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THE Club Insider

NEWS

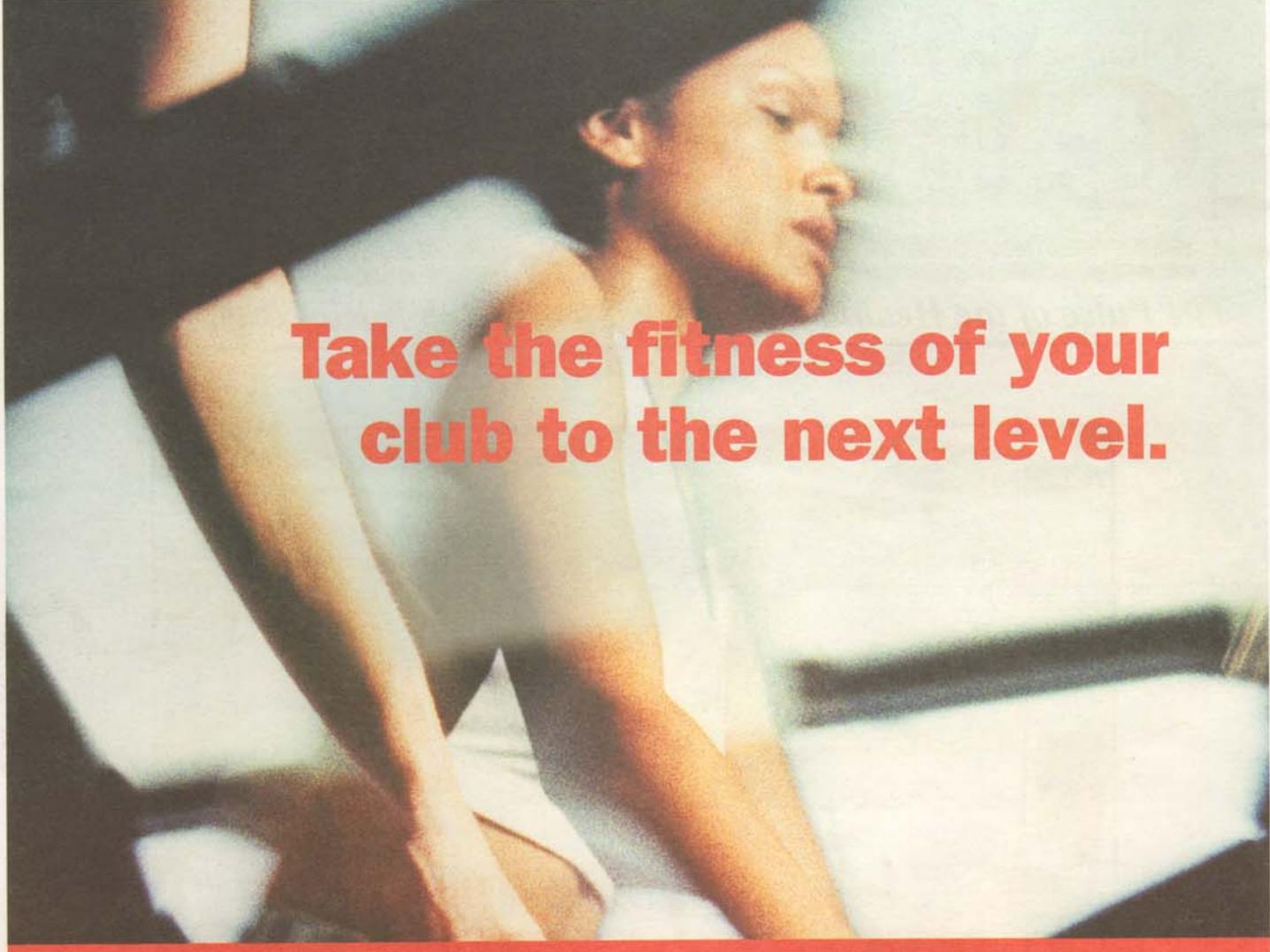
The Pulse of the Health, Racquet & Sports Club Business Worldwide

JUNE 2004
VOLUME 11 NUMBER 6



Julie Main

IHRSA'S New President



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Norm Cates' THE Club Insider NEWS

Julie Main

IHRSA's - New President

By: Norm Cates, Jr.

Julie Main is a very dedicated and determined person. Over a period of nearly 20 years, Julie has parlayed a bookkeeping job at the Santa Barbara Athletic Club into a role as General Manager of five locations and part-owner of three. Julie was also elected President of the International Health, Racquet and Sportsclub Association (IHRSA) this year and will begin her term on July 1, 2004. Julie Main's story is very inspiring, as she survived

breast cancer in 1993. From that survival experience, she founded the Cancer WellFit Program at the Santa Barbara A.C., a program that now helps over 200 cancer survivors each year to rehabilitate themselves through special therapy and exercise. In 2000, Julie was elected to serve on the IHRSA Board of Directors. Remarkably, she had been selected for this important industry role on her fourth application.

Santa Barbara is a city of 150,000 described by Dr.

Laura Schlessinger as "Heaven Without the Dying". Located about 100 miles north of Los Angeles, Santa Barbara sits right on the ocean with the mountains in view of the city.

It is our pleasure to provide this interview with Julie Main, new IHRSA President and General Manager of the Santa Barbara Athletic Club group.

An Interview With Julie Main

Q. Julie, where were you born and where did you grow up?

A. "I was born in Oakland, California and grew up here in Santa Barbara. It has been great. I've always had two places I call home, one in Oakland and one in Santa Barbara. My first club acquisition in which I became an owner was in Oakland. I went to high school in Santa Barbara and then I went to the University of California at Santa Barbara. I graduated in 1978 with a degree in Political Science with every intention of going to law school.

Q. What got in your way in regard to your plan to go to law



John McCarthy and Julie Main

school?

A. My Mother had a family-owned clothing business. And, I had met my future husband
(See Julie Main Page 6)

Gold's Gym International To Be Acquired By TRT Holdings Brockway Moran & Partners Signs Definitive Agreement to Sell Most Recognized Name in Fitness

Boca Raton, Florida—June 14, 2004 – Brockway Moran & Partners, Inc. a Florida-based private equity firm, announced today that it has signed a definitive agreement to sell Gold's Gym International, Inc. ("Gold's Gym") to a group led by TRT Holdings, Inc. ("TRT"), a privately-owned, diversified holding company whose assets include the Omni Hotel chain. The transaction is expected to close in late July 2004. Gold's Gym was advised by UBS Securities LLC and Harris

Williams & Co. Terms of the transaction were not disclosed.

Peter C. Brockway, Managing Partner of Brockway Moran & Partners stated, "Gold's Gym is truly an iconic brand in the health and fitness industry and has been a wonderful investment for our firm. Our ownership group, which includes Kirk and John Galiani and Ed Connors, who were instrumental in consummating our deal to acquire Gold's Gym in 1999, wishes TRT all the best with growing this great company. We

are appreciative of the superb job done by Gold's CEO, Gene LaMott, and his team who have presided over a tremendous expansion of the company."

"Brockway Moran & Partners has been an outstanding partner over the past five years, and Gold's Gym has prospered under their ownership," said Gene LaMott, President and CEO of Gold's Gym. "We are excited to enter the next stage of our growth and believe TRT will be a valuable partner that will help further the Gold's Gym brand and our presence worldwide. With their support, we plan to continue the expansion of our franchise and corporate store operations both domestically and abroad. Additionally, we look forward to growing our product licensing division, which has been very successful to date."

LaMott said that Gold's Gym International will retain its entire senior management team. "Our senior management team has been critical to the company's success. They will all play a key role in taking Gold's Gym International to the next level."

"Terrell Philen, CFO of

TRT stated, "We look forward to partnering with Gene and his management team to continue to build upon the success they have achieved. Gold's Gym presents a compelling opportunity as the pre-eminent brand within the growing and dynamic fitness industry."

Life Time Fitness Launches IPO

Where does a 900 pound gorilla sit? Anywhere he wants! The 900 pound health club industry gorilla, known as Life Time Fitness, has launched its long awaited Initial Public Offering (IPO). The Eden Prairie, Minnesota-based company filed its IPO with the Securities and Exchange Commission the week of June 7, 2004. Life Time Fitness, Inc. plans to sell 9.9 million shares at \$17 to \$19 a share on the New York Stock Exchange under the trade symbol: 'LTM'. The rapid evolution of Bahram Akradi's Life Time Fitness has the health club industry in a dither as club owners in virtually all major club markets attempt to prepare for and await the potential invasion of Life Time's 'big-box' creations. The prototype new Life Time Fitness 'big-boxes' are well, amazing. Well designed, well built, well equipped, well managed... well, simply amazingly competitive club products. Clearly Life Time Fitness has achieved 'Category Killer' status in the industry, and they are doing it with quality and value.

Insider The Insider

- "Insider Speaks" - Nasty - Nasty - Nasty
- ClubLife Magazine Launched!
- Oh My Aching Back!
- Are Your Club Managers-
Managing the Business?

“Insider Speaks”

‘Nasty-Nasty-Nasty!’

By: Norm Cates, Jr.

Last month in May's Norm's Notes I promised updates on several topics in this June "Insider Speaks" page. Before I get into those news updates, I first have a report on a nasty, nasty, nasty situation. After that I will provide updates on some of those situations mentioned in May, but I still lack information on a couple of items that were mentioned. So, here goes:

NASTY, NASTY, NASTY

The CLUB INSIDER News has been chronicling this industry's activities for 10 1/2 years now and never have we heard of or reported on such a nasty, nasty, nasty situation as the one involving Scott Theeringer and three (almost four) Gold's Gyms that he recently shut down in the Dallas/Forth Worth, Texas area. Scott Theeringer, the former owner of the five Dallas/Fort Worth, Texas area Gold's Gyms, has reportedly fled the DFW area and is now reported to be in California. I am sounding this **WARNING** to those in the health club industry on the West Coast because my sources tell me he is headed that way. He reportedly is seeking to hook up as a partner in an existing club operation.

