #21 opposite to this article.

(2) Distribute copies of the ad to the following:

- (a) Local YMCA Board Members
- (b) Local City Council men and women.
- (c) State Legislators
- (d) U.S. Congressmen and women
- (e) All of your members.

(3) Post the ad on high-traffic bulletin boards throughout your club.

(4) Begin to make personal contacts with local YMCA Board Members, City Councilmen and women and U.S. Congressmen and women. Practice delivering your message clearly and briefly. The message we must all deliver in unison is summarized here:

"The YMCAs of the USA no longer perform the charitable Mission that originally qualified them for tax exemptions. So, we ask: 'Why should YMCAs continue to receive tax exempt status?' The answer is they should not. They should now be required to pay taxes because they are now commercial health clubs. We are asking you as a YMCA Board Member, City Councilman or woman, State Legislator or U.S. Congressman or woman (pick-one) to do the right thing and take away the YMCA's tax-exempt status. Tax the YMCAs of the USA."

Become relentless on this issue and we will prevail in changing this unfair policy and getting the right thing done!

is a different consumer market in a different product life cycle.

And the decision to stay in the UK and Europe only makes good business sense; there is no need to try and break into the US market when there is so much potential for growth in their own back yard! Regardless of where they are, Fitness First is redefining the standard for what is possible in growing a successful multi-country club chain. They are certainly a force to be reckoned with and will be an interesting case study to follow in the years ahead.

(Casey Conrad is the Founder and President of Communications Consultants, Inc., a Rhode Island-base club management consulting firm. Casey may be reached at: (800) 725-6147.)



TCA
Club Management
3611 North Kedzie Avenue
Chicago, Illinois 60618
Tel 773.463.1234
Fax 773.463.0999

January 14, 2000

Mr. Norm Cates
The Club Insider
P. O. Box 681241
Marietta, GA 30068-0021

Dear Norm,

Thank you so much for highlighting the Fair Competition issue. Roger Ralph's letter was extremely well reasoned and well written. (He didn't even mention that when a person or company donates to a charity, it costs the Federal Government up to 40% of the value of the donation.) I was disappointed in David Mercer's arrogant response.

The goal of a healthier America is noble. The need is greatest in the poorest communities. It's a shame that with the tax advantage given to the Y, coupled with their charitable mission, that they've chosen to focus on people who can afford to pay instead of those in need who can't. This problem is made even worse with some non-profit hospitals building Taj Mahal fitness centers in affluent neighborhoods. I'm sure this is not what our legislators had in mind when creating not-for-profit charities and their corresponding tax incentives.

We all grew up admiring the story of Robin Hood who robbed from the rich to give to the poor. The bandit "rogue" Y's and hospitals have found a way to turn this folk hero tale on its head by robbing the poor and giving to the rich, all the while wrapping themselves in a cloak of motherhood and apple pie. The American people have been whitewashed and those in need lose out, again.

Sincerely,

TCA

Steven L. Schwartz
President

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Casey Conrad

continued from page 16

recent annual "Momentum" all-staff weekend convention, Fitness First certainly fulfilled its commitment in the training area, bringing in 8 outside speakers and consultants for two days of uplifting and educationally packed seminars. In an industry that traditionally has not provided much training overall, this type of all staff training is impressive.

Asked if they have any plans to skip over the pond and get into the American market, both Balfour and Phillips simultaneously chime, "No." They note that although the barriers to site location and build-out in the US are much lower than in the UK, it

MAKE IT FUN!

CITIZENS OF AMERICA!

DID YOU KNOW THAT THE YMCA's OF AMERICA ARE NOT PAYING THEIR FAIR SHARE?

(1) Did you know that the YMCA's of America have \$3.1 billion in annual revenue?

(2) Did you know that even though the YMCA's of America want you to believe that they are a charitable organization, they provide financial assistance to less than 10% of their membership?

(3) Did you know that YMCA's do not pay ANY real estate taxes, personal property taxes, State Income Taxes or Federal Income Taxes?

(4) Did you know that a Tax-Exempt \$5-million YMCA enjoys a \$600,000 annual cost advantage over a taxpaying commercial health club that provides the same services?

(5) Don't you think it is about time that all YMCAs in the U.S. start sharing YOUR TAX BURDEN by paying their fair share of all of the above taxes?

REBEL TODAY!

Contact your local YMCA Board Members and inform them of this Travesty of tax justice! Contact your County and City commissioners and councilmen/women and tell them the TRUTH about this YMCA NO-TAX SHAM! Contact your State Legislators and demand that YMCA's be required by State Law to pay THEIR FAIR SHARE of State Taxes. And, finally, tell your Congressmen/women that YMCAs across America should begin to pay THEIR FAIR SHARE of income taxes just like all other commercial businesses in America must do!



