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THE Club Insider

NEWS

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

JULY 2005
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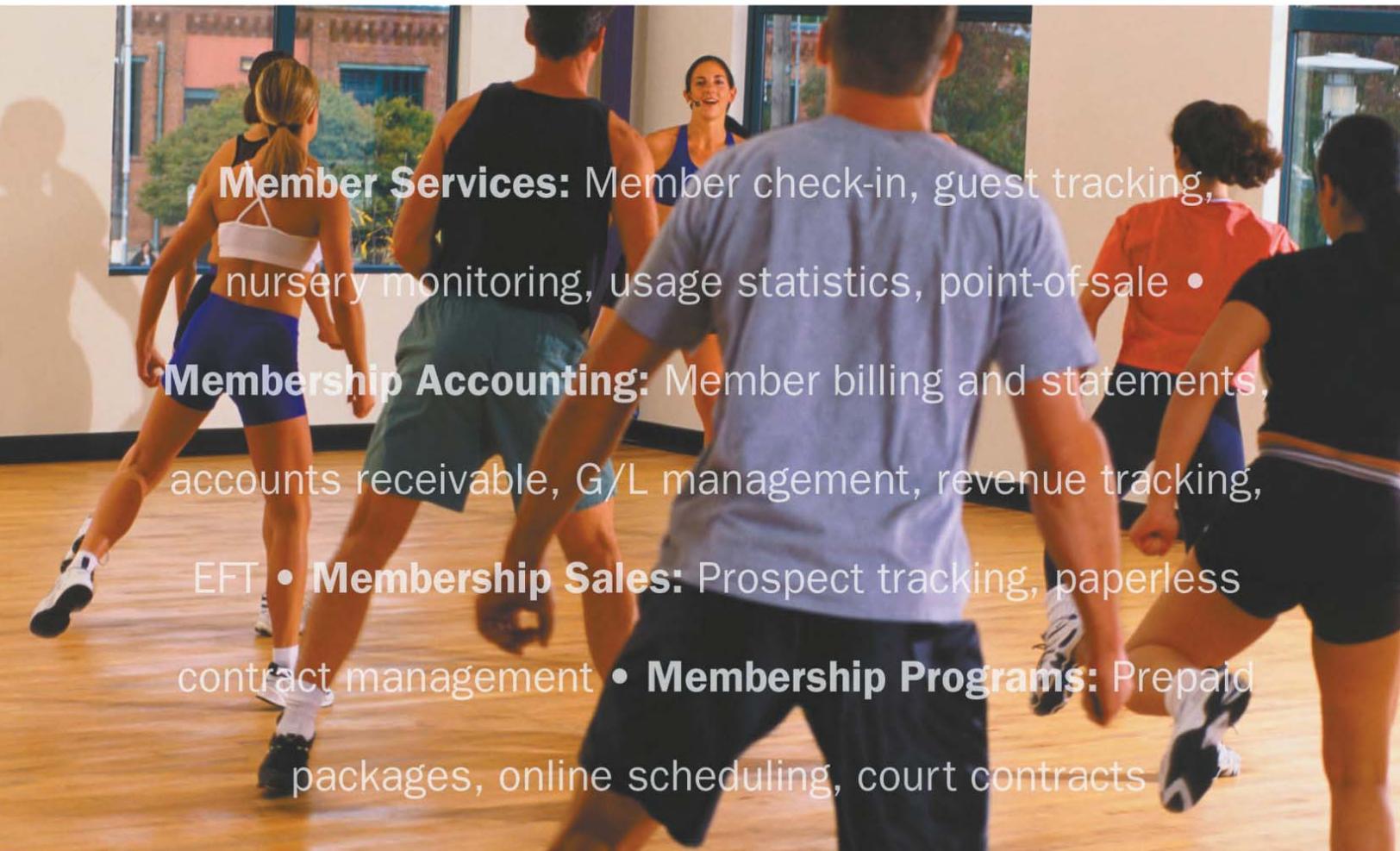
Joe Moore Special Edition!



Joe The “Gladiator” Moore

*IHRSA's 25th President Shares His Great Story
and the IHRSA Board's 'Vision' for the 'Future' of IHRSA!*

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NEWS

Joe The "Gladiator" Moore

IHRSA's 25th President Shares His Great Story and the IHRSA Board's 'Vision' for the 'Future' of IHRSA!

By: Norm Cates, Jr.

Part I

Sidney Joseph Moore (known as Joe), the man tapped by the International Health Racquet and Sportsclub Association (IHRSA) to serve as its 25th President during its 25th Silver Anniversary year, is an *absolutely amazing* human being.

Julie Main was IHRSA's second ever female President,

and she served extremely well this past year. Annbeth Eschbach was the first. Julie commented on Joe Moore, "Joe Moore has been a long-time club operator, and one of the great success stories in business and public policy. He has the attributes of leadership to steer the IHRSA Board during this important year. I look forward to working with him as the Ex-Officio President."

John McCarthy, the *loved, respected and admired* Executive Director of IHRSA

since the worldwide Association was founded in 1981, had this to say about Joe Moore, "Joe is going to be a *Great President* of IHRSA... You nicknamed Joe the "Gladiator," and I think that deep down in his heart Joe likes that! Joe is indeed a "Gladiator", but a *quiet* one... He is the ultimate 'man of a few words. But, *whenever* he says something, it's *always right to the point*, and *everyone pays attention... Joe Moore is a truly admirable guy...*"

These words by out-

going IHRSA President, Julie Main and Big John "The Alliance Master" McCarthy, who will retire from IHRSA in the Summer of 2006, cover a lot of territory when describing Joe Moore.

Joe Moore is a *true friend* and very important member of our great club industry. Joe has *worked hard all his life, served others all his life and earned his lofty standing*. The primary reason everyone pays attention when Joe Moore has something to say is because

(See *Joe Moore* Page 6)



Darlene and Stacie Moore

Wall Street...

What The Experts Think About The Health Club Industry

By: Norm Cates, Jr.

Part II

The CLUB INSIDER June edition contained Part I of this two-part report where we shared the thoughts of Wall Street Expert, David King, of Bear Stearns. In Part I, King shared a

lot of information from his experience dating back to the early days of Mark Mastrov's 34-club 24 Hour Nautilus chain before their acquisition of Ray Wilson's Southern California-based Family Fitness Center chain of 70 clubs. King's comments were overall very favorable about the future of the health club industry in the

financial worlds, comments you would never have heard 15 to 20 years ago. Moreover, King shared his excitement about exercise in general and the value of exercise to American consumers.

In Part II, we hear from John Maxwell, the Managing Director of Fixed Income Research of Merrill Lynch and

from Paul Lejeuz of Credit Suisse First Boston. These comments delve further into Wall Street's view of our industry.

Comments From John Maxwell of Merrill Lynch

John Maxwell has been involved in the financial credit in the Wall Street World since 1989.

Q.1 - How did you become involved with the health club industry finance world?

John Maxwell - It basically was an offshoot of the sectors that I covered at the time and they were: gaming, lodging and leisure. Within the gaming industry at the time was Bally Manufacturing. They were coming (See *Wall Street* Page 22)

BALLY TOTAL FITNESS Seeks Waiver Extension From Noteholders

Chicago, IL. - July 13, 2005 - Bally will not be able to provide its audited financial statements for 2002-2004 by July 31, 2005. They will instead seek an extension for up to 90 days of the waivers of reporting covenant defaults from

holders of its 10-1/2% Senior Notes due 2011 and 9-7/8% Senior Subordinated Notes due 2007 under the indentures governing the notes. These defaults result from the Company's previously announced

failure to provide, in a timely manner, its financial statements for the second and third quarters

and full year 2004 and the first quarter of 2005 with the Securities and Exchange Commission and

deliver such financial statements to the trustees and holders of (See *BTF Financials* Page 28)

Town Sports International, Inc Files For Initial Public Offering

Manhattan-based Town Sports International Inc., which operates health clubs in New York, Boston, Washington, D.C., and Philadelphia, filed an initial public offering aimed at raising up to \$172.5 million.

Town Sports, which owns 138 fitness clubs, including 94 in the New York metro area, plans to use the proceeds to redeem a portion of its senior

notes and pay related premiums and interest. As of March 31, the aggregate principal amount of redeemable debt was about \$138.7 million, according to the company's regulatory filing, which did not detail the number of shares being offered or an estimated price range.

Town Sports plans to trade on the Nasdaq under the ticker symbol "CLUB". Credit

Suisse First Boston, Deutsche Bank Securities and Goldman Sachs & Co. are the lead underwriters of the IPO.

For the three-month period ended March 31, the company swung to a profit of \$179,000 on revenue of \$93.8 million, compared with a loss of \$2.8 million on revenue of \$86.1 million in the year-earlier period.

Inside The Insider

- **"PRIMO" Ad Page AUCTION!**
- **Critical Factors For Sales Success**
- **Lifestyle Family Fitness and XSport Fitness Invest in VFP!**
- **My Dear Aunt Mary - May She Rest In Peace**

Norm's Notes

*These Notes contain news and my opinions. I welcome yours. Email your news and views to: clubinsidernews@mindspring.com
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●HELLO Everybody!
This is your friendly CLUB INSIDER Publisher since 1993 checking in for the 140th month in a row!