Scott Theeringer, has

been described to me as 'very persuasive'. So, if he shows up in your town, watch out because this dude's alleged activities are mind boggling and include: 1) failing to pay \$879,000 in payroll taxes, 2) defaulting on a deal with ABC Financial and stiffing ABC Financial for in excess of \$500,000 on membership contracts that ABC had purchased and advanced funds on, and 3) hiring a gentleman, Tom Deimler, out of a Northeastern state and having the guy move his wife and two children to Texas at his own expense with the promise of reimbursement. Then over breakfast, after Deimler had only worked for a couple of months, Theeringer casually informed him that he was closing the club. Both Tom and his wife had left excellent club management positions to relocate to Texas. Not only did they give up two well-paying jobs, they didn't even recover their relocation expenses. I asked Tom Deimler why he had taken this job and he said he had been "promised more salary, by Theeringer, and part ownership of the Gold's Gym chain as well", obviously something that would be very attractive to many club professionals. On top of it all, Jeffrey Randall, principal of JLR & Associates, the executive search firm that placed Deimler, lost a bucket of money on the

deal too.

But, it looks like the one that will suffer the most is Bob Holland, Theeringer's former 50-50% partner in the three closed Gold's Gyms. We contacted Holland, a former food service equipment auctioneer, to hear what he had to say about it all. When asked, 'Where is Scott Theeringer?' Holland responded in a deep Texas drawl, "I don't have any idea where the rascal is now." He went on to explain that he was a 50-50% partner with Theeringer in the Gold's Gyms that had been closed in Garland, Carrollton and downtown Dallas. He said sadly, "The IRS says that because I was a 50-50% partner and Officer of the Corporation I will have to pay 50% of the \$879,000 in withholding taxes that were not paid. They said it does not matter that I was not involved in the operation, nor that I did not know about all of this." Holland also confirmed that the amount owed to the IRS was in the neighborhood of \$879,000 and that the amount lost by ABC Financial was in excess of \$500,000. We also confirmed the ABC Financial loss with Paul Schaller, ABC Financial President. Holland explained that now he was actively "trying to place the members" that were locked out when the gyms closed.

We've also learned that Theeringer's Mother, Roseanna, was the bookkeeper for the corporation and apparently had fled to California with her son Scott. Holland commented, "I did not like that woman and I tried to get rid of her right from the start." We asked Holland if a description of Theeringer as a person with "no concept of reality" was accurate. Holland said, "No, it could just have been a whole lot of things that happened, mounting up on him all at one time. But, he did know what he was doing."

Fit for Life Steps In

On a very positive note in this nasty situation in the Dallas/Fort Worth, Texas area, Robert and Pinkie Dyer, principals with Michael Scott Scudder of Fort Worth-based Fit For Life, have taken over the Ridgmar, Texas Gold's Gym without the

facility shutting down again. Last year, the Ridgmar and North Arlington Gold's Gyms were shut down by the Texas Revenue Department due to Theeringer's failure to pay state sales taxes. The Fit for Life group has indicated that they will honor contracts signed by former Gold's Gyms patrons, a costly decision but a wise one. Dyer commented to the Fort Worth Star-Telegram, "Typically, it's the consumer who gets really burned in these situations. I was determined not to let this facility go dark. That would be just another black eye on the fitness industry. It has enough (black eyes) already." The Star Telegram also reported and we confirmed with Dyer that the workers at the Ridgmar Gold's location had missed a paycheck due from Theeringer, but Dyer was able to pay them. Most of the employees at Ridgmar will stay with Fit for Life, according to Dyer. And, Dyer immediately sent maintenance crews to begin work, change signage and get the facility back into shape, since much maintenance and housekeeping had gone unattended in recent years. One member, returning after vacation, noted that the new, bright lights in the weight room are "going to take some time to get used to because it has been dark in there for awhile." Dyer has reached an agreement between Fit for Life and the landlords, Johnny and Charlie Stevens, to gain legal control of the 25,000 square-foot facility. Those landlords are indeed fortunate to have had people of the high caliber of Robert and Pinkie Dyer and Michael Scott Scudder's Fit for Life organization to step in without the gym shutting down again.

Last Month's News Items Updates

1. IHRSA's decision on the Royce Pulliam Gold's Gym Complaints- There is no news on this, but I do know that it should not be too much longer before the Association decides what, if anything, it intends to do. That decision should be a new benchmark for the Association because the truth is, IHRSA needs to move on with things I would characterize as "very important to its future and the future of the industry." But, nothing is more important than the decision that will be made on whether to "Enforce" or "Not Enforce" the IHRSA Standards and Code of Conduct. It is a sticky situation due to the expectations of many IHRSA Members that their Association's Standards and Code of Conduct should be enforced. But, it is important for all IHRSA club owners to realize that the IHRSA leaders must prevent the Association from being sued and damaged due to its efforts to enforce Standards and Code of Conduct. And, we extend our best wishes to the IHRSA Board of Directors and Executive Director, John McCarthy as they deal with this matter. STAY TUNED!

2. Bally Total Fitness

has been called onto the carpet by the Securities and Exchange Commission and a hostile move has been made by Liberation Investments controlled by Emanuel Pearlman, a 5.8% stake holder in Bally Total Fitness. I contacted Bally spokesperson, Jon Harris and I asked him to comment on the SEC investigation and the Liberation move. In respect to the SEC investigation Harris said, "The company announced that the Securities and Exchange Commission has commenced an investigation in connection with the company's recent restate-ment regarding the timing of recognition of prepaid dues. The company is coope-rating fully with the SEC on this matter and we will keep you posted. In respect to Liberation Invest-ments' recent move for corporate governance proposals, Harris said, "Of the four pro-positions put forth in the Liberation Investments effort, one was defeated at last year's annual meeting and one is already in this year's proxy statement. Last year a proposal to separate the office of Chairman and CEO did not even garner 20% of the vote and lost 15 million to 6 million. On the 18-month results since Paul Toback was named Bally Chairman, CEO and President, Harris said, "Paul Toback has emphasized that Bally Total (See Insider Speaks Page 16)

THE Club Insider[®]

NEWS

Established 1993
11 Years and Counting!

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•Norm's Notes•

•STEVE TRAPILLO suddenly passed away last month, reportedly from a heart attack. Steve was a partner in the 21st Century Family Fitness Center club group in the Boston area. Years ago Steve was an offensive lineman on the **Boston College Football Team** that pulled off the famous "Immaculate Reception" in that amazing game against the University of Miami. Steve is in the famous photo in which he is holding **Boston College** quarterback, **DOUG FLUTIE** in a bearhug while celebrating one of the most incredible plays in the history of college football. My sincere condolences to Steve's family, friends and club family, as I know he will be missed greatly. May Steve Trapilo Rest In Peace.

•JULIE MAIN is IHRSA's new President as of July 1, 2004 and I want to say CONGRATULATIONS JULIE! I also want to say THANKS and CONGRATULATIONS for a job well done to outgoing IHRSA President, **TOM BEHAN**. Not only is Tom one of the world's leading health, racquet and sportsclub entrepreneurs, he has

also somehow found the time to serve as IHRSA President for the past year and a half. Some people, especially those on the IHRSA Board of Directors, wonder just WHY I care so much about this Association. Let me tell you why. IHRSA represents the 'GUIDING LIGHT' for thousands of health, racquet and sportsclub business people, hundreds of whom are my personal friends. You all know who you are. And, in case you do not know me, since the mid-1970's and especially since 1980/81, when I was honored to be IHRSA's 1st President and a Co-founder of the Association, I have made a lot of friends in this great health club industry. And, I take my friendships seriously, in business and in my personal life. I want the best of everything for all of my friends. I am proud and happy to be able to say that IHRSA has literally "changed the health, racquet and sportclub world" with its educational opportunities for club operators, government relationship building and watchdog activities, conventions, trade shows, publications and the list goes on and on. To clarify for everyone,

let me say this. If IHRSA's great achievements, were weighed against any and all issues we've had at the Association over the past 24 years, the difference would be comparable to the weight of a mouse compared to an elephant. But, the intensity at which I go after IHRSA issues may give some the idea or impression that I am Anti-IHRSA. Honestly, that is far from the truth and if YOU have that impression, I beg to differ. Sure, I have been on IHRSA's case lately because of my strong beliefs about a specific Association matter, IHRSA's lack of enforcement of its Standards and Code of Conduct. But, that is because I DO care so much about all of my IHRSA and other club business friends out there. I don't want IHRSA to be anything less than the very best it can be. And, I actually realize that I must better balance my thinking, and I must keep much more focus on the great things about IHRSA and less about the very, very few bad things about IHRSA. But, rest assured. I will continue to take a stand for those IHRSA members that in my view are not having a fair shake and that have bona fide issues, such as this Standards and Code enforcement issue. I will not sell out on the IHRSA disenchanted, but I will also focus in the future on the great things IHRSA does for this industry worldwide. Be sure to read the terrific Cover-story on new IHRSA President, Julie Main. I hope it will motivate some of you IHRSA Members to apply to the IHRSA Board to become a Board member. And, if you have applied before, but were not selected, I hope Julie's article will help motivate you to take another shot at it and apply again. We need great club business people like **ED WILLIAMS**, **MIKE MOTTA**, **TONY deLEED**, **LLOYD GAINESBORO** and **CYRUS OSKOU** to step up and become involved in IHRSA's leadership. Call IHRSA at 800.228.4772 to join the Association or speak to a Board Member about application to the IHRSA Board of Directors.

•The brand-new Club Life Magazine will arrive at some clubs across America in July. Check out my article on page #18 of this issue to learn all about it. ClubLife Magazine is a new glossy magazine targeted to

health club members. Candidly, I am excited to see its arrival for a couple of reasons: the #1 reason is that the arrival of Club Life Magazine validates my 'dream.' My 'dream' is to create a new publication called "The CIN Consumer Edition." The #2 reason is I am sure this new publication can help your club business. I hope you read my article and will then contact **FRANK O'ROURKE** and support Club Life Magazine right away. And, I need your support as we have now Pre-enrolled 123,500 club members to receive our Consumer Edition when we roll it out! The action I need for you to take today to help us someday deliver our Consumer Edition is to please read our Consumer Edition ad on page #19, then complete the form and fax, mail, or email it back to us. Pre-enrollment carries no obligation or expense. You just become an early member of the Consumer Edition movement to 1 million members enrolled across North America.