Harford County Coalition for Fair Competition

*Tax Paying Businesses Working with Tax Exempt Organizations
To Build a Better Harford County*

FAIR COMPETITION CHART AN UNLEVEL PLAYING FIELD - WHY YMCA'S COMPETE UNFAIRLY WITH TAX PAYING HEALTH CLUBS*

	ANNUAL COST TO THE YMCA	ANNUAL COST TO HEALTH CLUBS	DIFFERENCE
LAND CARRYING COSTS Land valued at \$200,000 per acre; 5 acres (\$1,000,000, 15 yr. loan at 8% interest)	0	\$114,678	\$114,678
BUILDING MORTGAGE \$4,000,000 borrowed at 8% interest, 15 yrs. (Y receives 50% in contributions)	\$229,356	\$458,712	\$229,356
FURNISHINGS & EQUIPMENT \$400,000 borrowed at 9% interest, 5 yrs.	0	\$99,640	\$99,640
POSTAGE Non-profit sector receives a 33% discount and free distribution via schools and govt. agencies	\$6,600	\$10,000	\$3,400
PERSONAL PROPERTY TAXES (tax rate of \$3.65 per \$100 on \$400,000/ 40% assessed value)	0	\$12,000	\$12,000
REAL ESTATE TAXES (tax rate of \$3.65 per \$100 on \$5,000,000/ 40% assessed value)	0	\$73,000	\$73,000
STATE INCOME TAXES State tax rate of 7% on a profit of \$280,000	0	\$19,600	\$19,600
FEDERAL INCOME TAXES Federal tax rate of 22.25% on first \$100,000 and 39% on next \$100,000 - assumes \$280,000 annual profit.	0	\$92,250	\$92,250
TOTAL ANNUAL COMPARATIVE OPERATING COSTS	\$235,956	\$869,880	\$633,924

* Assumptions based on a \$5,000,000 health club project on five acres.

As a result of its tax exempt status a non-profit organization like the YMCA can charge 25-50% less to its members than a tax paying health club. In the example above, a tax paying health club with a membership of 2000 would have to charge \$26.00 more per membership per month than the Y simply to cover tax and debt service costs that Y's do not have.

Mastering The Emotional Connection In The Sales Process

By Karen D. Woodard, President
Premium Performance Training

"Emotions are the decisive factor at the end of the day." Jurgen Schremp — Daimler Chrysler

When you think about why most Prospects don't join the club on the first visit, most membership reps might believe they weren't qualified for one of the following reasons:

- *lack of motivation
- *the prospect was not the true decision maker
- *the prospect couldn't figure out how to make an exercise program work in his schedule
- *he wasn't financially qualified
- *he had to get in shape before he joined the club (ever hear that one!?)
- *a myriad of other reasons which may be valid or invalid.

Indeed, some of these reasons may be the cause of the prospect not joining. On the other hand, all of the previous reasons are entirely external reasons which would indicate that the entire reason the prospect didn't become a Member appear to have nothing to do with the membership rep.

There is however another side to this picture — the internal aspect that offers five major reasons prospects don't buy on the first visit. They are:

- *poor preparation on our part
- *we don't ask the right questions
- *we don't create and sustain trust
- *we don't create value
- *we present the buying question too soon.

What this article will focus on is not about technique, but the simplicity of complimenting your good, professional sales skills with creating trust to create an emotional connection that inspires the prospect to want to join today. The goals in creating emotional connection are a quicker buying process (increasing the first time close ratio), trust (the prospective Member's trust us to do what is in his best interest and we trust that he is telling us the truth), keeping the new Member as a long-term Member and of course, creating a referral stream. As you read on, please keep this thought in mind:

You can earn a commission using a sales technique but you can earn a fortune building relationships and touching the emotion. What makes prospective Members not trust us? The following are called "Trust Busters":

*Preconceived notions with the prospect about our industry as well

as sales people in general

*Preconceived notions on our part about the prospect

*our appearance — if we are dressed unprofessionally, stereotypically for our industry, we're totally buffed out, etc..

*Our demeanor — our vocabulary if it is too technical, if it is internal club lingo, if it is abrasive or negative, using phrases such as "to be honest with you" (indicates that up until that point you haven't been), keeping prospects waiting, not following through on what you say you're going to do, faking answers you don't know.

*"Needing" to make a sale versus simply wanting to get the prospect involved in the best program. The neediness usually results from inconsistent work habits such as lack of time spent on improving sales skills and/or not doing enough consistent prospecting. At the end of the month, we usually find ourselves feeling needy or jones-ing for a sale.

Selling styles can also be "trust-busters". Below on the left are three trust-busting sales styles with more trust building sales styles on the right. Review them and see where your sales style exists.

TRUST BUSTING

Focus on Closing

This style disregards any rapport building, needs assessment, qualifying or customization and prefers to go directly on tour and put a lot of energy into the tail end with the close. Feels very hard sell.

Pitch Products

Becomes very canned and focuses primarily of features. Often irrelevant to the buyer. Have a fast answer for everything.

Overcome Objections

Doesn't give the prospect a chance to express emotions or real concerns. Can become adversarial. Often uses old closing "techniques."