●Subscriptions continue to 'roll-in' and I sincerely thank you! I really appreciate YOUR business and YOUR SUPPORT for 'this club industry cause' called CLUB INSIDER! Many people are taking advantage of our NEW 100% Money-Back Subscription Guarantee!

If you subscribe to CLUB INSIDER, read our work each month for one year and are NOT satisfied... I will give your money back... Guaranteed. This Guarantee is effective for all new subscriptions beginning May 1, 2005.

●JOE MOORE'S SPECIAL EDITION this month is lengthy but slammed packed with important background info on Joe Moore, IHRSA's 25th President as of July 1, 2005. Importantly, this article contains a lot of potentially business-saving industry information you need to know! In the article headline and throughout the article, Joe and I make reference to the 'IHRSA Board of Directors'... Joe's important and talented Team for the next year that is currently going through a very important period for IHRSA. They are working hard on strategic planning for the next 25 years, and the Board Search Committee has picked the executive search firm of

Korn/Ferry to assist with the search for the new Executive Director. So, in Joe's Cover Story, wherever you see Joe and I refer to the 'IHRSA Board', we are specifically referring to those who elected him to be IHRSA'S 25th President. IHRSA's Board Members are: Ex-Officio President, JULIE MAIN, GREG LAPPIN, ED WILLIAMS, LLOYD GAINSBORO, MIKE MOTTA, TONY deLEEDE, DEBRA SIENA, MICHAEL LEVY, DAVID GIAMPAOLO, CYRUS OSKOULI, LAURIE SMITH, GENE LaMOTT, PHIL WENDEL and BAHRAM AKRADI.

●I wish to draw the attention of the manufacturers and vendors in our great industry to the new CLUB INSIDER ad to the right on our very prominent page #5, opposite this first NORM'S NOTES page #4. The ad announces a great opportunity for someone. That is that our CLUB INSIDER Ad Page #5 will be AUCTIONED



Justin and Norm Cates, Jr.

OFF to the HIGHEST BIDDER! For some manufacturer or industry vendor, this is a rare opportunity to capture and utilize our very prominent page #5 for your company's message each month. Every month, as you can easily see with a glance to the right, our page #5 provides what advertisers call a 'right-read', opposite this first and most well-read page in CLUB INSIDER, the first NORM'S NOTES page. The reason I decided to convert our page #5 to a permanent, prominent and right reading ad page is the consistent and very positive comments and feedback I have heard from my readers for 11.5 years (140 months in a row) now about this monthly Norm's Notes reporting work. Everywhere I go for club industry events and during many phone conversations, I hear basically the same message, in my readers own words, over and over. I can't count how many hundreds of times I've heard this basic message, but I am very thankful and I sincerely appreciate your (my reader's) complimentary and kind feedback! Over and over I have heard the following comment in one form or another: "Norm... I really love CLUB INSIDER! When CLUB INSIDER arrives in the mail, I always read it right away, as soon as it is delivered. First, I check out the cover, then page #3 quickly and then I always go

to your NORM's NOTES page and read every one of them. Norm, I really enjoy reading all of CLUB INSIDER, especially Norm's Notes!" It tickles me to hear that so often. I hear that over and over, and sometimes, my readers will add: "When the other industry magazines come in, I usually place them in my stack to be read later." So, all industry advertisers please read the page #5 ad to your right. If your company is interested in bidding in this first ever Ad Page Auction please send an email directly to me, Norm Cates, Jr. at: clubinsidernews@mindspring.com, or feel free to give me a call at your earliest convenience at: 770.850.8506.

●MARIO BRAVO-MALO and DARON "Rocketman" ALLEN have the terrific and productive Visual Fitness Planner program in 380 clubs now. That number includes the start of installations in GEOFF DYER'S Lifestyle Family Fitness Centers in Florida and DAN MORRISEY'S XSport Fitness in Chicago. Check out the article on page #28. For me, it has been fun to watch as it was not too long ago that VFP had just about 200 clubs involved. VFP is spreading like a 'wild-fire!' And, since they have been advertisers for several years now in CLUB INSIDER, it is great to see one of my Cover Story companies doing so well. As you (See Norm's Notes Page 7)

Thank You

To The Club Insider News 2005 Contributing Author Team Listed Below:

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- Colin Milner - V.P. Sales/Marketing - Founder & CEO International Council on Active Aging - (866) 335-9777
- Shawn Codd - SalesMakers - info@salesmakers.com or 800-428-3334
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Norm Cates' THE Club Insider NEWS

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...Joe Moore

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he is a 35-year industry veteran, and he knows an awful lot about this business. Moore also knows a lot about the world. He is a soft spoken, easy-going dude on a 'Mission.'

When you read this in-depth Cover report in its entirety, you too will learn a lot. Contained herein are Moore's views and comments on a number of important industry subjects including:

1. An excellent 'Insider Battle Plan' to help club owners across America combat tax-payer funded and supported municipal Rec Center fitness facilities and **STOP THEM DEAD IN THEIR TRACKS.**

2. True "Insider" information on "top-of-the-mind-awareness" and branding of **YOUR CLUB in YOUR market-place.**

3. Great advice from Moore for 'Rookie' club-developers and operators.

4. Amazing facts about Joe Moore's preparation in the world of Personal Trainer Certification.

5. The "Future of IHRSA" with 'Insider' information straight from the June '05 IHRSA Board Meeting shared by Joe Moore. And, you will learn about Joe Moore, the man, and why this author nicknamed him the "Gladiator" several years ago.

I Hope You Enjoy and Benefit from Our Case Study Cover Stories

One of the **greatest personal benefits** I have enjoyed by conducting these interviews and writing these great success Cover Stories during the past 11.5 years is that I really have gotten to know some of the **'TRUE GREATS'** in this industry. There are hundreds more that I will, with time, be able to share their stories, and if you are a **subscriber to CLUB INSIDER so will YOU!**

Through these Cover Story case-study-reports, we have been able to compile an in-depth history of our industry through interviews with leaders like Rick Caro, Ray Wilson, Dale Dibble, Todd Pulis, Bill Pearl, Alan Schwartz, Red Lerille, Rudy Smith, Jim Gerber, Bob Delmonteque, Big John McCarthy and over 125 other GREATS. Our cover subjects are people who've been involved in

the health, racquet and sports-club business in America for decades. The stack of **archive CLUB INSIDER issues** is now over **two feet tall and growing!** In our 141 months of in-depth Cover Stories, I have enjoyed chronicling and capturing the history of this great industry. I have enjoyed reporting these great stories in the **history makers' own words and photos.** We've shared all kinds of **trade-secrets, amazing experiences and brilliant responses to great challenges with you, our readers.**

Joe Moore is no exception. Without a doubt, Moore is one of the all time **GREATS** in the business! He has a very **compelling and interesting story even before** he became involved in the health club industry.

Joe Moore has also been a **Team** player during all of his three years on the IHRSA Board. As of July 1, 2005, we can call Joe "Mr. President" the "Gladiator" for IHRSA! He feels **highly honored and is very happy to serve as IHRSA's 25th President during its 25th Anniversary Year.**

Joe Moore's legacy someday will include the following comments and I am sure, much more: Joe Moore will be known as an excellent and dedicated husband and father. He will be known as an extremely intelligent student of the world of exercise, fitness and the club operations. He will be known as a long-time successful club business entrepreneur. He will be known as an **intense competitor.** He will be known as a **talented, creative thinker.** He will be known as a man who just **flat stood up and fought** for what was right in his community, **even helping his local competitors for years and years.** He will be known as a **leader of monumental standing** in our industry. But, most of all, Joe Moore will be known for his **deep-dedication to all the people in the industry.**

But, before we go further, let me explain exactly why I have devoted our June Cover Story to IHRSA's 'Future' and July's to IHRSA's 25th President's story and commentary about the IHRSA Board's new, in-progress plans for IHRSA's future... its next 25 years:

A Strong, Healthy and Excellent IHRSA Will Benefit and Help America In Many Ways!

In case you do not know... this Author is a Patriot. I love America. The 'Future' of IHRSA is taking shape as the days go by and the IHRSA Board of Directors and IHRSA Staff prepare for the loss of Big John McCarthy and the next 25 years without him.

During IHRSA's next 25 years, the 'future' of the United States of America will be impacted greatly by the obesity crisis. Should the United States fail to grasp the danger and reality of the current obesity crisis and deal with it, it is entirely possible that the U.S.A. will go bankrupt someday due to out of control, runaway health care costs.

A strong, healthy and even more excellent IHRSA will benefit and help America in many ways! A weak, divided and mediocre IHRSA will not significantly help clubs prosper and change American lifestyles. And, a weak IHRSA will not be the organization that will be necessary to help fix and win the American battle against obesity and the onset of its many related human maladies. The obvious solution to the battle against obesity is lifestyle change in America, and, clubs everywhere, IHRSA members and supporters or not... do change lifestyles. 'Upstream' health care before disease, not 'downstream' health care by doctors trying futilely to fix lifestyle caused diseases, is THE ANSWER for America in the next 25 years and beyond. It's that simple.