•On page # 14 of this issue is another terrific article by **KAREN WOODARD**, President of Premium Performance Training, and we sincerely thank Karen for yet another contribution of her knowledge and experience. Unrelated, but located in the lower right hand corner of that page is a cartoon I first published in July of 1998, along with an article chronicling my battle with skin cancer. I think this cartoon says it all. But, very importantly, I want to ask you to impress upon your children the dangers of sun damage that they get when they are teenagers and how that damage may one day potentially cause them to have to fight skin cancer as I have. It is real folks. I've fought it and right now have this battle under control. But, it has not been easy and you need to educate yourself, your kids and your members of this ongoing danger.

•**JIM McPARTLAND** has resigned as President of Star Trac to pursue other health and fitness industry opportunities. **JAMES DOODY**, **Star Trac** CEO, has named **STEVEN NERO** to assume the Star Trac Presidency. Good luck Jim and Steven.

•Congratulations to **JOHN McCARTHY** and **IHRSA** (See Norm's Notes Page 19)



Norm Cates, Jr.

Thanks

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...Julie Main

continued from page 3

while I was in college. There weren't any law schools here in Santa Barbara. We decided to get married and stayed in Santa Barbara and I continued to work in my mom's clothing business after I graduated.

Q. Tell us about your family?

A. My husband, Michael, and I, celebrated our 25th Anniversary last year at the U.S. Open in New York. We have two daughters, Sarah, 21, and Alison, 15. Sarah is following her Mother's path. She will be graduating from the UCSB in December, with a degree in Political Science.

Club Insider- Well, I am stunned to hear that you have a 21 year-old daughter!

Julie- It's fitness Norm. It's all about fitness !

Club Insider- Well, one thing I learned a long time ago was to never ask a lady how old she is.....

Julie- You can ask Norm. I am 48.

Julie- I have a fun story for you. This year at IHRSA Las Vegas, my husband turned 50 the same week I was elected President of IHRSA. So, after the IHRSA Convention, Michael and I left the Las Vegas Hilton and went over to the Bellagio for a few days to celebrate his 50th birthday. We had a great time and the UCSB women's basketball team made the Sweet 16, so it was a great week !

Q. Julie please trace your path to the health club industry after graduating from college?

A. I worked in my Mother's clothing store right out of college. I got into the health club business when I was hired at the Santa Barbara Athletic Club in 1987 as the bookkeeper. I was hired by one of the principals of the company, Richard Berti, who was an accountant. He was my Mother's accountant, so he knew my bookkeeping skills. They needed a bookkeeper here, so he hired me for my business skills, nothing to do with the fitness business. I left for a short time when I had my second child, and then I came back on a very part-time basis. I would come in one day a week and the General Manager would have me do whatever she needed me to do. One week it might be making

collection phone calls. The next week it might be buying for the pro shop. Whatever needed to get done, I did it every Thursday for three years. When she decided to step down as General Manager back in 1991, in her letter of resignation, she recommended that they offer me the job. I came on as the General Manager here in 1991.

Q. You mentioned multiple clubs. Fill us in on that?

A. We have a very unique situation with our set up. When I came here as General Manager of SBAC, that same principal, Richard Berti, was an owner of another facility here in town, the Cathedral Oaks Athletic Club. After I worked here at SBAC for a couple of years, Richard asked if I would help out the Manager at Cathedral Oaks. I began my involvement in 1994 and was just helping out and things were starting to turn around and Richard mentioned to me that if I ever found a club for sale, we should look at buying it. I don't have any ownership at Santa Barbara Athletic Club or Cathedral Oaks, as the owners have kept their interest in those clubs for a long time and have no interest in selling. In 1996, I found this little club in the hills of Oakland, called the Hills Swim and Tennis Club. With the help of my General Partner, Gordon McKay, we put a partnership together, and purchased the Hills Swim and Tennis Club. That was my first ownership. Then, in 1998, we purchased Ojai Valley Athletic Club and in 2002, we purchased Avila Bay Athletic Club. I currently serve as the General Manager here at Santa Barbara Athletic Club and the oversight Manager for the four other facilities. I wear a lot of different hats. I am an employee here and at the Cathedral Oaks Athletic Club, and the General Partner of the Hills Swim and Tennis Club, the Ojai Valley Athletic Club and the Avila Bay Athletic Club. There are about 400 miles between my clubs, but I am very, very fortunate that all of my clubs right now have wonderful, wonderful General Managers in place. So, it makes my job easy. My Managers are: Charlotte Valentine, Cathedral Oaks Athletic Club; Ernesto Chamorro, The Hills Swim and Tennis; Nancy Prather, Ojai Valley Athletic Club; and Eric Benson, Avila Bay Athletic Club.

Q. How many members do you



(Bottom L to R) Laura Lewis, Julie Barker, Rocio Tapio, and Rich Davis
 (Top L to R) Laura Martancik, Diana Zapata, Julie Main, Lori Harris, Victoria Naus, and Eric Schmitz

have in all five clubs?

A. I'd say 10,000 to 11,000.

Q. When was the SBAC established and by whom?

A. It was established in 1978 by a group of investors who could not make a go of it. So, they asked Richard to come in and help them out. SBAC is now owned by a group of 30 individuals and about two-thirds of the group are doctors. They got involved in this business 26 years ago and it is interesting that this group had foresight that a lot of people are just now catching on to.

Club Insider- Yes, that is remarkable. But, I think it is even more remarkable that you and Richard have been able to keep that large group together for such a long time.

Julie- They are very pleased and that's why it's been easy for Gordon and I. Richard has taken more and more of a back seat role and has let Gordon and me put together the new deals. All of our investors are very willing and encouraging for us to acquire other clubs.

Q. Describe the Santa Barbara Athletic Club?

A. The club is 35,000 square-feet under roof. We have five squash courts and an active squash playing membership, which is very unusual on the West Coast. We have an outdoor pool. And, one of the things we have that makes us very unique is we have outdoor workout areas. We have our spinning room located outdoors under cover with a beautiful view of the mountains. (See page #8). We don't have

tennis courts, but our four other clubs all do. SBAC is an adult-based club while our four other clubs are family-based.

Q. Do you have any other staff members that work in multiple locations?

A. Yes, John Herzog, my Sales and Marketing Director, works in three locations and my Assistant, Laura Lewis, is the accounting person out at Cathedral Oaks. But, most of our employees stick to one location.

Q. How many total full-time and part-time employees do you have in all five clubs?

A. Approximately 100 full-time and 300 part-time.

Club Insider- That must be quite a challenge !

Julie- Yes, it is. But, one of the things I have here at Santa Barbara Athletic Club are GREAT department heads ! And, all of my department heads here have been here for a long time. I've been the Manager now for 13 years. My Group Fitness Director, Diana Zapata, has been here for 20 years; my Administrative Assistant, Laura Lewis, has been here 17 years; my Fitness Director, Eric Schmitz, and John Herzog, my Sales and Marketing Director have been here 13 years. We're just all long-term employees. It is those key department heads at SBAC that really allow me to take care of other clubs and also to fulfill my IHRSA position.

Q. Julie, tell me about your tough life experience dealing with and surviving breast cancer and your

establishment of the SBAC Cancer WellFit Program?

A. Well, looking back, people would always say to me, 'Julie, you're so brave', but I think 'How else would I be?' I always think that being brave is when your child is going through something like that. In 1993, I was diagnosed with breast cancer. It had spread to my lymph nodes. I had a mastectomy, reconstruction and underwent six months of chemotherapy. My Oncologist, Dr. Fred Kass, who is just a wonderful man, kept saying, 'Julie, you're doing something different than all the rest of my patients, what do you think it is?' I said, 'Fred, I think it is because I am continuing to exercise.' So, when I got done with my treatment, he and I talked about doing a community-based program for cancer patients. Paula Lilly, who is my partner in Cancer WellFit, and I came up with a pilot program in 1994 to get cancer patients to exercise. But Norm, you can only imagine that ten years ago most of the people out there thought that we were nuts. Including the medical community. Luckily, we had some very intelligent medical professionals in our community who agreed with us. That's what started the Cancer WellFit Program back in 1994. We've gone on to have it grow every single year since. Paula and I have written a manual and have gone on to give classes and workshops on how Cancer WellFit-type programs can be implemented in other communities. We go out and speak in health clubs and/or medical

(See Julie Main Page 7)

...Julie Main

continued from page 6

facilities to anyone who wants to talk to us. We talk to them about an exercise program for cancer patients.

Q. Well Julie, it seems to me that is something you could team up with IHRSA to provide club owners with the tools to produce their own Cancer WellFit Programs for their club members. Have you considered doing that?

A. We've presented every year at IHRSA since 1994. And, I've gotta tell you that the first person to encourage me to go forward with this idea was John McCarthy. I was at the IHRSA Convention in San Diego in 1993, in the midst of chemotherapy with my hair falling out. I said, 'John, I have this idea about an exercise program for cancer patients.' He was the one that said, 'Julie, that's brilliant. You need to do it.' Unfortunately Norm, with everything else on my plate, Paula and I don't have the time to really do as much as we should. But, we also come up on a lot of road blocks in trying to take this elsewhere. Never in Santa Barbara. There isn't a medical professional in this community that doesn't know what we do here. But, you go to other communities and they are a little hesitant. Here in Santa Barbara we see about 200 to 250 new patients per year.

Q. Julie, from a club manager's point of view, what would you say are the three ingredients to club business success?

A. I think it's this way for any business, not just the club business. #1- You've got to understand the numbers. You have got to know how to read a financial statement. How to understand cost of sales. How to bill your members' dues. You've gotta know numbers. #2- You've got to hire the right people. If you do that, your job becomes a whole lot easier. #3, And, especially in the health club business, it's all about the member experience. Because all of us out there are buying the same equipment. We've all got a roof and we've all got walls. What's going to make my club different than somebody else's is going to be the member experience when they walk through the door.

Q. Julie, that's an excellent list. But, how about expanding upon #3, the member experience? What do you think that entails?