Clearly, to build trust and create a stronger emotional connection, our sales styles need to be on the "right" side. If your club's style or your personal style is on the left, it doesn't mean that it doesn't work. It does mean that you are appealing to a smaller and smaller population. Why limit yourself? Now that we have identified what will bust the trust, let's focus on "trust-musts"

that create the emotional connection. Trust-musts include:

- *Listening to understand; not to reply.
- *Analyzing needs to avoid forcing a fit.
- *Maintaining warm, focused eye contact.
- *Showing respect for the prospect.
- *Talking to them on their level.
- *Repeating points that are important to them without sounding technique or like a parrot.
- *Having true passion for what you do.
- *Maintaining composure at all times especially when they express concerns/objections.
- *Offering guarantees that you can support as in satisfaction guarantees, program guarantees, pricing, etc.. (Pricing guarantees include: "We guarantee that all members pay the same price — there will not be a "special" price at a later time" or "we guarantee your membership rate for one full year". Do not guarantee prices for a lifetime.) What other guarantees could you offer? When you offer a guarantee, put it in certificate form as in a warranty. By doing so, it states your confidence and creates more

TRUST BUILDING

Focus on Building Rapport

By focusing on the front end with more rapport, needs assessment, qualifying and customization the focus becomes more needs and solution based. Feels genuine to the buyer.

Listen and Learn

Allows you to zero in on the most important features your buyer wants most. Customized.

Resolve Concerns

Invites the buyer to open up. Your response becomes more investigative or consulting simply responding with an answer i.e. "Can you tell me more about that?" Tendency here is to reach a natural conclusion and mutual commitment that joining is the right fit for them.

credibility which produces more comfort for the buyer.

Now that we have removed trust-busters and checked our trust-musts, we're on the way to creating the emotional connection in our selling process. The following tips will get you there when you add them to your process:

1. Know the prospect's true motivation (not just their in-

terests and needs) and continue to use it throughout the tour to build desire. For example, when your prospect tells you what her goals are, your next question would be: "Ms. Prospect, it sounds as though you're very clear with your goals. What's your motivation for getting there?". Remember, when you use her motivation versus yours, it's always more effective.

2. Use "feeling" questions throughout your introduction and club presentation. An example would be: "Tell me what it's like for you when you feel your absolute best?"

Do you feel that way now or when was the last time you felt that way?" Look and listen for both the verbal and non-verbal responses.

3. Help her to visualize



Karen Woodard

her results and being a part of the club. Paint her into the picture. When you create visuals for people, as in reaching her goals, use short (See Woodard page 23)

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- 20 Ways to Close More Sales Now (audio)
- Turning Calls Into Appointments (audio)
- Club Owners & Managers: 20 Tools to Build Your Club's Success (audio)
- Flash Pack for Success

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YMCA Loses Another One Tax Officials Increasingly Receptive To Message Of Taxpaying Health Clubs

Boston, MA. - YMCAs across the country may no longer be able to rely on the assumption that their fitness centers automatically qualify for tax exemption.

The Pittsburgh Post-Gazette has reported that the Allegheny County Board of Property Assessment denied an application recently for tax exemption by The Downtown YMCA in Pittsburgh. The Y could wind up having to pay city, county and school district taxes unless it successfully challenges that ruling.

The Downtown YMCA's land and building was assessed at \$1.8 million. In lieu of taxes, it has made payments for the last decade equivalent to 40 percent of what its assessment would have required. Early speculation is that the rejection of its application for tax-exempt status could now result in an annual tax liability as high as \$107,000. The property board's decision is retroactive to 1999, so the YMCA could wind up paying as much as \$214,000 in taxes to cover 1999 and 2000. The ruling also would apply to city and county taxes.

"People now realize that many Ys, although they may run charitable programs, also operate businesses that are aggressively commercial," said Helen Durkin, Director of Public Policy for IHRSA, the International Health, Racquet and Sportsclub Association. "If a non-profit acts just like a business, it should pay taxes just like a business."

The startling decision in Pittsburgh echoes the growing sen-

timents of public officials in other parts of the country. Emboldened by a recent State Supreme Court decision, city officials in Milwaukee issued tax notices in late October to three area YMCAs. And in Tennessee on May 28th, a staff attorney for the State Board of Equalization determined that the de-facto mission of thirteen facilities operated by the YMCA of Middle Tennessee was to compete directly with private, taxpaying clubs. As a result, the attorney recommended that all thirteen facilities should lose their tax exemption. An appeal is still pending in that Tennessee case.

"Selling fitness services to adults is a commercial activity," said Durkin. "Many YMCAs are in this business to make money, so it's no surprise their health clubs look more like us every day - same equipment, same customers."

Even the IRS has taken notice. Last fall, in response to the "increasing commercial character" of tax-exempt health clubs, the agency published new language in the "The Exempt Organizations Continuing Professional Education Text" (CPE), a document the IRS issues to field agents. YMCA fitness centers have always depended on an extremely broad interpretation of federal tax laws, but the new CPE urges closer scrutiny in several areas:

* It isn't enough for a Y to say its health club is available to the entire community. The facility must demonstrate that economically disadvantaged people actually use it.