Sure, I care about and have a great expectation and desire for IHRSA's continued success after John McCarthy retires. But, I don't mind admitting that as an American Patriot, I have a far greater concern and desire to see America reverse its crash-course of destructive lifestyles before it is too late.

Great health clubs in America that really understand lifestyle change and how to teach it to consumers are an important answer for America's future. We should all think about what I have written right here... because we all are either going to WIN or LOSE depending upon America's lifestyle behaviors over the next 25 years. So... I say GOD BLESS AMERICA and GOD BLESS IHRSA!

So folks... kick-back, grab a bottled water, a coffee or an ice cold beer and **READ ON!**

READ IT ALL because there is a lot here to learn and appreciate, and you never know what you might miss that could help your business should you read only portions of this in-depth report!

Joe Moore WINS by Preparation... Hard Work... and Dedication... That's the T-I-C-K-E-T!

Joe Moore is a person that believes in preparation. He has always worked hard at preparing himself for challenges, and he gives dedication to a cause an entirely new meaning. Take this fact for example: For the past three years of service on the IHRSA Board, Moore has engaged in a very dedicated effort to prepare himself to make the best recommendations possible with respect to IHRSA's recent activities with many Personal Training Certification organizations. Moore knew that service on the IHRSA Board of Directors during this period of Personal Trainer Certification study and decision would require a significant amount of knowledge amongst the Board Members as a group. So Joe decided to lead the way. He went way above and beyond the call of duty. What did Joe Moore the "Gladiator" do to prepare for this very important aspect of his Board Service? From 2002 to 2005, Joe Moore took Personal Training Certification Courses and passed the necessary exams for all 14 Personal Training Certifications! That's right! YOU read it first right here in CLUB INSIDER! Moore took all 14 courses and passed all 14 exams! He now holds Personal Training Certifications from the following institutions:

That dedicated accomplishment, in and of itself, is absolutely amazing and speaks volumes about the man, Joe Moore. What dedication and hard work!

Joe Moore Has Earned His Respect In Our Industry!

Read and relate to this. Across America, commercial health club owner/operators everywhere operate under an ever-present threat. What is that threat? Taxpayer-funded, not-for-profit competition of Parks and Recreation facilities and Hospital-owned 'non-profit' health clubs. In our business, it does not matter where your club might be, one day your club can be "On TOP of the WORLD", and the next, your perch on "TOP of the World" can be tipped and begin to crash with the announcement of a new, multi-million dollar Parks and Recreation Fitness Center in your market. It can happen and has happened... literally overnight. Your club, carefully planned for years, excellently designed, superbly constructed, magnificently decorated, extremely well-equipped and lovingly staffed, may literally be booming one day and quickly in the beginning of busting the next.

Joe Moore is the single greatest fighter of taxpayer-funded Public Parks and Recreation facilities in America. His amazing record of 15-0 (that includes one defeat of an under construction 60,000 Sq.Ft. non-profit hospital club) against Parks and Rec. Fitness Facilities did not happen by accident. These victories were hard earned by Joe Moore and the organizations:

(See Joe Moore Page 10)

Cooper Institute- Master Fitness Specialist
 American Council on Exercise- Clinical Exercise Specialist
 American College of Sports Medicine- Certified Personal Trainer
 International Fitness Professionals Association - Advanced Certified Personal Trainer
 Cooper Institute - Certified in the Biomechanics of Resistance Training
 National Academy of Sports Medicine - Certified Personal Trainer
 American Council on Exercise - Lifestyle and Weight Management Consultant
 National Strength and Conditioning Association - Certified Personal Trainer
 Cooper Institute - Certified Physical Fitness Specialist
 Aerobic and Fitness Association of America - Certified Fitness Counselor
 American Council on Exercise - Certified Personal Trainer
 International Sports Science Association - Certified Fitness Trainer
 American Institute of Fitness Educators - Certified Trainer of Older Adults
 International Fitness Professionals Association - Certified Personal Trainer

...Norm's Notes

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know, I hardly ever feature a manufacturer or vendor on our cover, but I felt SO STRONGLY that our industry needed to know about VFP that I did that cover to help get VFP's message out, and I want to say: "I sincerely appreciate your business Mario and 'Rocketman!'" It just seems to me that the brightest and the greatest operators in America are lining up to bring in the Visual Fitness Planner Program for their members. VFP, at a minimum, will do five really important things for your club(s): 1. It differentiates your club in a crowded marketplace. 2. It helps a lot in NEW membership sales. 3. It helps enormously in personal training sales. 4. It helps generate new member referrals. 5. It helps in member training motivation, results production and retention. Check out the Visual Fitness Planner ad in this issue on page #15.

•Writing more here about the brightest and greatest operators in the industry... here is an update from RICH BOGGS, Founder and Chairman of Body Training Systems. Rich told me that now, all across North America, club owners and group Exercise Directors are "reporting absolutely rave reviews on the new programs from their members". Take, for example, GORDON JOHNSON, 25 year veteran and highly-successful, Atlanta-area Gold's Gym owner, who commented to me this morning, "Even with the extremely short timeframe we all had to make our decision to stay with BTS, this transition has been 'seamless' for us. Our members love it! For example, our 'Group Step' Program has literally doubled in attendance since we installed the NEW and IMPROVED BTS programs." Johnson continued, "It's a shame that many Group Exercise Directors across the country were effectively 'bullied' into this short-conversion timeframe of about two to three weeks. Many great clubs are now missing out on the amazing new BTS programming and training because of that short timeframe. The 30+ crowd is the 'future' of this group exercise business, and BTS is right on target across the board!" CLUB INSIDER will have a complete report on BTS' club's member S-A-T-I-S-F-A-C-T-I-O-N in our August issue. Boggs said to me during our brief conversation yesterday that, "We've gotten back to 'business-as-usual' after that one month flurry of activity during the transition." He added, "I also want to invite folks to attend our upcoming big BTS Summit here in Atlanta, August 25, 26 and 27th. If you have been a BTS customer/client in the past, but your club stayed on with LMI, you and your staff are cordially invited to attend our Summit. There you will be able to experience our NEW and IMPROVED BTS programs. You will be able to compare, first hand, the many differences and improvements we have made. Just give us a call at: 800.729.7837 so we

may reserve your space." Folks, 'yours truly' will be at the Summit, and I hope to meet you there and hear about your club!

•AUGIE NIETO, the young pioneering man I describe as the HENRY FORD of the health club industry, will be honored in Las Vegas on September 8th. Augie will join a very exclusive group of world-class industry legends when he receives the National Fitness Trade Journal's Lifetime Achievement Award. Previous honorees are a "Who's Who List" of health club STARS including: ARTHUR JONES, JACK LaLANNE, RUDY SMITH, RAY WILSON, RON HEMELGARN, JERRY KAHN, BOB RICE, JOE GOLD, BILL PEARL, KEN MELBY and last year's distinguished honoree, IHRSA's John McCarthy. Legendary industry icon, RAY WILSON, said to me the day before this month's deadline, "During all the years I worked with Augie starting the Lifecycle Company, I never once heard Augie say an unkind word to anyone." The event will be Thursday evening, September 8th, starting at 5 p.m. for dinner and then the Awards Ceremonies will start at 7 p.m. Everybody is invited! The event is shaping up to possibly be the biggest gathering in the history of WALLY and MESHELLE BOYKO'S terrific 24-year run of their Great Show! Augie Nieto, the 'rich' in every way family man, has been diagnosed with ALS... better known as LOU GEHRIG's disease. Therefore, Augie has requested that this event serve as an ALS Fundraiser. I urge YOU, your close friends and associates to attend! Also, please bring your check book, so you may contribute to the research in finding a way to stop LOU GEHRIG'S DISEASE. Let's join Augie and help him get after ALS and contribute what you can afford to help stop this dreaded disease! In addition to the honor for Augie, Wally's NFTJ will honor three long-time industry veterans, PATRICK HALD, TOM PROFITT and BRAD SCHUPP with NFTJ's Annual Distinguished Service Award. And as usual, the Ms. Fitness U.S.A. and Ms. Fitness World contests will be held. Man-oh-man talk about a place full of super-fit, drop-dead gorgeous 'ladies'! Importantly, to be presented simultaneously with Wally's Show will be IHRSA's new and first-ever 'Entrepreneur Conference' for Independent Club Owners, featuring world class speakers, RAY GORDON, THOMAS PLUMMER, ED TOCK, KAREN WOODARD, CASEY CONRAD, BEN MIDGLEY, MIKE CHAET, JIM SMITH and KAREN WISCHMANN. This new Entrepreneur Conference is IHRSA's second direct response to improve services for Independent IHRSA Clubs. The first was the launch of the new and terrific "Entrepreneur Magazine". The NFTJ Trade Show already has a terrific line-up of vendors and manufacturers, but if you're company is not signed up to exhibit, it's certainly not too late!

(See Norm's Notes Page 8)

How much time is your membership sales team actually SELLING?