A. I think the member experience is very encompassing. It's not just member service. It's being able to find a parking space. The greeting at the front desk. The condition of the equipment. The amenities in the locker room. The instructor who teaches the class. The air conditioning in the club. The mood that the member is in. One of the things that I try to tell my staff at staff meetings is that there will always be glitches, there will be problems, there will be equipment that is broken down. But, all in all, when the member leaves here, if he feels like it was a positive experience in

general, he is going to continue to pay his dues. One reason we've been forced to provide the best possible club for our members is that all our clubs are on month-to-month contracts. We must sell ourselves every single month. If a member doesn't like me today, he has every right to call up and cancel his membership as of the end of the month. End of discussion. So, because we're on month-to-month, we're forced to sell ourselves every time a member comes in. Then again, that plays into having the right employees. Knowing your finances. Knowing how much money you can put back in the club. It all comes together. You can't have one without the other. And, you won't have one without the other.

Q. Julie, how long has your club been an IHRSA Member club?

A. More than 20 years.

Q. How long have you served on the IHRSA Board of Directors?

A. Since July 1st, 2001, I had applied 4 times I think, but I've lost track. It is either three, four or five. But, I was bound and determined to make a difference by getting on the IHRSA Board. I have to tell you that the last time I was told that I did not make it, I swore I would never apply again. But then, I said to myself, 'If I don't try again, it is definitely going to be a no.' So, I applied that last time in 2000 and that's when I was nominated to be on the Board."

Club Insider- We contacted Herb Lipsman, Vice-President of the Houstonian and former IHRSA Board Member, for his comments about this experience while serving on the IHRSA Board and this is what he had to say, "Julie Main did apply to be on the IHRSA Board multiple times and was extremely determined to do whatever it took (legally and ethically). I found her to be a "breath of fresh air" because she wanted so badly to serve the association and she never gave up. Some get discouraged when they don't make it the first time and they never try again. I am not only delighted that she was elected President of the Board, but I am also very proud that I had a small part in helping her make it this far.

Julie will be a strong leader and facilitator of ideas. She will be honest, fair and just in making the necessary judgment calls that come with this position. She will be a good listener to others and their sometimes conflicting views. The other Board Members will have to work hard to keep up with her. She is very high energy individual! She will also be an inspiration to those who are faced with cancer and other debilitating diseases."

Q. Julie, you say you were "determined to make a difference." How did you get that notion that you could actually make a difference?

A. "I think this stems from my health care crisis, back in the 1990's. I really felt then,

(See Julie Main Page 8)



IHRSA Wall of Fame Winner

Greenville Racquet and Fitness	109% Increase
Aspen Hill Club (MD)	20% Increase
The Gym (England)	Pre-Sale Sold Out
Atlantic Club (NJ)	31% Increase
Lynne Brick's Womens Only (MD)	Pre-Sale
Bel Air Athletic Club (MD)	20% Increase
PACE Fitness (Australia)	Pre-Sale Sold 2065
Club at Woodbridge (NJ)	32% Increase
Solaris Sports Club (NY)	Pre-Sale
Padonia Fitness Center (MD)	23% Increase
Club Fit (NY)	69% Increase
Spartanburg Athletic Club (SC)	24% Increase
World Gym (NY)	42% Increase
Pinnacle Health Clubs (England)	Pre-Sale
Sportivo Fitness (St. Lucia)	Pre-Sale
Court House Athletic Club (CA)	37% Increase
Ronny Barnes Fitness & Nautilus	29% Increase
Gold Coast Fitness (NJ)	Pre-Sale
Genesis Health & Fitness (KS)	27% Increase
Westside Club (SC)	62% Increase
Maryland Athletic Club (MD)	Expansion
Court Sports I & II (NY)	30% Increase
Shulas Athletic Club (FL)	Expansion
Evanston Athletic Club (IL)	24% Increase
Spa at Fountainbeau (FL)	31% Increase
Gold's Gym (IN)	104% Increase
Sportset (NY)	31% Increase
Welshback Squash & Health Club	40% Increase
Lifestyle Health & Fitness (NC)	58% Increase
Westbay Athletic Club (FL)	Pre-Sale
Millennium Health & Fitness (NC)	32% Increase
Hudson Athletic Club (NJ)	31% Increase
What a Racquet Athletic Club (CA)	27% Increase
Westchester Health & Fitness (NY)	41% Increase
Westlake Sport House (CA)	30% Increase
Apple Athletic Club (ID)	44% Increase
The Ridge (MT)	34% Increase
Gold's Gym (VA)	34% Increase
Sports Club (Sweden)	44% Increase
Gold's Gym (CA)	23% Increase
Gold's Gym (GA)	17% Increase
Gold's Gym (NY)	38% Increase
Viva! (England)	Pre-Sale Sold Out
Evolution, Salt Lake City, UT	93% Increase
Sportsclub Simpsonville (SC)	PRESALE
Lakeview Golf Resort & Spa (WV)	34% Increase
Pikecreek Fitness (DE)	37% Increase
Cherry Hill Health & Racquet Club (NJ)	EXPANSION SALE
Better Bodies (KY)	20% Increase
Silverlake Family Center (KY)	42% Increase
The Clubs at Rivercity (IL)	16% Increase
Huntsville Athletic Club (AL)	18% Increase
Towne Athletic Club (OH)	23% Increase
Wimbledon Sportsplex (TN)	16% Increase
Mercy HealthPlex (OH)	56% Increase
Cornerstone Health & Fitness (PA)	28% Increase
AeroFit Health & Fitness (TX)	64% Increase
Premier Athletic Club (NY)	32% Increase
Sportsplex Bethel (CT)	↑↑↑↑↑↑
Sportsplex Stamford (CT)	↑↑↑↑↑↑
Sportsplex New Windsor (NY)	↑↑↑↑↑↑
Mt. Kisco Athletic Club (NY)	↑↑↑↑↑↑
Saw Mill Club (NY)	↑↑↑↑↑↑
Sportclub Greenville (SC)	↑↑↑↑↑↑
Golds Gym Belleville & Whippoor (NJ)	↑↑↑↑↑↑
Spring Valley Tennis and Fitness (PA)	↑↑↑↑↑↑
Memorial Herrman Hospital & Wellness Center (TX)	↑↑↑↑↑↑
Equinox New York (NY)	↑↑↑↑↑↑

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...Julie Main

continued from page 7

and I still do now, that IHRSA needed to position itself more in the health care industry, and not just in the health club industry. I felt that I had a unique perspective from seeing the difference that exercise could make in someone's life when dealing with cancer patients. When you've seen what it can really mean to somebody, it really has an impact on you. I wanted to have that unique perspective on the IHRSA Board. I wanted it to be about more than the health club business. I wanted it to be about health and that's why I was adamant about wanting to do it.

Q. How does it feel being the second female IHRSA President ever, with the first being Annbeth Eschbach?

A. I gotta tell you, I don't think it makes any difference if its a female or male. When I look at my fellow class members, Carol Nalevanko and Mark Smith, it could have been any of the three of us. I think at this point in time,

I was pretty darned passionate about wanting to be President, as I was passionate about wanting to be on the Board. For all the above reasons. This is a great segue to your next question about my goals with IHRSA. There are a couple of things that I really want to achieve in my year as President. #1 is to make sure that we are positioned more and more in the health care industry. The other thing is to make sure IHRSA's voice is heard when it comes to public policy. We've got some important issues and some great opportunities in front of us and that's what I want to do. With just one year as President, I will be happy if we can accomplish these two goals. So, having only one year as IHRSA President, I need to focus.

Q. Beyond your two goals stated above Julie, what other challenges and opportunities do you think are significant with IHRSA?

A. There are some State issues that are critical. There are public policy issues that can hurt us. And, there are some great

opportunities that are before us such as the Workplace Health Improvement Program (WHIP Act). So, with the epidemic of obesity and the overweight in our country, we have a great opportunity to make a difference in people's lives with some positive incentives. My two goals are: 1) public policy and 2) positioning IHRSA as the leader in exercise when it comes to health care.

Q. What are your personal goals for the next five years?

A. Its funny, if you'd asked me 7 years ago what I wanted to do, I would have said I wanted to be on the IHRSA Board. Now, looking at it all from this perspective, I don't know. For my short-term career goals, I would like to spend the next year really focusing on IHRSA. I am not looking at any more club acquisitions. Five years from now I'd like to be able to look back at 2004/2005 at where IHRSA is and see them positioned as the expert when it comes to exercise and health care. Then I would know that I did one thing that Ralph Waldo Emerson always says and

that's that I made a difference in people's lives.

Julie Main, IHRSA's new President as of July 1, 2004, is a gem of a person and a real go-getter. It is nice to be in touch with someone who has truly put herself in touch with things that count on this earth. Julie

Main is a true credit to her family, her club, her community and her club Association, IHRSA. I wish Julie, the IHRSA Board of Directors, and big John McCarthy the best of luck as they move forward with the opportunities and challenges that are in front of all of us.

(Norm Cates, Jr. is the Publisher and Founder of The **CLUB INSIDER** News. Cates is a 31-

Julie Main

year veteran of the health, racquet and sportsclub industry and was the 1st IHRSA President and a Co-founder of the Association in 1980/81. In March, 2001, he was honored by IHRSA with its DALE DIBBLE Distinguished Service Award. Cates may be reached at: 770.850.8506 or email: clubinsidernews@mindspring.com)



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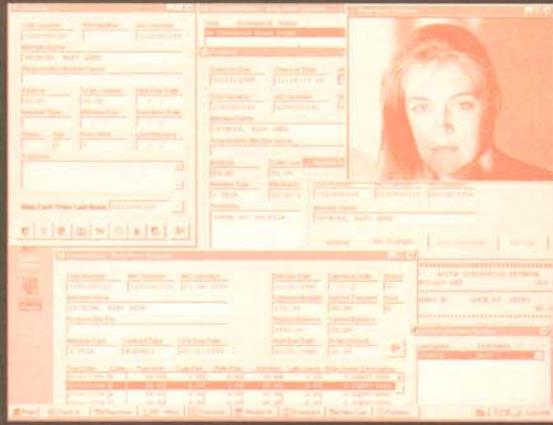
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An exclusive column featured only in Norm Cates' "Club Insider"

By: Michael Scott Scudder

"SPECIAL COLUMN FOLLOW UP: \$19 A MONTH PLAYERS AND 'CATEGORY KILLERS' - HOW CAN YOU SECURE YOUR MARKET NICHE AGAINST THEM?"