* "Health promotion" al-

most never is an acceptable rationale for tax exemption. While physical rehabilitation in a medically supervised setting may qualify, generally promoting good health through exercise does not.

* The "fragmentation rule" applies when a Y is being scrutinized for tax liability. YMCA fitness centers can be analyzed separately to determine whether they generate business income that is unrelated to a truly charitable mission. Also, each health club activity can be further fragmented to see if imposition of Unrelated Business Income Tax is appropriate.

* The burden is on a YMCA to establish that "in light of all the facts surrounding its operations," the activities in its health clubs further an exempt rather than a commercial purpose.

Health clubs hailed the Pittsburgh decision as a precedent that will reverberate in other communities across the country. Said Durkin, "Historically this has been a tough issue for taxpaying clubs, because the public is loathe to accept the fact that some charities have interests that are blatantly mercantile. We're very encouraged that folks are starting to understand this as a straightforward tax issue."

More details on the Pittsburgh case, as reported by the Pittsburgh Post-Gazette, are available at <http://www.post-gazette.com:80/regionstate/20000126YMCA4.asp>. If the link becomes unavailable, contact newsfish@fwi.net for the text file.

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experience of their existing members."

IHRSA Executive Director John McCarthy said, "We are very excited about strategic partnerships with companies like FitForAll.com. The internet is a tremendous opportunity to motivate consumers to exercise and web sites like FitForAll.com are providing the tools to help people stick to their fitness programs even when they are away from the club. Consumer initiatives like this will help us reach our goal of 100 Million club members by 2010!"

FitForAll.com provides an interactive portal for personalized health and fitness training, including exercise, weight management, nutrition and mind/body regimens. In addition to its partnership with IHRSA, FitForAll.com has established exclu-

...Woodard continued from page 22

time frames such as one to three months. Avoid "twelve months down the road..." — for most people, it's too far away. Visuals help the buyer to see her success and when we see it, we believe it.

4. Genuinely agree with her when appropriate — this does not mean on every point. To do this means we've got to be listening, which means they, not you, are speaking.

5. Build excitement by building urgency based on her personal motivation, programs and promotions throughout the tour. Building urgency, to build trust and build emotions needs to happen throughout the tour. If we simply do it at the end with promotions/price, it tends to build pressure.

6. To create a stronger bond and more immediate feeling of belonging, introduce the prospect to staff and Members who are relevant to her needs and the activities she might be involved in. For example, if your prospect is focused on getting leaner and stronger and the spin program is an

sive alliances with the American Council on Exercise and the Women's Sports Foundation.

According to Ken Germano, Executive Director of ACE, "Our organization is always looking for innovative ways to mass-market our healthful lifestyle message. Our partnership with FitForAll.com helps broaden our reach to certified fitness professionals and gives them a new tool for encouraging clients to maintain their workout schedules."

About FitForAll.com

FitForAll.com (www.fitforall.com), founded in 1999, is an online resource committed to shaping the future of fitness. Dedicated to giving consumers the information and resources necessary to maintain health and fitness, FitForAll.com pro-

(See *FitForAll.com* page 24)

option for her, introduce her to the spin director. By doing so, the Spin Director will certainly welcome your prospect and get her excited about the program. Try to introduce her to three other people on the tour who make sense and who will create that connection.

7. Have a genuine interest in your prospect's success in achieving her health and fitness goals. What we and they eventually find out when we are only looking for our own immediate gratification i.e. commission, is that success is short lived. When you have a hand in someone else's success, it's that connection, that bond that can last a lifetime.

Certainly, there are many ways to sell a membership and to get referral business from that Member. My recommendation is to choose the style that provides the least resistance and the highest return which is typically based on the professional sales skills of preparation, professional questioning, creating value, building rapport, building trust, creating emotional connection and of course, asking for the sale. Examine your style for these qualities that will assist you in your success of mastering the goals of emotional connection.

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FitnessMX.com To Provide Procurement Solutions

BETHESDA, MD - Health and fitness related facilities have entered a new arena of real-time e-procurement and interaction with the emergence of FitnessMX.com, a fully integrated business-to-business ("B2B") e-market exchange. The FitnessMX.com portal will become the premiere one-stop procurement and community destination place for buyers, suppliers, and professionals within the health and fitness industry. FitnessMX.com will offer significant financial and time savings to both buyers and suppliers through reduced order processing costs and a true market exchange mechanism designed specifically for the purchasing and communication needs of the health and fitness industry.

FitnessMX.com will provide a best-of-breed platform dedicated to streamlining and increasing procurement solutions for a \$10 billion + industry that has yet to enjoy a viable integrated online platform. The company is utilizing a strategy based on key rela-

tionships established by FitnessMX.com's seasoned Board of Advisors, consisting of top fitness industry executives, including five former Presidents of the International Health and Racquet Sports Association (IHRSA), and other leading online and technology experts. Fitness-related facilities will now be linked for real-time interaction, establishing both commerce and community aspects integral for successful vertical B2B portals. The Company is scheduled to pre-launch in conjunction with a select group of facilities in Summer 2000.