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...Norm's Notes

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Contact Wally Boyko now at: WallyBoyko@aol.com. I've attended Wally and Meshelle's terrific event, held annually, at the **RIO** for the past five years. So, I can also tell you that you will love the **Hotel Staff's service culture**. The **Rio (all) Suite Hotel** has a friendly and very service-oriented staff, an awesome and entertaining Casino, and the Conference Center has been recently expanded. The greatest thing is that the whole event is all under one 'air-conditioned' roof (except the resort-like pool areas)... so, there is absolutely no need to leave the building if you don't want or need to. Except, if you're like me, you may want to go out by the pool for a few hours just to check out the amazing Ms. Fitness contestants! Take a plane, a train or an automobile... but please fit this great event and entertaining event into your schedule! It really is more like a vacation than ANY OTHER industry event held anywhere! Check out Wally's ad on page #25 of this edition. Don't forget to book

your luxurious **RIO Suite** now because Wally has negotiated a really reasonable \$129 per night rate for the luxurious, normally \$300+ Rio Suites for you, and there are just a few left at that low cost! As usual, **CLUB INSIDER** will be exhibiting, meetin' and greetin' you all and hearing from you about your club's success stories, news and yes, you're challenges in this great business. Put all of this together and you've got a **WORLD CLASS event!** And once again, if you're an industry manufacturer or vendor and you're company is not signed up to exhibit, but you are wishing you had made a GO decision on this event, go ahead and contact **Wally Boyko today at: WallyBoyko@aol.com**. Take a plane, take a train or drive your own automobile... but please fit this Special Event into your schedule! Check out Wally's comprehensive ad on page #25 of this edition for all of the info you will need to know.

•Congratulations to long-time industry friends and veterans **GEOFFREY DYER** and **TERRY DEZZUTTI**, as they have both been selected by

Ernst and Young as their **States Finalists** for that firm's annual **Entrepreneur of the Year Awards!** Dyer heads up **Lifestyles Family Fitness Centers** as its **Founder and CEO** and is based in St. Petersburg, FL. Dezzutti is the **COO of Merritt Athletic Clubs** in Maryland. Not many years ago, Merritt Athletic Clubs had just 4 locations, but since Terry joined the company a few years back, they've grown rapidly. Merritt Athletic Clubs were recently named by the **Baltimore Business Journal** as the **best largest fitness center operator in Baltimore**. Geoffrey Dyer, former IHRSA Board Member and its 21st President, has been shepherding LFF through a massive growth process and now has the largest privately held club chain in Florida with 27 clubs. LFF is now ranked #19 fastest growing health clubs in the world list compiled by IHRSA. Again, **Congratulations Geoff and Terry as you both are true credits to our great industry and really great guys to top that off!** I wish you both continued great success and prosperity in the future.

•I want to say for all to hear (and as you all know I write these **Norm's Notes** as if I am having a **one on one** conversation with **YOU**)... so please hear this folks! I want to extend my **CONGRATULATIONS** to **COLIN MILNER**, the **Founder and CEO** of the **International Council on Active Aging (ICAA)** for the **truly outstanding** and **really remarkable job** he has done with the **ICAA** that is dedicated to the **50+ market**. His work for **Seniors** is excellent, and he just continues to produce new things and great ideas including, the presentation coming in December, 2005 of a "Vision Paper" to the 'White House Conference On Aging.' And, as an **aging consumer**, I really appreciate the **VALUE of REGULAR EXERCISE and PROPER NUTRITION** more than I have ever valued it in my life. **Keep up the great work Colin!**

•Speaking of aging... on January 17, 2006, I will **turn 60!** I'm am going to have my **60th Birthday Party** right here in my cozy home in Marietta (East Cobb) GA. on Saturday Night, January 14th and you are

CORDIALLY INVITED! If you join us you will meet a lot of (a hundred or so) my friends for years and years from **all over Atlanta**. These are friends for 30+ years, as **many of you reading this also are!** I would be **HONORED** and **FLATTERED** if you can fit it into your schedule to join us right here that night! I promise you I will **"MAKE IT FUN!"** and you will be glad you attended! Oh, don't forget to 'wear you dancin' shoes as I will have a terrific dance floor installed so those of us who love to shake-a-leg and dance the night away, like I **absolutely love to do**, can get with it. **STAY TUNED!**

•Writing above about **DAN MORRISEY's Xsports Fitness** in **Chicago land**, it seems like **America has yet another 'fast-burner'** in our health club industry! **Fast burner** is the term that our **U.S. Air Force** commanders used (when I served our country as an **U.S. Air Force Jet Instructor Pilot** during the **Viet Nam War**) to describe **great pilots** who also were **men** they had identified as being **natural born leaders**. They (See Norm's Notes Page 20)



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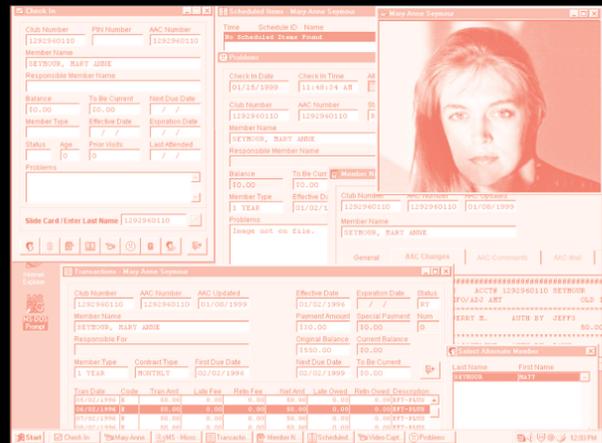
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...Joe Moore

continued from page 6

zation that he has built in the Midwest to fight off such unfair competition.

Joe's Amazing Journey to His Destiny...

Joe Moore, now 54, was born on January 21, 1951 in Dayton, Ohio where he grew up and has lived ever since. His *amazing journey* began in Junior High School, in the 8th Grade, to be specific. It was during the 8th Grade that he met and began a lifetime relationship with his lovely wife of 32 years, Darlene. Over the years, Darlene and Joe raised a daughter, Stacie, and grew their Moore's Fitness Center organization to 10 clubs. One year ago, the Moores sold their fitness chain to Fitworks, now the dominant force in fitness in the Midwest Region of Cincinnati, Dayton, Cleveland, Ohio and in Northern Kentucky.

In his early years, Moore was a self-described 'Rock 'N Roller.' He recalls, "in school in the 1960's, I was a 'Rock 'N Roller!' Not many people would know this because of my involvement in the Police Department. I did not want the other cops to think I was some kind of 'Hippie.' I started playing guitar when I was 10. I was playing in bars when I was 12 years old, so my early musical days are truly fond memories! I don't think that would fly in today's political environment, but anyway it was a good job. When I was 13, we won a five-state Regional 'Battle of the Bands' competition. Part of the prize was a *record contract*. The 'Battle of the Bands' was at Hare Arena, and there were thousands of people there because 'garage bands' were a big-deal back then. Over the years, we had different band members that came and went. We started out with the name the 'Valients'. That was right after the *surfing music craze* had ended. We were doing 'Beach Boy' and 'Beatles' tunes, and when the "hippie" era hit, we changed our name to 'Wet Paint.' That was cool.

Moore recalls, "Back then, these big groups would tour and play at the Forest Park Caverns here in Dayton. A disc jockey, Jerry Kay, who became a good friend of mine, would rent out the Forest Park Caverns and thousands of kids would go

there. Huge acts would come in and our band would open for them. Reflecting back on that, I recall that the act that Jerry Kay paid the most money for was the Supremes. Guess how much he paid? \$1,000! Can you imagine booking the Supremes for just \$1,000?!"

Joe Moore still plays guitar and bass. Moore recalls, "I used to write the radio jingles we would use for Moore's Fitness. A friend of mine would sing them, I'd play guitar and bass, and we'd hire the fantastic Jim Diamond of the "Ohio Players" to play drums for the ads. We had some great sessions."

A Dayton, Ohio Policeman Long Before He Became The "Gladiator!"

We asked, "Well Joe, how did you stay so clean-cut given your heavy involvement in Rock 'N' Roll during the long-hair era planted in America by the Beatles? He replied, "Well, here's the thing. My sister Joyce had married Keith Kuhlman. Keith was a Detective in the Dayton Police Department. He also became our band manager. When I was growing up, he had always talked to me about becoming a Policeman. So, when the other band members were drinking or smoking a little dope or anything like that, I knew the band thing would not last forever, and I needed to stay out of that.