Last month, at the end of Part One of this "special column," I promised readers that I would offer possible solutions to the independent club entrepreneur against the onslaught of this newest competitive threat in our industry.

A QUICK REVIEW...IS THIS THREAT FOR REAL?

You bet it is! Since my last column, no less than six (6) additional, really-good, long-term quality players have emailed me, telling me that they have converted their clubs to \$19-a-month operations. In the process, all six of them dropped group exercise, got rid of child care and terminated any "captive" sales employees.

Also, unconfirmed, I have heard rumors of new "category killer" clubs coming into metropolitan and high-population-density suburban areas of the United States within the next twelve (12) months!

So the threat is genuine, folks! In many markets, it is imminent...it will take a while to unfold. In several other markets, however, it is already here!

WHAT STRATEGIES CAN YOU EMPLOY TO COMPETE?

First off, let's remember a couple of key issues:

1. *There will always be people who want to pay more for a product or service!* That's the nature of more affluent human beings. (However, you're going to have to deliver exceptional quality to them to keep them!)

2. *Mass marketing by lower-priced players will create a bigger fitness marketplace, from which you may be able to draw.* (But if you're doing business as usual - a clean, well-equipped, reasonable-location club with nothing else...it won't be enough. You're going to need special reasons for people to do

business with you, especially at a higher price.)

• APPROACH A: A clear look at YOUR MARKET-PLACE and YOUR CLUB.

➤ What kind of clubs are in your competitive marketplace...and what do YOU offer that makes you different? Are all of the players basically the same? (*If your honest answers are "nothing different" and "yes," you are in deep water without a life preserver.*)

➤ Inside your club...whom do you cater to? Is it a predominantly young market? Is it a mixed-age market? (*If your members are predominantly young, they don't require much in the way of services, and they are likely to join the lower-priced club. If your members are generally over-40, they are less likely to "gym hop," but they will now require a greater level of personal service than you have given them to date...or they will seriously think about leaving, too.*)

➤ What market or markets can you service that will bring in more revenue per member? (*The game will no longer be how many members you get...but how many you keep...and how much additional money they spend with you besides member dues.*)

➤ Can you capitalize on personal training and specialized, fee-paid programming in your club? (*If you can, get to it! If you're already doing it, how can you do it better?*)

• APPROACH B: Cost control.

➤ What is your Cost Per New Member? (*Divide the sum of your annual expenses for advertising, marketing, public relations, sales commissions and bonuses, fitness services and administration of dues by the number of annualized memberships sold in that same period.*) In general, most clubs have over a \$100 Per New Member Cost. Can you reduce that by advertising less but more effectively? Should you eliminate Yellow Page advertising? Are you getting enough bang for your bucks with radio, TV and newsprint? Can you reduce those expense budgets and still drive appropriate traffic?

➤ Get on the PERSONAL TRAINING bandwagon! (*Many small clubs enjoy \$30, \$40 or even \$50 per square foot of Personal Training*

➤ Are you carrying too much payroll for sales staff? Can you re-train managers and reception employees to do the selling? Can you even consider the new "commission-less membership" strategy being employed by many clubs?

➤ Is your Group Exercise (GE) program (some call it Group Fitness, others still call it Aerobics) a money-loser? Analyze your program? Are you catering to less than 10% of your membership with your GE program? Are you seeing less than 10 people on average in many classes? If so, you need to seriously analyze whether you should even offer GE in your club. (Besides this, GE usually requires child care, where other offerings usually do not. You may be able to save money here, too. I offer an inexpensive solution paper called "Group Ex Eval" which may help you a great deal in this category of your business.)

A note about cost control. While it can present a "quick fix" to a bigger problem, it is seldom the way to create a successful business. But it often proves useful to look at "cutting costs" as a way to realize that you can do your business better and in different ways.

• APPROACH C: Radical pro-activity.

If you have done the work above implied in Approaches A and B...and you haven't yet jumped off a bridge...or gone to the nearest bar...there may be some possibilities in some of the following methods.

➤ If your analysis of your Group Exercise program is accurate, and you know you should eliminate that program...consider SHIFTING SPACE. (*Can you convert a Group Exercise room into a better cardio center...or a Personal Training studio...or a "combination studio" that will allow you to capitalize on fee-paid programming in a small space - such as Pilates, Pilates Mat, Yoga and other "soft exercise" offerings?*)

➤ Get on the PERSONAL TRAINING bandwagon! (*Many small clubs enjoy \$30, \$40 or even \$50 per square foot of Personal Training*

income...which creates profitability for an otherwise break-even club. Also, Personal Training clients are the highest retention factor other than tennis players in the entire club industry.)

➤ Start riding the MEMBER REFERRAL train! (*Lots of operators have trimmed their advertising, marketing and sales budgets by as much as 50% by implementing an internal member-referral campaign. Caution: you gotta have a good product to get people to refer it.*)

➤ Consider DOWNSIZING. It may seem impossible, but you might just be able to go with a smaller club. (*I know of several owners over the years who renegotiated leases with landlords and took less space, thereby creating less operating expenses and a generally better club.*)

➤ INCENTIVE PAY and "pay for production" may work in some clubs. (*What if your managers were tied in to gross AND net income; or sales AND retention? What if your sales personnel were paid for retention as well as new memberships? What if your instructors were paid by attendance in classes? What if your reception staff were bonused for member attendance increases?*)

Several of the above methods speak to "a change in company culture"...from a new-membership-sales-based paradigm to a "service-'em-and-keep-'em" mentality. (If the latter is not possible in your facility, you are also in for some big headaches very soon.)

CATEGORY-KILLERS: CAN YOU COMPETE WITH THEM?

The "category-killer," if you remember last month's column, is usually a "huge box" located in a population-dense market with a lot of existing fitness facility offerings. These clubs are often well over 100,000 square feet and offer literally everything for potential members at very competitive, usually mid-\$40s-per-month prices.

Judging by personal experience with clubs in two wealthy suburban areas that were invaded by a category-



Michael Scott Scudder

killer, I do not see a way to compete with a "something-for-everyone-at-an-astounding-price" appeal. In both cases, the category-killer drove a good-but aging "ma and pa" 20,000-square-foot club out of business within two years...and it took several other clubs in each market out, too!

Perhaps the only viable tactic against the category-killer is to "niche out" as fast as you can...something that may be far simpler for a 10,000-square-foot-or-under facility, but not so easy for the in-between clubs from 18,000 to 40,000 square feet.

FINAL WORDS

It is evident that the "\$19-ers" and the "category-killers" are not going to go away. In all likelihood, our industry will see more and more of them...and relatively soon. What is clear is that small club owners have to get on the stick, distinguish their businesses in their marketplace and start working on their businesses (not just in them) to survive.

(Michael Scott Scudder, a contributing author for "The Club Insider News," and the subject of the January 2004 "Insider Interview," is a three-decade veteran of the fitness industry. He heads a club management training company, FITNESS FOCUS, based in Taos, New Mexico, offering regional-city 1-day seminars and intensive 1 1/2 -day workshops on "The Business of Personal Training." He can be reached at 505-690-5974, by email at mss@michaelscottscudder.com or at his web site, www.michaelscottscudder.com. Comments and questions are welcomed and encouraged.)

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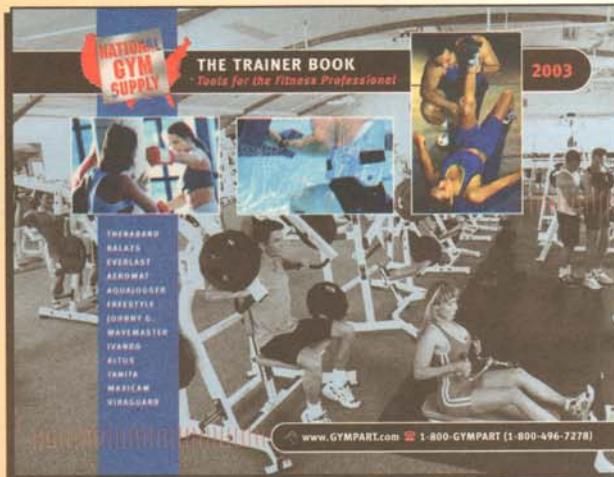
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Oh My Aching Back!

By: Raymond Long

If your back aches, you're not alone. Eighty percent of adults experience at least one bout of back pain at some time during their lifetime. In fact, low back pain is the fifth-leading cause of doctor visits in the United States.

In addition, back injuries are the leading cause of work-related disability. Even though back pain is rarely life-threatening, the annual cost in terms of lost productivity, medical expenses and workers' compensation benefits runs into the tens of billions of dollars in the United States.

Recently I have been using a program called the Core Spinal Fitness System by MedX with great success. I believe this program can make a big difference for many people suffering from back pain. Having a strong core is the best way to prevent back pain.

Most people don't even realize the importance of their core muscles. But did you know that your core is where all movement in your body

originates? Not only that, but when you run — or walk, ride a bike or lift weights — your core muscles are hard at work, keeping you upright, stabilizing your body as your weight shifts and absorbing impact from ground forces.

Your body's core — the area around your trunk and pelvis — is where your center of gravity is located. When you have good core stability, the muscles in your pelvis, lower back, hips and abdomen work in harmony. They provide support to your spine through just about every activity. Over the years, a weak core can make you susceptible to poor posture and injury. The lumbar curve, or the low back, is the most common site for pain because it bears the most weight and stress. The weaker your core muscles, the more likely you are to experience lower back pain.

Low Back Pain
A New Solution for an Old Problem

My association with Arthur Jones and MedX, the inventor of Nautilus exercise

equipment goes back to the early 70's. After meeting Arthur and reading his literature, I knew that Nautilus equipment would revolutionize the fitness industry.

Function dictates design, and the design of the Nautilus machines were based on the function of the human body and its movement. Prior to Nautilus, most equipment manufacturers built a machine and tried to make the human body fit into it.

After Arthur sold Nautilus, he started MedX in the 1980's. Because of his long-standing interest in physical training and wellness, he began researching lower back pain. His goal was to find a way to isolate the muscles of the lower back so they could be strengthened and help prevent much of the population's back pain.