"Many first generation vertical B2B sites adopted a 'push' approach for speed to market", Co-founder Avi Adler said. "They first built their model and then approached their respective target industry to sell their offering. The health and fitness industry has told us they need more than that. As a result, we have been working closely with industry leaders to col-

laborate and custom design a solution capable of meeting an organization's procurement and communication needs, ultimately creating a more efficient process that generates significant time and financial savings for both buyers and suppliers."

"Today's health and fitness industry is more sophisticated than ever. However it is currently too fragmented to realize any considerable efficiency," Co-founder Richard G. Warren said. "With over 15,000 health clubs in the U.S. alone, until now there has been no viable, established online communication platform for industry leaders and participants to interact. FitnessMX.com will utilize its total-scope approach to create a streamlined time, financial, and labor-saving arena for the industry."

FitnessMX.com has assembled industry-leading professionals for strategic advice, business leadership, and industry specific guidance. Members include:

Health and Fitness Industry BOA members:

*Dr. Gerald W. Faust (President, Faust Management Corporation)

*Jim Gerber (President, Western Athletic Clubs, Inc.)

*Rob Goldman (Executive Director, Columbia Association)

*Larry Krieger (President, The WellBridge Company, a Division of Club Sports International (CSI))

*Frank Napolitano (Vice President Programs, Town Sports International (TSI))

*Roger Ralph (President, Bel Air Athletic Club)

*Mitchel A. Wald (Independent Consultant and former President/COO, Sport & Health Company)

*Dave Bradshaw (General Manager, Bel Air Athletic Club, 1999 IHRSA Club Manager of the Year)

Internet Industry/Other BOA members:

*Marty Conway (Director of Operations - AOL Brand, America Online, Inc.)

*Rick Foster (President & COO, CyberCFO)

*Thomas W. Murray (Vice President, Technical Sales & Services, Side Ware Systems)

*Andrew J. Sherman, Esq. (Capital Partner, Katten Muchin Zavis)

*Pete Stein (Vice President Strat-

egy, IXL Consulting)

FitnessMX.com provides both independent and multi-facility health and fitness organizations the ability to cost-effectively streamline their procurement process resulting in reduced transaction and personnel costs as well as increased intra-facility communication and workflow. Additionally, FitnessMX.com offers a variety of communication and management e-tools as value-added benefits for all users.

There is no cost for buyers or suppliers to participate in FitnessMX.com. Suppliers only pay transaction fees upon the completion of a sale. "We are always looking for ways to reach new customers, provide better service to our existing customers, and streamline our sales and marketing process" said Steve Brennan, Director of North and South American Sales for STARTRAC. "FitnessMX.com seems to offer suppliers all of these opportunities and more. STARTRAC considers itself a cutting edge company and is excited about taking part in FitnessMX.com to help the industry use technology and the Internet to create value for all participants."

Combining business with community, FitnessMX.com provides a total-scope destination for all industry participants. Citing explosive growth in the fitness industry and the B2B Web-enabled domain, FitnessMX.com has been developed to exclusively serve the needs of tens of thousands of existing health clubs and athletic/fitness related facilities globally.

About FitnessMX.com

Founded in November 1999, FitnessMX.com is the premier integrated vertical market for the health and fitness industry. FitnessMX.com offers a true vertical portal for industry buyers and suppliers featuring one-stop shopping, for towels to treadmills, and industry services. Key features of FitnessMX.com include:

*Buyer "request a bid" from a single or multiple suppliers

*Buyer e-procurement capability

*Supplier to buyer auctions

*Value-added interactive e-tools for all participants

*Customized online interface for each organization and its users

*Special industry events and expert led forums

*Real-time CRM customer service

Co-Founders Avi Adler and Richard G. Warren bring a combined 25 years interactive business, health industry, and sports marketing experience to FitnessMX.com. Mr. Adler previously founded 2AI (Double A Sports and Interactive, Inc.), a marketing, event management and online consulting company. Mr. Adler also co-founded and served as Vice President, Business Development, for MarkSport, Inc., which owns and operates three AOL and World Wide Web content and e-commerce sites. Mr. Adler holds an MBA from the University of Maryland, College Park and an undergraduate degree in economics from Vassar College, Poughkeepsie, NY.

Mr. Warren holds a marketing degree from Vermont's Castleton State College and previously served as President and CEO of Monument Communications, Inc., an online marketing company which specialized in the development of e-commerce programs and cutting-edge distribution channels and e-commerce programs for America Online, Inc. and other AOL content partner companies, respectively. Mr. Warren also served for six years as Director of Arena Sports Marketing for Centre Group, Ltd. (now Washington Sports), owners of MCI Center, home to, among others, the NBA Washington Wizards and the NHL Washington Capitals.