I always intended to become involved in the Dayton Police Cadet Program. At age 18, you could become a Police Cadet, and you would have three years of going to classes, doing college work and studying criminology. Half of your day was involved in academics and the other half of the day would be devoted to working with a veteran cop. It was a great program and that's what I did. Actually, my other sister, Janet, was married to Bill Hicks. Bill was in the Kettering Police Department, so I was surrounded by law enforcement officers. I met Darlene in Junior High School when we were in the 8th Grade. Even a 'blind hog' finds an *acorn* every now and then!" *Darlene is my acorn!"*

Young 'Rock 'N Roller' Moore Enters the World of Law Enforcement and Martial Arts

"Rock 'N Roller" for 7 years, Moore graduated from High School in 1969. From there, he pursued his goal of becoming a police officer. He recalls, "That's when I started my training in Criminology. They call it 'Criminal Justice' now. About two months after I started at the Dayton Police Department, a guy who had joined the force at the same time I did had gotten shot and killed. It was because he had not properly shaken-down a prisoner that he placed in the back seat of his squad car. Norm, I can't tell you how many friends of mine were seriously injured or killed. There was a lot of violence back then, and I worked one of the most dangerous 'beats' you can imagine. That's kind of what pushed me toward Martial Arts. We expected that we would have a lot of violent situations in a Police Department, but I wanted to make sure that I could handle things and handle things well.

So, as I was going through the Police Academy, Bob Noise, a Judo Black Belt, said that *he never had anybody complete the Yusei Gachi Jiu Jitsu training and become a Black Belt. I took that as a challenge* and that is where I went. It was a difficult challenge, to say the least. You had to defend against real weapons, real knives, etc. During my Black Belt test several years later, I knew I would be attacked 55 times during the test. On the 5th attack they had 'duct-taped' the weapon to the attacker's hands. I did a beautiful block, but the 'duct-tape' caused his iron pipe to crack me on the head. I was a 'bit-addled' when the next attacker was on me with an underhand knife attack. When I took him down, he was able to get a hold of my left leg and broke it. He was very good and was doing exactly what the Sensei wanted. All other Black Belts



The "Gladiator" In Action

wanted to prevent me from passing.

"That's when *the test really began!* Here I had 49 more attacks to go in my Black Belt test and my leg was broken. That's when *you lose all nervousness and your mind just starts to react as it's been trained. From that point on, the test went great. Now... when I got to the hospital my leg was about three times the size that it should have been. I was in a cast for about two months*, but I was able to get into a 'walking cast' pretty quickly. By then, I was a street cop. I did not want to let my Sergeant down. I knew one of the dispatchers wanted to 'be on the street.' So, I called that officer that night and switched with him. Then I called my Sergeant and said, 'My leg is broken, but don't worry... the shifts are covered and I'm going to work dispatch.' I didn't miss a day of work over it. That call was made on a Saturday evening and I was at work that Monday morning. I was happy to have the job that I had. I didn't want *outside things* to interfere with it. It took me 7 years of training a minimum of three days per week for 2 1/2 hours at a time to earn my first Black Belt in Japanese Jiu Jitsu.

When Bob Noise said, "It was a tough class", he was right. The instructor's primary purpose was to *weed people out*. He didn't want to waste his time on people that would not 'further the Art.' It was a great class. There were 10 Black Belts promoted over a 20-year period. I was the last. I got my second belt there and then moved into Karate. I'm a 4th degree black belt in Tang Soo Do Karate. We thought Jiu Jitsu was a *dying art* because the highest rank in our style was a 6th Dan. Normally there would be a 10th Dan Grand Master, but the *old Masters* had

died off.

From Law Enforcement... to Martial Arts... The Health Club Industry Attracts A Tough New Competitor... Offering The New 'Nautilus!'

We asked Joe Moore, "Tell us about your personal evolution from Martial Arts to the fitness facility business". He replied, "I was doing all of this at the same time. About the time I was starting as a Police Academy Cadet, I was also starting in Martial Arts and was collecting workout and fitness equipment in my garage. I had been a member of one of the health spas where they had the belt machines, rollers, a cold-water-plunge and all of those kinds of things. That was not for me. So, I started to build equipment in my garage. I was doing an 'O.K.' job. Then I heard about Arthur Jones' work with what later became *Nautilus*. At that time, he was starting to weld machines together down in Lake Helen, Florida. I called Arthur up and he graciously talked long into the night with me.

After that conversation, with the genius Arthur Jones, I began to realize that what I had been reading in a lot of the 'muscle' magazines was untrue. Arthur was a genius who was interested only in what would work the best. Especially at that point, Arthur was not selling much. Arthur would send you the blue prints to his equipment... *FREE!* He did that for me. I bought one of Arthur's cams and he sent the blue-prints, so I could weld the thing together for just a couple of hundred bucks. The equipment was not even called *Nautilus*...we just called them Arthur Jones' Machines.

Really, between Arthur's influence on the strength train- (See Joe Moore Page 12)



After being a young **Joe Moore, the Policeman**

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...Joe Moore

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ing side combined with what I learned from Dr. Ken Cooper's book 'Aerobics.' I had, for that era, a pretty good factual background to start a health club. Within 10 years, Arthur Jones made it big time and was featured in the Forbes Magazine's most wealthy people issue each year."

Moore Opens

His First Commercial Gym

Moore remembers, "As I mentioned previously, I had started my fitness facility efforts in my garage. I had free weights there and 3 *Nautilus* machines. I opened my first commercial gym, the Dayton *Nautilus* Health Club in 1972. My first club was 1,000 square-feet. We had 7 *Nautilus* machines and free weights. I had been a customer of Arthur's for several years before I ever met him in person. Those were amazing years. We would have people drive from four or five states away to see what a *Nautilus* machine looked and felt like! There are people to this day that will come up to me and say, 'I got into the health club business because I went to your little place on North Main Street after driving from Indiana. I saw a *Nautilus* machine and decided, by golly, I want to open a health club. Ralph Griser, who later worked for *Nautilus* for years, saw his first *Nautilus* machine at my club. Ralph was one of the real *Nautilus* apostles for years. Arthur Jones was a great promoter and he still is.

It was funny when we

first placed a *Nautilus* sign in the window of my club. People would not necessarily see a health club... they would just see '*Nautilus*'. We were close to a pizza place, and people would wander into my club and say 'I want one of those '*Nautilus* Subs'. So, the first person that wandered in hunting for a sub got directions to the pizza place. The second person that wandered into my club looking for food bought a membership!"

I asked Joe, "You started with your small 1,000 square-foot Dayton *Nautilus* Health Club in 1972. How did you end up with 10 Moore's Fitness Centers before selling your chain to Fitworks' John Janszen and Pat Petrecca?" He replied, "We went from one with 1,000 square feet to our second with 2,000 square feet, then we opened up in a small suburb called Centerville with 2,500 square feet, then Kettering with 3,000 square feet. You can see we were very small and growing. So, as time went on, I developed a prototype where the clubs were between 15,000 and 20,000 square feet. To compete with the health spa operations, which were still going pretty strong at that point, we put in small pools and whirlpools. In the year Arthur decided to sell *Nautilus*, I think it was 1984, I changed the name of my clubs from Moore's *Nautilus* to Moore's Fitness.

After traveling to *Nautilus* Headquarters in Ocala, Florida and becoming an avid *Nautilus* customer and disciple, Moore had become good friends with both Arthur and Terri Jones, Arthur's wife. During that 25 year

period, Moore employed Terri Jones as a model and spokesperson for Moore's Fitness Centers in Dayton.

Moore recalls, "Terri Jones was our spokesperson for 25 years. One of the *best* campaigns we ever had evolved around a tag line that read: '25 Years and 2 children later Terri Jones looks better now than when she appeared in her 1st Moore's Fitness Ad!'"

Moore Is a Winner Because He Prepares So Intensely For All Contingencies

When Joe Moore applied for and was elected to serve on the IHRSA Board three years ago, he came to serve *IHRSA Members and the health club industry worldwide*. Moore DID NOT apply for and join the IHRSA Board of Directors for *hidden-agendas* as some who have served on the Board of this almost 25-year organization have done. Joe Moore came to serve.

And, he came prepared to serve. Consider this: One of many very important habits Moore brought to the IHRSA Board from his 32-years (at the time) was a deep deep passion for fitness and the fitness business.

Joe Moore prepares for success in all important endeavors. His preparation and execution of very aggressive plans of action to fight off huge-multi-million dollar Parks and Recreation fitness facilities helped Moore and his fellow Midwest club operators to stop, *dead in their tracks*, tax-funded and supported fitness centers.

Moore's preparation helped him run up the previously mentioned, inspiring and amazing 15-0 record, defeating 15 different Ohio Rec Fitness Centers through *VOTES* by *CITIZENS* in all 15 cases.

One of the *hottest* issues and challenges the IHRSA Board of Directors has had during Moore's first three years has been the process of "accreditation" of select Personal Training Certification organizations. And, as always, Moore came prepared. And, I do mean *PREPARED!*

Joe Moore has done something that nobody else in the history of this health club industry has ever done. He has taken the Certification Courses and Passed the Certification tests for the 14 available Certifications. Just think of the dedication, time, energy and the investment of his own funds that has been necessary to receive 14 Certifications! I would say Joe Moore is an expert on personal training.

The "Gladiator's" Thoughts on Personal Trainer Accreditation...