Through years of testing, Arthur had figured out the only way to work the spine was to stabilize the pelvis, so it couldn't move while you were exercising the other musculature of the body. When that occurred and your body could work those lumbar muscles in total isolation,

the strength went up tremendously. Following fourteen years of continuous research, the Lumbar Extension machine was perfected and proven by independent research teams at the University of Florida and was available to the market for \$60,000.

After years and years on the market helping thousands of people around the world, MedX was asked to develop an exercise version of the Lumbar Extension that was more affordable. MedX responded by creating an entire program called the Core Spinal Fitness System. The exercise version of the Lumbar Extension also called the Core Lumbar Strength is one of 5 machines in this program that is specially designed to target, strengthen and isolate the spinal muscle groups. In less than 20 minutes twice a week, you can prevent and in some cases eliminate your back pain.

I truly believe, Arthur Jones, the great innovator, once again has done with MedX what he did with Nautilus back in the 70's.



Raymond Long

(Raymond Long is a 35-year industry veteran and the owner of Personal Best Fitness in Deland, Florida. For more information on the Core Spinal System by MedX, please visit www.corespinalfitness.com)

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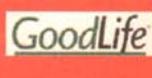
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Are Your Club Managers Managing the Business?

By: Karen D. Woodard

Over the years I have enjoyed working as a club owner, operator, consultant and staff trainer, with other operators who either hire managers with business skills or teach their managers business skills. This article comes to you with that focus in mind.

Over the past year, I have worked with several club organizations that have impressive facilities and have a pretty good track record in terms of profitability. However, they have been missing the boat on an imperative element and that is making sure that their managers have good management and business skills. All three of these organizations have people on their management team that are unquestionably good people, clearly care about the club and are excited about the industry. But, it is as though those were the only qualities that mattered. None of the managers ever learned business and management skills prior to this job and no one bothered to teach them.

I am alarmed when I observed this for two reasons: 1.) It is not uncommon and 2.) As a club owner or operator, when you bring someone into your organization to manage the club or a department it is very easy for it to be mismanaged – not with the intention of doing so – but simply by not having the necessary skills. That should be disconcerting if you are in position of financial responsibility for your business or have responsibility to others.

In this article and in next month's article, I will cover six areas (certainly there are more, but this is an article not a book) for you to assess how you and/or your club managers and department heads fare in these management skills. The first three focus areas follow, so read on...

1. Knowledge of Financial Operations - For a manager to manage the business effectively, they need to understand the numbers of the business. They need to know when we are on track, under budget, over budget, etc. They need to be able to read and interpret a P&L (profit and loss statement) to be able to effect outcomes. They need to be able

to develop expense budgets and revenue projections and live by them. They need to be able to control outcomes. How does your organization do with this? As an example, all managers should be tracking and reviewing their own department numbers on a daily to weekly basis depending on the department and know exactly where they are at any point in time with relation to projections and budgets. Additionally, all managers should meet once per month to review the P&L for the club to know where the club is with the big picture. If this is not happening at your club, why? Some clubs are not comfortable sharing that information with their managers. Hmm...if that is you then you are managing in the dark and more than likely leaving a lot of money on the table. I advise you to start by losing that archaic perspective and start sharing information with the people who can make a difference. More than likely, this will be a three-month process before you start seeing a difference. Here's why: if your managers are not familiar with P&Ls, you will need to teach them.

You will need to:

1. explain what each line item includes in detail
2. explain how they have control over each line item in detail
3. explain how you developed the projections to begin with
4. go slowly and be patient
5. be aware that most people go into vapor lock when they look at a page of numbers, so give little bits of information and ask questions.
6. compare differences from month to month
7. do analysis exercises
8. repeat for several months until everyone understands.

If you feel uncomfortable with the P&Ls, have your accountant explain them to you and/or you and the group.

By opening up the financial process to people who can make a difference, you will see a direct result in your bottom line. I also advise that you be prepared to implement a profit sharing program. No profit you say? My experience shows me that when businesses that are

marginally profitable implement a profit sharing program – profit grows.

2. Understand, Embrace and Live the Big Picture of the Business

Let's start with the big picture. Then, I will address understanding, embracing and living it. The big picture is how clear they are on the vision, the mission and the core values of the business. Definitions for each:

Vision: what the business aspires to become, the purpose, and the goals of the business. It includes the more strategic nature of the business and the long-term plan as opposed to the day-to-day tactical operations. Why is it important that this is clear? When there is clarity about the future direction of the business then people know how their actions in the present effect the outcome as well as know what part they may have in the future.

Mission: the mission is what we all (the entire staff – not limited to management) do everyday to move us that much closer to making the vision a reality. The mission is simple, should be action-oriented, articulated in one sentence and do-able by every single staff person when they are in the club regardless of position.

Core Values: core values are the values that we as a business hold near and dear to us and guide every intention and every action of every staff person at all times. Core values should be limited to no more than six. They are typically headed with one or two words then followed by a sentence that goes into more detail to support the value.

That is the "short of the long" for definitions for the big picture. Now, let's discuss understanding, embracing and living. Assess how clear your managers are with each of the elements of the big picture: Can they define them for you as you have defined them for your business? Do they buy into them and believe in them? Do they mean something to them? More importantly, are they teaching them to the rest of the staff? Are they making sure that the other staff understands, embraces and lives them? If so, kudos to you – you have a solid foundation. If not. It is time to get your

management team together for a retreat to review, perhaps revise and certainly to reinvigorate their passion for the business. They are the managers – the leaders of your organization and if they are not leading and constantly keeping your staff focused on moving toward the vision, accomplishing the mission and upholding the core values – then who is? If they are not leading and managing, then they are mismanaging and frankly, that comes back to who ever is in the top leadership position.

3. Accepting the Full Role of Being a Manager

Defining the role of being a manager varies from business to business. Most clubs define it in terms of task orientation. I encourage you to expand from the task orientation and include elements of leadership, decision making, professional communication, service to staff and Members, creativity with solutions as well as creativity in growth of the club or department. If you define the position and expectations of management lightly then the outcomes will reflect that. If you define the position with importance and gravity, the outcomes will reflect that.

In the next column, I will cover the remaining three areas to assess, which will include:

- The courage to confront and the willingness to



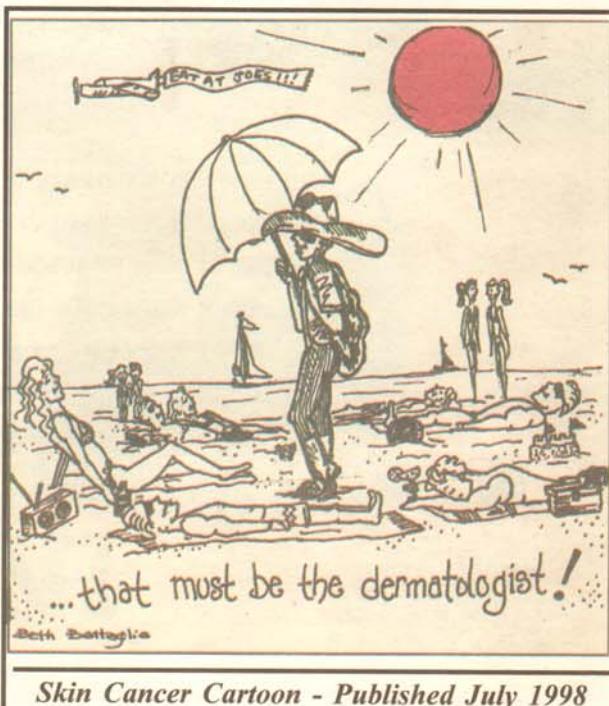
Karen Woodard

correct

- Staff training
- Managers own professional development.

In the meantime, consider which of the three preceding areas may be holding your managers back and in turn holding the performance of the club back.

(Karen D. Woodard, President of Premium Performance Training in Boulder, Colorado can be reached at 303.417.0653 or Karen @karenwoodard.com. She has owned and operated facilities since 1985 and has a successful consulting and staff training practice as well as numerous books, tapes, manuals and on-line training programs for your professional development.)



Skin Cancer Cartoon - Published July 1998

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...Insider Speaks

continued from page 4

Fitness was a company in transition. And at this time, we are still in the early stages of our turn-around. While we still have much to do, we've taken important steps that will impact the company's future profitability. We have total confidence in our ability to make the continuing changes we need to make this company profitable. Specifically, we've created focus, vision and a solid business plan, adopted a Best in Class Talent strategy, replacing key staff with outside talent in critical areas- franchising, diet and marketing, refinanced 75% of the company's debt for \$450 million, (an enormous savings for Bally), implemented new membership offerings such as the popular pay-as-you-go membership to meet consumer demand, cut \$40 million in expenditures, terminated the agreement with Holmes Place that was off strategy and costing the company millions of dollars, instituted new controls at Crunch, developed strategic criteria and controls for new club development and retail store development, and simplified accounting to a modified cash basis to be more transparent and easier for analysts and Wall Street to understand. Early results include call volume increasing from a negative (-) 18% to a positive (+) 30% and Bally has seen 7 consecutive months of positive sales increases."

Bally Total Fitness represents a company that serves 4 million health club members nationwide, 10% of the total health club members in the U.S. That is a huge market share. During the six-year Lee Hillman era at Bally, the company made significant progress, a lot of which could be attributed to the creative entrepreneurship of Paul Toback and Bill Fanelli. Toback has had only 18 months in this important leadership role. It is the opinion of this writer that Bally Total Fitness is headed in the right direction under Toback's leadership. I think it should be noted here that Bally Total Fitness employs over 20,000 people. Such a challenge as leading Bally Total Fitness would be tough for anyone, anywhere, anytime. I don't know of anyone inside or outside of the health club industry more prepared and better suited to carry on than Paul Toback. I mean, were Toback to depart Bally, it would definitely

take more than 18 months for his replacement to even catch up in knowledge and experience with where Toback is today. Moreover, it should be noted that in most initiatives such as those stated by Jon Harris, there is a certain "spool up" time period where the initiative must be thoroughly planned, staffed, executed, measured for results and adjusted. The true long-term ramifications of such change does not happen in 18 months and I urge the Bally Total Fitness Board of Directors to view this company as I view it, a company poised to take advantage of the enormous societal sea change in respect to exercise, health and fitness. That societal change is coming, slowly, but surely. And, Bally Total Fitness is definitely positioned to take great advantage of it.