For more information or to learn how you can become a part of FitnessMX.com, contact: Press and Investor Inquiries to: Richard G. Warren, FitnessMX.com, 209 Caledonia Street, Sausalito, CA 94965, 415-331-8615, rwarren@fitnessmx.com

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awareness of the benefits of exercise and membership in IHRSA clubs.

About ACE

The American Council on Exercise (ACE) is a nonprofit organization dedicated to promoting the benefits of physical activity and protecting consumers against unsafe and ineffective fitness products and instruction. As the nation's "workout watchdog," ACE conducts university-based research and testing that targets fitness products and trends. ACE sets standards for fitness professionals and is the world's largest nonprofit fitness certifying organization.

About IHRSA

The International Health, Racquet & Sportsclub Association, founded in 1981, is a nonprofit trade association serving owners, managers, suppliers and developers in the health and sports club industry through education, research and advocacy. Boston-based IHRSA, which represents more than 5,000 clubs and over 400 suppliers internationally, has expanded its leadership role in the fitness industry through consumer promotions and educational outreach to heighten both

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vides an interactive community where people can take an active role in their own personal fitness and well-being. Through its personalized exercise and nutrition programs and articles from leading health and fitness experts, live coaching and chat sessions with certified fitness professionals and online purchasing access to leading sporting goods retailers, FitForAll.com is the consumer's customized connection to fitness and total well-being.

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who noted that in 1998, the YMCA took in over \$3.2 billion in revenue.

IHRSA has long maintained that building health clubs and selling memberships to affluent adults is not a charitable activity.

"Selling fitness services to adults is a commercial activity, and many nonprofits make the conscious choice to go into business," Durkin said.

The recommendations can be viewed on-line in the government relations section of www.ihrsa.org.

MARYLAND CLUBS ASK RIGHT QUESTIONS

"Don't we have some debts to pay?" asked Eric Easton, operator of Gold's Gym in Hagerstown, Maryland.

"Aren't there other places where the money is more needed right now?"

These are some of the key questions that Easton and other area club operators posed to the Washington County Commissioners on February 22. The commissioners are considering giving \$750,000 to the Hagerstown YMCA.

Easton, spokesperson for the newly created Small Businesses Together for the Community, an organization of area health clubs and child care centers, tried to convince the Commissioners that it would be unwise and unfair to give money to fund the Y's new \$8.8 million facility. He asked whether the \$750,000 in question was just lying around, unneeded and unused.

Commissioner William Wivell agrees. He can't believe that the County is even considering donating money to the Y. "To consider something that is a nonnecessity... is really amazing," Wivell said. "There is this perception that we have \$750,000 just sitting there. We don't... We have to learn to say no."

Commissioner Bert Iseminger, a member of the Y Board of Directors, spoke in the Y's defense. "The 'Y' focuses on families and youth," he said. Iseminger sees the Y as complementing — not competing with — gyms and child care centers.

Easton's club also offers programs for children and families. "I think we're addressing more needs of the community than most people realize," he said.

Although not formally approved, the money is included in the County's six-year capital improvement program. According to Commissioner President Gregory Snook, there will be a vote on the Y funding in the next few months.

Even if Maryland club operators can't stop the County from funding this particular Y, they are educating local

decision makers by asking all the right questions. In doing so, they are improving their chances for future victories.

MONTANA CLUBS DEFEAT REC CENTER

An important Montana victory missed our headlines last fall. Ron Muri, owner of Billings Athletic Club, led an effort that defeated a \$4.5 million park & rec fitness center in November.

Key to the victory was the fact that a \$1.7 million package of parks improvements and bike trail construction was a separate measure on the ballot. Voters approved the money for parks and trails, but soundly rejected the fitness facility.

According to Muri, voters rejected the center because it was "too large in scope. It was a little too much for the voters to swallow."

The health club coalition ran radio, newspaper and television ads in opposition to the center. "If we didn't mobilize," said Muri, "the rec center would have passed. No doubt about it."

As originally drafted, both issues were to appear on the ballot together as a \$6.25 million bond, but city officials ultimately decided to separate them to comply with state laws requiring that issues on a general obligation bond be "singular in nature."

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NEWS

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..Joe Moore

continued from page 3

ing for the project. Moore's lawsuit was filed on the grounds of alleged unfair competition and deceptive business practices by the hospital.

The parties to the Vizzari suit provided the Court with an agreed statement of facts and a number of joint Exhibits. Included in the evidence package was the result of an extensive market survey commissioned by the hospital that utilized numerous comparisons to Moore's Fitness and the proposed new hospital club and evidence of the hospital's plan to try to lure away Moore's members. Hospital documents conclude, "Past research suggests that even the very satisfied member can be lured away from their clubs with the right combination of price, programs and personal service...This AT&T tactic is not yet common in health clubs.... We need something that will make us stand out from the Y or any of the Moore's programs." The documents stand in stark contrast to what the hospital's spokesman told the Springfield Planning Commission on July 7, 1997 when he said the HealthPlex would not compete with local health clubs or swimming pools. Moore's facility is directly across the street from the site where the hospital has to date spent over \$2.5 million to buy the land, dig foundations and install footers on the 24-acre site. Vizzari's case was heard without trial on January 12 and 13, 2000. Moore's case is still in the discovery phase.