Moore shared his thoughts on the Personal Trainer accreditation processes, "One of things that is really interesting Norm is that, in 1970, the scientific community hadn't really embraced exercise. Very few real studies had been done. Today, we know so much more about how muscle fibers work. Not just the *benefits* of exercise, but the *physiology* of exercise. It's really intriguing to reflect back on things that we speculated on in 1970 and find out today... that's right. For instance, one of the things we speculated on was that you got sore because of damage on a cellular level. Today that's been proven. If you remember, people *thought* it was because of the build-up of lactic acid that you were sore the next day. It really is interesting to me. I think exercise science is just fascinating. It's the basis for what we sell. That's really the product that we sell. Instruction is the *key* to a successful exercise program.

The "Gladiator's" Thoughts on Club Branding and Top-of-the-Mind Awareness

Seeking to find something in our industry that Joe Moore is NOT an expert on, we



Terri Jones Moore's Fitness Spokesperson and Model for 25 Years

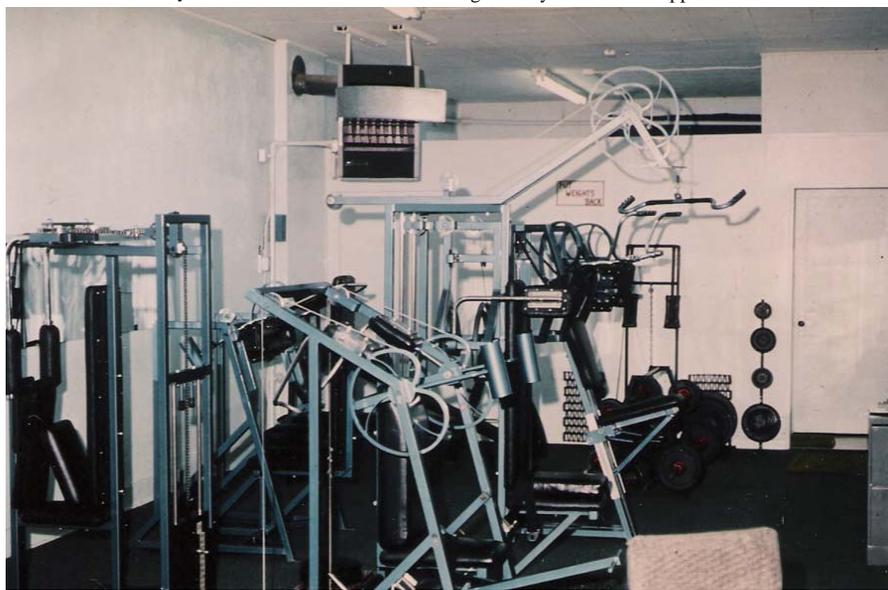
asked him, "You experienced the evolution of your clubs to a total fitness thrust as opposed to your long-standing Dayton, Ohio '*Nautilus*' identity and branding. How about talking in general about the importance of branding and how, even a single-independent, one-club operation can do that?"

Moore explained, "Top of the mind awareness is something that is absolutely paramount in our industry. We can't choose the time that a human being is going to decide to embark on an exercise program. So, we need to brand our clubs into the minds of the community so that our fitness center is the first one to come to mind when that consumer does decide to begin exercising and change his lifestyle for the better.

If I had spent more time thinking up a name in the 1970's, I would have never named it Moore's *Nautilus* or later on, Moore's Fitness. I would have come up with a better name, an easier name to brand. Anyway, it was too late to change the name, so I played with the name a lot. I would often end commercials with: "Need we say Moore?" Our telephone number was 1.800. Moores24. When we added new equipment, services or programs we would say we've got '*Moore Free Weights*', '*We've got Moore Aerobic Classes*'. '*We're open Moore hours*'. It became a 'catch-phrase'. Another one that people caught onto a lot was... 'Real fitness is spelled M-O-O-R-E-S'".

Great Advice For 'Rookie' and Even 'Veteran' Club Developers about Club Name Selection

We asked, "Joe, what would you tell a 'Rookie' club developer about the name selection (See Joe Moore Page 14)



Joe Moore's First Club, The Dayton *Nautilus* Health Club Opened In 1972

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...Joe Moore

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tion process that he should go through in selecting his new club name?" Moore replied, "I'd tell them to *do as much research and talk to as many people in the industry as possible* (Author's Note: at the upcoming IHRSA Entrepreneur Conference in Las Vegas, Sept 9-11th would be a great place to start!). They should also speak to as many potential members in their market as possible to find a name that will 'stick' in people's minds. We call them 'mind hooks'. They should make sure that they have a 'mind hook' in their club name so that if a person *hears it just once or twice* it is memorable. This is important because, in general, there is just so much *clutter in advertising* that consumers sometimes tune marketing and advertising out. So, you *need* something in your marketing that will *stick* in a person's mind quickly, and it doesn't matter if it is TV, radio or print... a lot of times, that's putting some sort of incongruity in the message. Starting people in one direction and making them *expect* what the next step is going to be, and then you *make a turn* that is *completely different*. Those are the types of ads that really tend to stick in people's minds and cause the brand to become a household name. Your *brand* is the total number of impressions, positive and negative, you have made on the consumer.

I think jingles work extremely well. When I say 'jingles', I'm really talking about music. I don't think a jingle should sound like a jingle. I think it should sound like a song. For example, I recently produced a commercial that starts with a crowd noise acknowledging that

a band is getting ready to play. They hear the crowd noise... then they hear a band start to play, then the vocals start, and all of a sudden, it's a jingle. They may listen to the entire thing and never get the *advertising* point, but it has gotten into their *long-term memory*. That kind of message *brands into their minds the name of your health club*, so that *when they do make that long awaited and badly needed decision to finally start on a fitness program* they think of *your club*.

**Fast Forward to June, 2004...
Joe Moore Sells the
10-Club Moore's Fitness
Chain to Fitworks'
John Janszen and Pat Petrecca**

In August of 2004, Joe Moore sold his 10-location Dayton, Ohio-based Moore's Fitness Centers to his competitors, Fitworks, owned by John Janszen and Pat Petrecca. After the sale Moore stayed on with Fitworks as the Dayton-area Fitworks Regional Manager. Talk about a busy guy! Joe is excited about the Fitworks acquisition and about this new relationship with Fitworks owners Janszen and Petrecca. He likes John and Pat. He thinks that Fitworks is an excellent organization, and in the real estate transactions, that are independent from the sale to Fitworks, Moore came away from the deal quite well financially.

From a member service standpoint for Moore's Fitness Members, they all *WIN* as well. They win because Fitworks is *growing more facilities in the Dayton area*, and they are also *upgrading* some of the older Moore's Fitness locations to provide bigger, better-equipped and even more excellent services under the Fitworks brand name.

In essence, Joe Moore club business-wise is a very 'happy-camper'.

I asked Joe, "When did you first get to know John and Pat, and how long did it take to cook up the deal for Fitworks to acquire Moore's Fitness?"

Moore recalled, "One day, Fitworks Founder and owner, John Janszen called me to discuss a new Rec Center that was coming to the city of Forest Park. We had a good phone conversation and arranged to meet in person to discuss what could be done. We became friends. That's how the topic came up that they were planning to move into Dayton. The Fitworks Clubs were very close to the Moore's Fitness Clubs in Cincinnati, so that allowed us to transfer the memberships over to their Fitworks locations and allowed me to sell the real estate. That worked out very well for both of us. It gave them many more members, and it eliminated a very strong competitor in the market, Moore's Fitness. And, with their moving into Dayton, we've kept the Moore's Dayton locations open. But in Kettering, one of the suburbs of Dayton, they're going to start construction on a new 25,000 square-foot Fitworks Club where the members of the former Moore's Fitness will be moving to."

CLUB INSIDER - "There is a message there isn't there Joe?"
Moore - "Exactly. That message is when you're *threatened with a great enemy (the Forest Park Rec Center)* you have to *join together*. Then you've got a stronger force to compete against the enemy. In this case, John has told me since then, he didn't know how I would react. Well... I get calls all the time from health club owners. AYMCA is moving in, a Rec Center is coming... and I have for years. Tax paying clubs need to cooperate with one another.

The work that John and I did together resulting from the one phone call from John to me caused the vote on that Rec Center to be 80% against, to 20% in favor, which was the greatest margin of victory we've had in all 15 of our battles. Not only did John and Pat win the 'Battle of Forest Park'... that one phone call between friendly competitors resulted in the sale of my clubs to Fitworks. Everybody won!"

We asked, "How many Fitworks Clubs are there right now? And, how many would you

estimate are in the 'pipeline'".