3. The Gold's Gym International bid winner is TRT Holdings, an Irving, Texas company that owns and operates 40 Omni Hotels, has interests in the oil business and has a chain of one hundred dollar stores called Waldo's, based primarily in Mexico. The Gold's Gym brand, already the best brand in the health and fitness club industry, should improve even more under this new ownership. This is indeed good news and a terrific development for our industry, provided the closing of the deal in late July actually goes through. The price tag is reportedly \$160 million, a figure Peter Brockway (of sellers Brockway Moran) would not declare as inaccurate. And, you gotta give Royce Pulliam, the Gold's franchise biggest operator, credit for thinking big. Word is that Pulliam's interests were in the thick of things on the bidding right up until the end. Early indications confirmed by phone with TRT CFO, Terry Phalen, are that TRT is going to aggressively grow Gold's Gym International through new builds and acquisitions. I would bet a seafood dinner that Royce Pulliam's 14 club Gold's Gym group will be one of those organizations targeted by TRT for acquisition and another prime club group that will be G.G.I targets are Ray Wilson and Greg Rowe's 7 California Fitness Centers in Columbus, Ohio. STAYTUNED!

4. Equipment Manufacturers Providing Leasehold Improvements- After hearing from some former, disgruntled Life Fitness customers, I

Joe Cirulli Honored By The University of Florida

Gainesville, FL.- Joe Cirulli, founder and owner of two Gainesville Health and Fitness Centers was honored with the Distinguished Entrepreneur for Lifetime Achievement Award by The Center for Entrepreneurship and Innovation at the University of Florida's Warrington College of Business. One of several winners of the annual S.Clark Butler Entrepreneurship Awards, these awards honor thriving entrepreneurs whose success stories can serve as an inspiration for entrepreneurial students, faculty and alumni. Joe

Cirulli founded the Gainesville Health and Fitness Center in 1976 and his two GHFC clubs now have 23,000 members. The other 2004 annual award winners were: Jeffrey S. Gold, Distinguished Alumnus Entrepreneur of the Year, Howard J. Leonhardt, Clark Butler Entrepreneur of the Year and Darin Cook, Gainesville Entrepreneur of the Year.

Congratulations to Joe Cirulli and his entire Gainesville Health and Fitness Team !



Joe Cirulli

contacted two CEO's from major equipment suppliers to learn if, in fact, it is common practice for those companies to provide tenant leasehold improvement funding within equipment lease deals. The answer both CEOs gave is "yes". Both Kevin Grodzki, CEO of Life Fitness and John Agialoro, CEO of Cybex, indicated that "yes", their companies sometimes facilitate such arrangements to help 'qualified' customers with expansion. I asked Life Fitness' Kevin Grodzki if it was normal for equipment to be delivered early for those who were involved in the leasehold improvement equipment leases? Grodzki replied, "It is not our practice at Life Fitness. We try to follow the rule of first come, first served. One of the issues that we have, especially on the strength side of the business, is that our products are pretty high in demand at this stage with all of the new products that we have launched. We have had some back order delays. Some of that has filtered into the schedule. As a general rule, orders are filled in the order that they are placed. We try not to give any preferential treatment on orders. If there is a Grand Opening planned or something like that, we will work very, very hard to try make sure that the club has everything that they need in order to accommodate that Grand Opening and satisfy their members. We do that for everybody Norm." So, there you have it.

6. Bottom Feeder's Update #2- I also mentioned a further update on Brian Homan's

activities in south Florida. The only new information I have is that I have been contacted by two different people that claim to have friends who invested money with Homan to build the new club. The investors in the now under construction Club in Coral Springs, were concerned about what they had heard about Homan's previous history and wanted verification. STAY TUNED.

(Norm Cates, Jr. is a 30+ year veteran of the health, racquet and sportsclub industry and the Publisher and Founder of The CLUB INSIDER News. Cates was the 1st President of IHRSA and a Co-founder of the Association in 1980/81)

Bob Delmonteque - Age 84 - See Norm's Notes Page 19

LIFELONG FITNESS 2004

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ClubLife Magazine Launched !

By: Norm Cates, Jr.

I feel good. You ask why? Here is why? In our March, 2004 edition, I announced a second publication that I intend to begin publishing. The name of my new publication is The **CLUB INSIDER** News Consumer Edition. I feel good because this month I learned about ClubLife Magazine, also a new publication targeted at health club members, the same target at which I am aiming The "Consumer Edition."

"Why", you may be asking yourself, "is Norm feeling good about a giant competitor for his new publication beating him into production?" Let me tell you why. The reason is that deep down in my heart I knew that my new publication idea was a good, viable idea.

I also knew that it will take months, maybe even years, to make my dream of the new CIN "Consumer Edition" a reality. No one has yet successfully created a nationwide publication for health club members and delivered it over the long haul. A few years ago, VIE Magazine was published in cooperation with the Sportslife Clubs here in the Atlanta area. But, that did not last. Now comes ClubLife Magazine.

ClubLife Magazine will begin distribution in July, 2004, and we have learned that the initial distribution will be 150,000 per month with hopes of exceeding 500,000 per month in the future. ClubLife Magazine will be published by a giant company, IDG, a nearly \$3 billion, 40-year old company that produces 300 publications that are read in 85 countries by over 100 million people. ClubLife Magazine will be made available to club members at the cost to club owners of \$400 per 1,000 plus shipping costs of approximately 50 cents per copy. ClubLife Magazine has been under development and production for two years and will begin with the 150,000 circulation in July.

Both ClubLife Magazine and the new CIN Consumer Edition will be providing a terrific service for health club members, health club owners and the advertisers in both publications. The service for members will be education and helping them get better results from their health club membership. Club owners

will benefit from both publications because members will be more motivated, their results will be better and thus retention and new-member referrals will increase. The advertisers in both publications will benefit because the health club members of America are an extremely attractive demographic group. Health club members represent one of the single best niche target markets for companies seeking active, health focused consumers.

CONGRATULATIONS TO THE CLUBLIFE MAGAZINE TEAM!

We congratulate the folks at ClubLife Magazine on their inaugural edition and launch. And, we encourage you to consider providing ClubLife Magazine for your members because we strongly believe the new publication will help your club business. To do so, send an email to Frank O'Rourke, National Sales Manager of ClubLife Magazine, whose interview appears below. Frank's email is: forourke@clublife-magazine.com Please tell Frank that: "Norm referred you."

And, we hope your club(s) will become an integral part of our CIN Consumer Edition Distributor Club Team so that we may make our 'dream' a reality someday. To do that, simply complete the form shown on the bottom of the next page and fax it or mail it or e-mail it to us. We will then place your club name and member number on our Pre-enrollment list as we march toward one million circulation. Please take action and do this now so we may include your club numbers in our total member circulation which is currently at 123,500 and growing as we march to one million.

An Interview With Club Life Magazine Sales Manager- Frank O'Rourke

We contacted ClubLife Magazine National Sales Manager, Frank O'Rourke, to learn about ClubLife Magazine. If you are a club owner, the interview below will provide you with a lot that you should know about the new publication.

Q. Frank, tell me about your background?

A. I began working in my first gym, the Iron Pit, when I was 16 years old. I realized early on that I was drawn to the health and fitness industry, so I majored in physical education with an emphasis in health studies at the University of Oklahoma. Graduating in 1992, I moved to Dallas and began working as a certified personal trainer at North Dallas Athletic Club. Since then, I've worked for Johnson and Johnson's Health Management Division, Cybex, Ground Zero (now Free Motion), and Nautilus/StairMaster. I made the switch to ClubLife after talking with our publisher, Matt Redd, about the concept of ClubLife and how he wanted to help clubs retain and attract more members with a new marketing program designed exclusively for health and fitness clubs.

Q. Tell me about the parent company of ClubLife magazine.

A. ClubLife is a subsidiary of International Data Group (IDG), the leading global technology media, research, and event company. IDG is privately owned and has revenues approaching \$3 billion annually. IDG was selected by *Fortune* magazine as one of the "100 Best Companies to Work For" in its annual survey. The company was the only media firm in the 2004 ranking. More than 100 million people read one or more of IDG's 300 magazines and newspapers in 85 countries each month.

Q. When did the developmental work on ClubLife magazine begin?

A. About two years ago, the company began conducting research studies on club activity & member retention, long before I joined ClubLife's excellent team.

Q. What will the editorial focus of ClubLife magazine be?

A. ClubLife editorial will continually reinforce the relationship between the club member and the club. All of the content will drive the consumer back to the club. The magazine is packed with exciting, inspirational, and motivational fitness, health, and nutrition information. Each month the magazine opens with a warm-up, includes all the latest fitness and health news, takes a close-up look at what's new in

group exercise, features a targeted strength-training move, highlights what's new in fitness gear, provides tips from a featured personal trainer, supplies a variety of new exciting workouts to be done at the gym and closes with a cool-down. ClubLife is built from the ground up to help club members take full advantage of the products and services that their clubs provide, ultimately raising the health and fitness club business to new heights. ClubLife's Editorial Advisory Board includes nationally acclaimed leaders from the best fitness organizations in America, including the Cooper Clinic, the American College of Sports Medicine, the American Council on Exercise, the National Academy of Sports Medicine, and IDEA, to name a few. ClubLife's Editor In Chief is Margit Feury Ragland, a widely published fitness, nutrition, and health writer and editor.

Q. How do club owners provide ClubLife magazine to their members?

A. Club operators can distribute ClubLife to their members in any way they choose. ClubLife provides a variety of display options including Plexiglas racks, two-position wire counter racks, and three-tier racks that can be set up in a club's lobby, at the front desk, next to the recumbent bikes, in locker rooms or wherever is most convenient for that particular club. Some of our current customers chose to mail the magazine to their members. Other clubs are distributing the magazine in doctors' offices and other places of business in their community to further market their business. In many cases, club operators are making sure that ClubLife is put directly into the hands of any prospective member who enters their front door. ClubLife provides club operators with an entire turnkey program that constantly reinforces the importance and benefits of club membership. In addition to the magazine, operators/owners receive the monthly newsletter (*The Business of ClubLife*, for club staff and management), in-club signage, and access to national contests and promotions for their members. A monthly custom consumer newsletter for members is in the works.