In the trial without jury, Judge Robert M. Brown found in favor of the Plaintiff, Luigi Vizzari and on February 10, 2000 issued a Court decree stipulating a permanent injunction against the construction of the 80,000 square-foot hospital health club on that site.

In addition to stopping the construction of the hospital health club outright, the ruling by Judge Brown in favor of Vizzari may enable Moore to avoid spending additional costly legal fees and time and work pursuing the lawsuit. To date, Moore has invested \$25,000 in legal fees. That included a \$10,000 contribution to the cause from the IHRSA Fund. However, it has not been determined as to whether the hospital will appeal the Vizzari decision. If the hospital appeals, the case will undoubtedly sit awhile before being heard; in which case, Moore will continue with his legal efforts. If the case is not appealed, then it will be over for that location and all of Joe Moore's work and money will have been well invested, even though he did not have to go to trial. Moore gathered a lot of information in his

case that has proved to be helpful to Vizzari's case. That makes Joe's and IHRSA's investment totally worthwhile.

IHRSA played a significant role in helping Joe Moore and his Regional Manager, Ron Byrd, pursue their case. Moore comments, "I contacted Jay Ablondi of IHRSA and he provided us with a large number of the brochures entitled: 'Preserve The Mission', which Ron Byrd, our V.P. and Regional Director, had distributed door-to-door throughout the surrounding community. The neighbors were terribly angry, but they had ammunition. They had memorized that brochure. It was one of the greatest hearings you can imagine. Additionally, IHRSA's \$10,000 contribution helped us a great deal with the legal bills and we appreciate IHRSA and The FUND and encourage others to join."

Judge Brown's Ruling On Vizzari's Hospital Zoning Case

Judge Brown's written ruling was strong in language, but the possibility of an appeal by Community Hospital still exists. Here is the ruling:

FINDINGS OF FACT

The Court finds that the Plaintiffs have established by clear and convincing evidence the following facts:

* The Plaintiffs are property owners in and the developers of a plat, known as Olympic Hills, located in the City of Springfield, Ohio.

* The Defendant, The Community Hospital of Springfield and Clark County, Ohio is an Ohio corporation organized not for profit.

* The Defendant City of Springfield, Ohio, is a municipal corporation.

* The Defendant, City, has adopted a zoning code, parts of which are set forth in the Agreed Statement of facts and are therefore not presented here.

* The Defendant, Hospital, acquired title to 2 contiguous parcels of real property, Parcel A, consisting of 3.887 acres, and Parcel B, consisting of 19.998 acres, contiguous to Olympic Hills.

* At the time of acquisition and to the present time, Parcel A is zoned R-3 Apartment Residence, and Parcel B is zoned R-1B Single Family Residence.

* On two separate occasions, prior to 1999, The Defendant, Hospital, started proceedings to re-zone both parcels to a commercial zoning classification, but abandoned both efforts.

* Ultimately the Defendant, Hospital, submitted plans to the Defendant, City, seeking a zoning certificate approving construc-

tion of a single building extending on both Parcel A and Parcel B: the portion on Parcel A to be used primarily for doctors' offices and related activities, and the much larger portion on Parcel B to contain two swimming pools, massage and physical therapy activities, a pro shop, food vending facility and child care facilities; the line of demarcation between the primarily medical uses and the remaining uses is at the line separating the two zoning classifications.

* The stated purpose of the entire development is to provide medical services, therapeutic and recreational facilities to the community for all persons 16 years of age or older for a membership fee.

* While the Defendant, Hospital, is an Ohio corporation not for profit and has received an income tax exemption pursuant to Sec. 501 (C) (3) of the Internal Revenue Code, however the Defendant, Hospital, intends to operate this facility at a profit, albeit to fund this Defendant's other charitable functions.

* The Defendant, City, issued the prerequisite zoning and building permits for the project and the Defendant, Hospital, caused quite a bit of site improvements to be made and constructed at least part of the foundations then stopped when this action was commenced.

CONCLUSIONS OF LAW

1. Zoning regulations, because they are in derogation of the common law must be strictly construed against those seeking to restrict the use of real property. Saunders v. Clark Cty. Zoning Dept. (1981), 66 Ohio St. 2d 259.

2. The zoning administrator's interpretation of the zoning code should be given deference by the courts. Frankinton Coalition v Open Shelter, Inc. (1983), 13 Ohio App.3d299.

3. If the language of the zoning code is clear and unambiguous, there is no need for the courts to apply rules of statutory interpretation. Symmes Township Board of Trustees v Smyth (2000), 87 Ohio St. 3d549.