Moore replied, "Twenty. I know that we're looking at three different expansions right now, and they are all in different phases of negotiation. John and Pat are *very serious* about expansion. Moore added, "I want to say here that the sale to Fitworks has worked out very well. Almost all of our key people are still with us in this Dayton market. Personnel and great health club people are the *lifeblood of this business*. *Anybody can put equipment into a health club, but it's the folks that really care about exercise... the health professionals that make the business. We are in the 'preventative health care business' versus the medical industry which is a 'sickness care business'. It's those people with a PASSION for what we do that make every difference.*

CLUB INSIDER - "You all have assembled a hell of a team there. With the addition of my old high school track teammate, Larry Pacifico, and his Champions Gym to your team, you guys have made Fitworks even stronger."
Moore - "Norm, Larry runs one of the *most successful Personal Training/Health Clubs I've ever seen*. He's got a really fine health club in Kettering, but Larry's real focus is on Personal Training. His facility is *not a health club where they sell Personal Training*. It's a *Personal Training Center where you can get a health club membership*. Larry is an independent contractor for Fitworks in Dayton, Ohio. He still owns his Kettering Club that is about 17,000 square-feet. **Larry Pacifico is "THE" Personal Training Brand in Dayton, Ohio.**

(Author's Note: *Larry sent me an email last week informing me that his son Jimmie, who just turned 17, WON the 17/18 age group NATIONAL CHAMPIONSHIP in the SHOT PUT with a throw of 62' 11"!! Larry is Jimmie's Trainer and a great job he has done! Last March, I personally witnessed Jimmie Pacifico perform a full-squat with 705 pounds! That 705-pound squat is a weight that Larry, a 9-time World Power Lifting Champion, never reached until he was about 28 years old. Jimmie is also a star football player who plays running back. During his Freshman year his rushing average was 14 yards per carry.*

In tougher competition as a Sophomore, he averaged 9 yards a carry! STAY TUNED!)

**Why I Nicknamed Joe Moore
The "Gladiator"
The "Battle-Plan" to STOP
Municipal Recreation
Fitness Centers
DEAD IN THEIR TRACKS!**

For those of you that do not already know, let me explain why I call Joe Moore the "Gladiator."

Joe Moore has stopped many 'self aggrandizing' politicians in 15 cities and townships in Ohio from using *taxpayer's dollars* to build monolithic new multi-million dollar, mega-fitness facilities in the name of the various Municipal Parks and Recreation Departments. Due to that amazing success and experience that Moore has had, this part of our report *contains vital information for club owners, potential club business saving information*. Frankly, I am not sure that *any place in America is safe for health club owners* when it comes to the *potential invasion* of tax-payer funded, non-profit public fitness facilities, *except for the city of Dayton, Ohio and surrounding areas*. I can assure you folks THAT part of America *IS SAFE* from *potentially devastating* tax-free competition, thanks to Moore's leadership and hard work.

I said to Moore "I think your work in Ohio organizing and leading the fight to stop 15 different tax-funded Parks and Recreation multi-million dollar, mega-facilities dead in their tracks is *truly remarkable*, and you should be *very proud* of what you've done on behalf of your club organizations and your competitors. I think that work is your *greatest achievement* in this industry and it is the one that caused me to nickname you the "Gladiator." Then I asked, "Tell us about the long-time series of battles that you've had with the Parks and Recreation Departments in your region?" Moore replied, "The last time we counted, there were 15 Park and Recreation facility battles that we were involved in and went to a ballot, and everyone of them... **WE WON!**

CLUB INSIDER - WOW Joe! I sure picked the *right 'nickname'* for YOU, The "GLADIATOR"! The undisputed Champion of the (See Joe Moore Page 16)



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David Patchell-Evans, President and Founder GoodLife Fitness Clubs, Canada

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...Joe Moore

continued from page 14

World... Joe Moore... 15 and 0!

Moored added, "Well, the thing is, and you can take this to the bank Norm, Municipal Recreation Centers are *not* built to service the community! They are built for the PERSONAL GRATIFICATION of a Mayor or City Councilman and are not built for the hard working, tax-paying citizens that VOTE THEM INTO THE OFFICE THEY HOLD! That is exactly why they are built. Once people (club owner/operators) understand that, then they're not or should not be afraid to offend their competitor. And, believe me, the Parks and Rec Fitness Centers are competitors.

I asked Joe, "Suppose there is a club owner and CLUB INSIDER reader in Michigan, and he is trying to build a 'Battle Plan' to STOP-IN-ITS-TRACKS a taxpayer-funded, local politician-backed Rec Fitness Center. What would you tell him his first step should be to become a successful, up and coming "Gladiator" just like you Joe?"

Moore replied, "It would be first to realize that what I just said is true and I assert that truth to my fellow club owner/operators because I have witnessed this exact same phenomenon over and over in fifteen (15) different cities and townships in Ohio. Once the club owner gets wind of and knowledge of such municipal government activity they must immediately find out exactly when and where the next 'community hearing' on the development will be held. Then, they must attend that hearing and they should sit on the front row! You need to STAND UP AT MEETINGS... YOU NEED TO TELL THEM EXACTLY WHAT YOU THINK IN NO UNCERTAIN TERMS. And, thinking that you can go to the Mayor and talk to him about what an 'asset' your club is to the community and that the Mayor will stop from building a tax-funded Rec Fitness Center... if you DO THAT... you are in a DREAM WORLD! If you go out of business because of it they DO NOT CARE because they know somebody else will take your space won't they?"

Moore continued, "I'll give you a good example. In Washington Township, Ohio two years ago, we learned ten (10) days before the vote that the

Township had put a Recreation Fitness Center issue on the BALLOT. TENDAYS. The only reason we found that out was that because as a matter of course we call the Board of Elections from time-to-time to see what's on the Ballot. My wife, Darlene, happened to call the Montgomery County Board of Elections and we found that out. Well, we immediately put together a FLYER to send to every registered voter in Washington Township. We did that immediately because we had been through this SO MANY TIMES.

We also found out that they (the Township employees) were passing out FLYERS on government property, which is illegal. So, within two days of finding out about this we obtained a 'Restraining Order' preventing them from violating the law. It was an agreed order. That's something that is very important because they agreed to it, so the Judge would not have to rule on it. It was an agreed order that they would stop handing out literature in support. It's called ADVOCACY and means that the government cannot advocate a tax-bill like this. That got us on every TV newscast in the region. Two of the local TV station cameras actually were there in Court when I filed the papers because it was 'big' local news that the Township had violated the election law. But, we won this because the MORE CITIZENS THAT KNOW ABOUT IT THE MORE A GRASS ROOTS EFFORT WILL START IN THE COMMUNITY WITHOUT YOU EVEN KNOWING IT'S HAPPENING! THAT WILL FORCE THE VOTERS TO COME OUT THAT ARE 'ANTI-TAX'. Once that happens, you've got a GREAT CHANCE OF WINNING! Club owners must realize the power of the 'Anti-tax Voters'! They **won** that one with a 62% **NO** vote, and **we put the whole campaign together in just TEN DAYS!**"

Moore continued, "It took me a while to get to it, BUT the point is, after the victory, our club in the Washington Township had many citizens stop in and say, THANKS... I HAD NO IDEA THAT THE GOVERNMENT WAS TRYING TO PULL THIS ON US. Many of them that stopped in continued with, 'I am not here to join your club. I don't want to be a member... I just want to say THANK YOU!'"

CLUB INSIDER - "Joe, I would bet that those same people that stopped in to THANK YOU, but definitely *NOT TO JOIN* will go into the community and tell 10, 15 or 20 or more people about what your club has done for ALL OF THEM and I'd BET that MANY OF THEM that got this news by word of mouth from those 'THANK-YOU' citizens WERE great new member prospects! This 'Battle' success also turns out to be a great MEMBERSHIP MARKETING" TOOL for your club in that community."

Moore - "Sure they are, but Norm, I hear all the time from club owners in our Region when a YMCA, a Rec Fitness Center or a non-profit-hospital is coming into their neighborhoods. They say, 'Joe, I don't WANT TO MAKE ANYBODY MAD. I DON'T WANT TO MAKE WAVES!' I can only say to them, 'Well son, you're in a Hurricane already!' So, my base message here is: 'DO NOT FEAR offending anybody when it comes to YOUR CLUB BUSINESS SURVIVAL and the well being and FINANCIAL future FOR YOUR FAMILY!'"

Follow-up question Joe? How did the TV stations become informed about this Court Hearing?

Moore replied, "How else? I told them!"

I asked Moore, "I have heard about the case that John Janszen and Pat Petrecca, owners of Fitworks based in Cleveland were involved in. What can you share with us about that?"

Moore replied, "I haven't been directly involved in that one, but John and Pat have taken this on in West Chester, Ohio. I think this breaks new ground. What we've got in West Chester is three Township Trustees who voted themselves, without citizen approval at all, to build a \$33 million-dollar Rec Center. They did not draw it up and put it on the ballot. They didn't care what the voters thought. But, they voted themselves 3-0, and they are the only Trustees for the West Chester Township! John Janszen, his partner Pat Petrecca and Randy Standifer were expecting the vote. **WE WERE READY!** So John had the Petition ready for people to sign as soon as the Trustees voted for it. John helped to get the community to UNITE AGAINST THIS. In West Chester, as in many communities, they have their own community

activist email system and network. With John's leadership and support, those citizens got signatures on a Referendum and forced it onto the Ballot. **IT, the Rec Center and THEY, the politicians, LOST TO A 61% NO VOTE... NO REC CENTER VOTE! But, IF YOU ARE A CLUB OWNER IN A MARKET WHERE SOMETHING LIKE THIS IS PLANNED, YOU have to jump on it fast because once Trustees vote on it you've got just 30 DAYS to get your referendum signed. To my knowledge, that is the first time that a Board of Trustees or a City or Town Council has actually VOTED to build a Rec Center and the VOTERS TOOK IT OUT OF THEIR HANDS and STOPPED THEM!**"

We asked Moore, "Joe, you've also been involved in other arenas in addition to your many Rec Center victories. Tell us about that please."