Frank O'Rourke

Q. What will the niche of ClubLife magazine be?

A. ClubLife magazine promotes the club by customizing the magazine for the club's needs. The cover features the club's name and logo. The back cover and internal pages in the magazine can be customized as well, giving members the information and motivation they need to make the most of their club experience. Designed to be read both in the club and at home, ClubLife reinforces the fun and rewards of club membership. This is accomplished with energetic, attractive, and actionable editorial and graphics, written and supported by leaders from top-quality organizations and companies in the fitness industry.

Q. What value will ClubLife magazine have for club owners?

A. For starters, it makes them money. It is designed to motivate members, ultimately encouraging them to get back in the club, take part in more of the premium services that their club offers and renew their membership every month. It also helps non-members feel comfortable about walking through your door for the first time! We are offering a high-end, newsstand-quality fitness magazine exclusively crafted for the club business and customized for each individual club. Best of all, the program is scalable so that every club can afford it from the smallest fitness studio to regional and national chains.

Q. What value will ClubLife magazine be to club members?

A. Immense value. The magazine is all about practical, actionable information, guidance and tips that maximize their club membership experience. It's ClubLife's goal to help all of our readers achieve their fitness goals!

...Norm's Notes

continued from page 5

as they had two recent events that they can really crow about. On May 19-21, IHRSA leadership convened in Washington, D.C. to meet with America's lawmakers at IHRSA's 2nd Annual Legislative Summit. Over 100 health club operators and fitness industry leaders from 28 states and the District of Columbia attended and participated. Since that meeting, Congressional support for the Workforce Health Improvement Program (WHIP) Act has nearly doubled to 32 co-sponsors in the U.S. House of Representatives. The WHIP Act is legislation that would allow for the favorable tax treatment of health club memberships as an employee benefit. The WHIP Act was introduced in 2003 by Representative PAT TOOMEY (R-PA) and Senator JOHN CORNYN (R-TX). Please contact your House Representatives and Senators and urge them all to get onboard the WHIP Act bandwagon! The second event is one whose origin goes back to the IHRSA Convention in San Francisco in March, 2003. The first annual "Get Active America", IHRSA's initiative to mobilize consumers to get off their duffs and try out 1650 - IHRSA clubs resulted in over 150,000 non-members coming in to try out IHRSA clubs. Give lots and lots of credit to IHRSA's CHUCK LEVE, as he worked hard and successfully lined up sponsorship by: the California Strawberry Commission, Listerine PocketPaks, Cybex, Life Fitness, Matrix, Technogym, Nautilus, StarTrac, FreeMotion Fitness, Iron Grip, Precor, True, American Council on Exercise and 5A Day.

•Find your calendar/appointment book and write in these dates: September 9-11th for the National Fitness Trade Show Conference and Trade Show in Las Vegas (see page #22) and the CLUB INDUSTRY Conference and Exposition for Health and Fitness Management, October 13 thru 16th. First, let me mention that WALLY BOYKO's NFTS Conference will honor the one and only big JOHN McCARTHY, IHRSA Executive Director, with its Lifetime Achievement Award. This is a terrific honor for John and one that is clearly well earned. I urge all IHRSA Members and friends of John to plan on coming to Las Vegas for

THE Club Insider NEWS

Consumer Edition

"You Must Train Your Mind To Train Your Body"

•The CIN "Consumer Edition" will be a new monthly publication by Norm Cates, Jr., Publisher of The CLUB INSIDER News for 10 years and counting. Cates was IHRSA's 1st President and a Co-founder of the Association and has chosen the motto: "You Must Train Your Mind To Train Your Body!" for the Consumer Edition.

•Mission Statement- "To provide health, racquet and sportsclub members with inspiration, motivation and knowledge that will help them get better results from their membership, thus increasing new member referrals and retention."

Pre-enroll today for distribution of the Consumer Edition to your members at no cost for the publication.

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 Number of clubs: _____ Approximate # of members: _____
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this fun conference, trade show and to very specially, honor John. The world-class Rio Hotel, Casino and Conference Center, in my opinion, is the best venue of all venues for these events, since IHRSA San Diego. Get this. The Rio Conference Center and Trade Show is actually attached to the Hotel and Casino and you can make the short, air conditioned indoor walk on carpet or marble in less than five minutes! And, don't miss the always terrific Club Industry Conference and Trade Show.

There will be lots and lots of terrific educational content thanks to the hard work of my pal HOWARD RAVIS, an amazing Trade Show every year because of SAM POSA's efforts, and an all around terrific annual event due to HERB GREENEBAUM and the entire CLUB INDUSTRY Team. I hope to see you in Las Vegas and Chicago!

•BOB DELMONTEQUE is the amazing 84 - year old gentleman whose new book, Lifelong Fitness 2004, cover

appears page 16. Recently major feature stories on Bob Delmonteque were published in the Los Angeles Times newspaper health section and in the National Examiner newspaper. In Bob's book he provides an amazing instructional guide for his lifetime of fitness and his book may be purchased through Amazon.com or by calling (818) 340.0707.

•In closing, I want to thank you all for reading The CLUB INSIDER News. We are here to serve this industry. We and I would like to hear from you

about your club, what is going on in your area and what your exciting events are. Please send emails to me at: clubinsidernews@mindspring.com or send information to fax #: 770.933.9698. If you would like to talk, just pick up the phone and give me a call at: 770.850.8506.

•GOD BLESS OUR TROOPS, their families, and those who have been executed or killed. GOD BLESS AMERICA!

STAYTUNED!

I've been in the club business for years. I've never seen a health club turn a profit as quick as Thin&Healthy. My Thin&Healthy realized a first month profit of over \$10K! The thing I like most about Thin&Healthy Weight Management is that the systems are set up and when you follow the systems all goes well including the advertising they created. We had 45 calls the first week, booked 40 of them and sold 32!

~Reid Hans, President, EEMIII, Appleton, WI



Most people won't join two places—they will go to either fitness or weight loss but not both. Having Thin&Healthy in my club I am getting both. I really love this—it's a double sale (more money to the bank with paid in full to Thin&Healthy and an EFT membership to my club). I'm doing something I believe in and I'm making great money at the same time. Now with the Life Success System, it's everything everyone needs to change their whole life.

~Julie Nadeau, Contours Express, Brighton, MI

Thin&Healthy has brought an additional profit center to the club with the program and product sales profiting \$18,000 to our bottom line in six weeks! After researching the weight loss industry for over two months, we found Thin&Healthy had all the elements of a weight loss program we were looking for and in less than five months our members have lost over 1,000 pounds. Thin&Healthy has changed lives, that is our mission and we're having fun.

~Linda and Paul Geyer, Peak Physique, Troy MI



Contact Thin&Healthy Now for your Free Weight Loss Business Assessment and let us show you how to add more profit to your bottom line!



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Spearman Industries Wins Lawsuit Brought by Dean Graziano and Marian Lunan

When Spearman Industries purchased The Racquet Club of Irvine (RCI) on October 1, 2002, there was a tennis academy operating there named Graziano Tennis Academy (GTA), which was operated, by Dean Graziano and Jimmy Johnson as equal partners. Spearman Industries purchased the assets and liabilities of RCI and did not assume the one-year lease held by GTA, which terminated December 31, 2002. However, the former owners asked Cecil Spearman to allow all lessees to remain at RCI until December 31, 2002 when all leases were to expire. Cecil agreed.

After approximately two months it became apparent to Spearman Industries that the GTA lease was creating a number of problems under Dean Graziano's management. GTA was not properly supervising its students when they were on and off the courts. The pool room, weight room, bar, restaurant, and cardio room were all invaded by Academy students causing problems for RCI members. Also, GTA was using more courts than were allowed for use and using those courts beyond the established hours permitted under the lease. GTA was also taking in students not qualified

to be in the Academy under the rules established by the Agreement and in fact was offering tennis lessons to local members of the community and RCI members rather than dealing exclusively with high-ranking juniors.

Spearman Industries discussed these issued with Dean Graziano and his reply was "no worries." The problems continued. GTA and the other two RCI lessees were asked to submit proposals for continuing their operations at RCI after December 31, 2002. While the swim program and the restaurant submitted proposals and met with Cecil Spearman to discuss their plans for 2003, Dean Graziano never met with or requested a meeting with Cecil Spearman and failed to provide any written proposals for his continued operation providing only marketing literature when asked in writing for a written proposal and business plan.

All of these factors coupled with personal problems of Dean Graziano contributed to a decision not to renew GTA for 2003. After being advised of this decision, Dean Graziano, rather than meeting with Spearman Industries to further discuss renewing the lease, retained a lawyer claiming that Spearman Industries violated and oral agreement to renew and threatened to sue if the oral agreement was not honored. In fact, there had been no oral agreement.

Spearman Industries then requested its lawyer to prepare a letter for Cecil Spearman agreeing that he would consider renewing the GTA lease provided a complete written proposal was made in seven days. Instead of making a proposal, Dean Graziano then retained a litigator who advised Spearman Industries that it was "too late." Despite follow-up attempts by Spearman Industries



Cecil Spearman

and its lawyer through additional correspondence, Dean Graziano refused to make any proposals or to enter into a lease. Instead, he filed a lawsuit seeking compensatory and punitive damages alleging numerous causes of action against Spearman Industries, two of its employees and Jimmy Johnson.

After thirteen months and tens of thousands of dollars in legal fees and costs, the case went to trial on February 2nd, and was tried on February 2nd, 3rd, 4th, 5th, and 9th. Plaintiff Dean Graziano then rested his case. The attorney for Spearman Industries asked for a motion to dismiss all causes of action on the grounds that plaintiff had failed to meet a burden of proof to establish any liability against Spearman Industries or any of its employees. This was done before presenting a defense, and it was evident to the judge that plaintiff Dean Graziano had no case. The judge dismissed the case. Dean Graziano then dismissed all of his claims against his former partner, Jimmy Johnson.

Spearman Industries and its employees who were named and served as defendants are thrilled that they prevailed in this case as they should have, but they are disappointed that the inappropriate actions of Dean Graziano caused the tremendous expense of time and money wasted on an irresponsible, meritless lawsuit. It is a shame that frivolous lawsuits can be filed and cause so much stress, wasted effort and money without any procedure for proper redress.

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