4. Neither the zoning administrator nor the courts may enlarge, modify or extend the provisions of zoning regulations which are unambiguous and the meaning clear and plain. Burroughs v. Indus. Comm. (1997), 78 Ohio St.3d78; Vought Industries, Inc. v Tracy (1995) 72 Ohio St.3d261.

5. While R.C.1.42 and R.C.1.49 are directed to the interpretation of statutes, these two Sections are instructive to courts interpreting local regulations. McHugh v Bozorgi (1982) WL 3679 (Ohio app.2Dist), unre-

ported.

DISCUSSION

Section 1115.04 Springfield Code of Ordinances provides in part: "A building or lot in an R-1A District shall be used only for the following purposes...(D) Public and private nonprofit parks, playgrounds, recreational and community center buildings..." This language is clear and unambiguous. It is the use that must be non-profit. Had the Defendant, City's legislative body intended it to be as asserted by the Defendants, it would

have been very simple to provide the operation was to be by an entity operated not for profit.

The phrase "recreational and community center buildings" is neither clear nor unambiguous. Applying the above stated rules of construction to language found to be less than specific, this proposed operation bears little resemblance to any dictionary definition of those terms and stretches credulity to in any way believe such an operation was within the intention of the persons drafting and enacting this legislation. The renting of office space to physicians, providing therapeutic services, massages, whirlpools, swimming pools, child care, pro shop, etc. speaks loudly of a business operation. Even the Defendant, Hospital, at least at one point, was concerned enough about this to attempt to appease a commercial health spa. The only thing that distinguishes this proposed operation from a commercial healthclub is the adjoining provision for medical offices, and this does not diminish the overall commercial concept presented in the case sub justice.

While this Court cannot accept nor agree to the interpretation of "lots" as set forth in paragraph numbered 9 of his affidavit (Ext.46) neither is the Court convinced of the validity of the Plaintiffs' argument on this point. Suffice it to say that the failure to provide a 50' set back from the zoning demarcation separating the 3.887 acres from the 19.998 acre tract does not provide any foundation for this decision.

The Plaintiffs' contention that the Zoning Technician wrongfully concluded that the proposed structure did have "the exterior appearance of a residential structure" is without merit. The application of that standard is, in last analysis, a judgment call, a matter involving some discretion. It matters not that this Court may not have reached the same conclusion. The Court is not permitted to substitute its discretion in the matter.



Ron Byrd, Moore's Fitness V.P. & Regional Director

Similarly the argument of the Plaintiffs that the pro shop, food vending and child care portions of the proposed facility are prohibited "accessory uses" in this zoning classification must also fail. This zoning classification permits, inter alia, golf courses, country clubs, etc.,. This Court is aware of no golf course or country club that does not provide a pro shop and often times very elaborate dining facilities. Certainly those were within the contemplation of those who drafted and enacted this code.

The operation of a venture such as this proposed healthplex at a profit by a corporation not for profit, the proceeds from which would be used to further its endeavor is not per se offensive but even good motives cannot be cause to violate the integrity of zoning regulations. The end does not justify the means.

IT IS THEREFORE THE JUDGMENT OF THIS COURT that the healthplex as proposed on the real property with the zoning classification as presented in this action be declared to not be a permitted use.

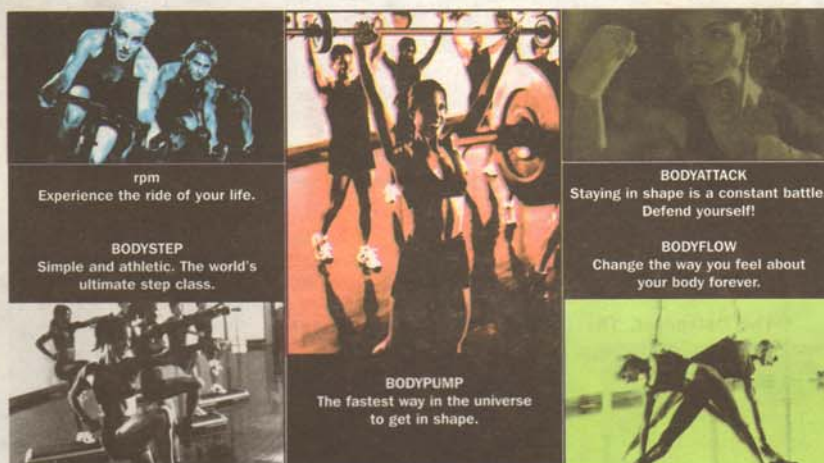
IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Defendant, The Community Hospital of Springfield and Clark County, Ohio, be, and the same is hereby permanently enjoined from constructing as herein presented on the real property under the zoning classifications as presented herein.

IT IS FURTHER ORDERED AND ADJUDGED that the costs of this proceeding be paid by the Defendants in equal parts.

Finally, IT IS ORDERED that copies of this Decision, Judgment Entry and Decree shall be served by ordinary mail upon all counsel of record.

SO ORDERED
ROBERT M. BROWN,
Judge by Assignment

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