Joe "The Gladiator" Moore replied, "Well, we've had the big fight with the Springfield Community Hospital. In that case, the City of Springfield violated its own Zoning Ordinances to allow the non-profit to build on 15 acres of land right across the street from our club there. We sued them, and so did the citizen's group in the Springfield area that didn't want the traffic. The Court ruled that the City of Springfield had, in fact, violated their own Zoning Ordinances and the only thing that could be located there was a Government-owned facility, which it was not. The hospital had already started construction and had spent \$2.5 million dollars. The Judge ordered them to STOP CONSTRUCTION and PULL OFF THE SITE. It is now a school. That's something the Government should be involved in. Our guy, Ron Byrd, was the District Manager. Ron did just a great job on that, attending the meetings and pointing out the lies that were told. Plus, we learned so much on how the consulting firms worked. A lot of times, these are driven by consulting firms which can also be, should the Rec Center be approved by the voters in a community, a 'consultant to construction', a 'consultant to marketing', or a 'consultant to running the club'. There's a ton of money out there to be made in convincing hospitals and convincing Government to build fitness centers.

CLUB INSIDER - "I get it... these consultants go where the money is!"

Moore - "That's exactly right."

CLUB INSIDER - "Joe, let me just say this. I think that what you've shared here today, combined with your materials and input from your team of John Janszen, Pat Petrecca, Randy Standifer and Ron Byrd and any others you might suggest, provides all of the ingredients for CLUB INSIDER to work with you all to prepare and make available to anyone in North America at NO COST... a "Battle Plan Kit." I am making a commitment to you and my readers now to work on this as a CLUB INSIDER INDUSTRY PROJECT to help out. So, folks... STAY TUNED! We can also include, as part of the KIT, experiences from others around the country that have had such challenges. I think you would agree that had you not done what you've done to fight off these BS 'self aggrandizing for politicians' monoliths, your world **AND** the worlds of your competitors in Ohio would be very, very different right now. So, let's share your hard work and incredible experiences to help others across America and Canada as well."

Moore - "Let's do it. Norm, all a good, long-standing club operator needs anywhere in America is a 150,000 square-foot 'government owned' fitness center opening up across the street and charging \$90 a year! These operations usually lose about 50% that comes right out of the city's General Fund. I'll tell you Norm. It got so bad in Green County that they would see me and my folks walk in and the Parks and Rec people would be saying, 'UH- Oh, this ought to be a good one!' Every time they would start their 'dog and pony show' I'd interrupt them. Every lie they would tell, I'd say, 'That's not true.'"

CLUB INSIDER - Joe, the great thing is you can FULLY SUBSTANTIATE THOSE COMMENTS! The key is the homework you've done over the years to prepare for these battles! Let me say this to you with a big THANKS! Believe me... this industry in your region has been doggone lucky to have a guy of your very high caliber, with your background and your tenacity and that "Gladiator" mentality. The truth is that the ENTIRE Ohio market would be

(See Joe Moore Page 18)

The best of times and the worst of times in the fitness business

During the last 30 years there has probably never been a better time to be in the fitness business and sadly, there has also never been a worst time.

The good news is that the consumer has finally gotten the message. It's hard these days to pick up any news magazine; watch almost any news on television or pick up any newspaper and not see at least one article on the benefits of fitness.

It wasn't too many years ago that national awareness grew to the point with cigarette smoking that it slowly became very uncool to smoke. This awareness finally forced our nation to take action and now smoking is one of the most unacceptable things you can do in our culture.

Being overweight and out of shape is now at the point smoking was not too many years ago. National awareness about the dangers, and most importantly, how uncool being deconditioned is in our society, is building toward that tipping point where the consumer finally gets "it".

What this means to all of us in the fitness business is during the next few years we should be seeing a new type of client seeking out fitness centers for the first time, which will lead toward more business for all of us who in fitness.

The bad news is that during the last four years the number of members per club, according to research by IHRSA, is declining each year. In simple terms this means that we are adding clubs faster than we are adding members.

This can't last too long without a major correction occurring similar to those the fitness business experienced in the past, such as the ones in the mid 80's and early 90's. In fact, we are looking for a significant number of clubs to close during the next several years until the weight of the new members coming in overcomes the growth of the new clubs.



Thomas Plummer

Corrections are a normal part of any business and what we are going to encounter stems not only from recent growth but also from the type of growth in the industry, such as the increase in franchises and low-price providers; both of which will wreak a little havoc on clubs not prepared to do battle and protect their turf.

There will be great opportunity during this shift in the industry. Some clubs will fail but those that are prepared will have opportunities to expand their markets and their businesses. Look back at any major shift in any field and you'll always find those few who make money when everyone else is scrambling.

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The right answers, at the right time, for your business

...Joe Moore

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a *real mess* for you and ALL of your competitors (before you sold to Fitworks) had you not been around to *fight these mega deals off!* I think that John Janszen and Pat Petrecca of Fitworks, Ohio's biggest club chain, also owe you thanks, and I am sure you've already received that from them."

Moore - "Well, one thing is for sure. During the West Chester fight John and Pat used the same attorney that I had used, so as soon as there was a question they had *expert* legal advice immediately. The Government is notorious for *breaking its own laws*. That's a real weak spot... If you know the law."

CLUB INSIDER - "In essence, what has happened with that recent Fitworks VICTORY in West Chester is that John and Pat had the *huge-benefit* of a 'Personal Battle Kit', a two-legged 'Battle Kit' called Joe Moore running around Ohio. With your guidance and help, they went to work and GOT 'ER DONE! Joe, what we need to do is to clone you and your knowledge and ship you across America. Since 'cloning' really is not an option we will have to settle for the above mentioned Rec Center Battle Plan Kit!"

Joe, another thing for sure is that these Rec Centers and other non-profits *are not going to stop coming all across America!* Your region is just one of many regions, and while the club operators of Ohio *are much safer now because of your work*, there are many, many regions where these monoliths can and probably are landing as I type these words. All I can say to these folks is: **HELP IS ON THE WAY! We're going to get after that 'Rec Center Battle Plan' Pronto... so in the mean time, if you have one of these in your face, contact me immediately and I will immediately contact the very busy Joe Moore. Together, Joe and I will get everything to you we possibly can as fast as we can to augment this writing and try to help your club business ventures! In the mean time, FOLLOW JOE MOORE'S guidance and help provided herein!"**

Moore - "I want to go back to what I said in the beginning of this segment of our discussion. That is I *often hear* from some club owners who say to me 'the

economy is bad' so 'we don't think the city is going to build that thing.' I *re-state here* for those club owners.... *it does not have anything to do with the economy being good or bad. These places are being built for people's egos (Mayors, City Councilmen, Township Councilmen, etc.)! You have a copy of that letter I sent to the Green County Commission. I mention in there the reason I understand many of these issues. It's because of my background in criminology. Many times it's a con game!"*

CLUB INSIDER - "The great thing is you and I can tell people 'from the heart' and clearly that **IF** they will *get up and get out there* on the streets with the citizens in their community, make sure that *as many citizens and tax payers as possible are reached with the message that the Rec Center is going to RAISE THEIR PROPERTY TAXES, those very citizens* in the subject community **WILL become part of the Army needed to defeat all of these projects. THAT is your CENTRAL MESSAGE... IS IT NOT JOE?**

Moore replied, "Norm, you 'Tell-It-Like-It-Is!'"

Joe Moore
IHRSA's 25th President
Shares The IHRSA Board's
'Vision' for the
'Future' of IHRSA



CLUB INSIDER - Well Joe, here we are not far from the 'end-of-the-line' of an absolutely terrific conversation/interview. I would bet that the people that have read to this point are folks that are truly interested in learning all they can about our industry, its greats and its greatest club Association, IHRSA.

For starters, I am going to explain to our new readers this month some things about IHRSA. IHRSA was Founded in 1981 by a group of seven independent club owner/operators. In March, 2006 IHRSA will celebrate its 25th

Silver Anniversary with its huge annual Convention and Trade Show in Las Vegas. I predict that 15,000 people or more will attend. As those that are IHRSA members all know, IHRSA has been blessed with a man of extraordinary talent and vision... His name is John McCarthy. John has been the Executive Director of IHRSA since the beginning. Big John "The Master of Alliances", as I affectionately refer to John, announced last March that he would be retiring from IHRSA next June, 2006. The 25th Anniversary Convention and Trade Show will be Big John's last as the sitting Executive Director, and I expect IHRSA will be approaching, if not over, 8,000 member clubs worldwide.

With this information for our new readers, who may not have been familiar with IHRSA, I would also say to each and every one of them: If you make your living in any realm of the health, racquet and sportsclub industry, I implore you to join IHRSA and become an active member of the Association. You may obtain IHRSA Membership information by calling: 800.228.4772 or by going to the website: www.ihrsa.org.

IHRSA
The World's Single Greatest
Club Educational Source!

I will also tell you that IHRSA is the *world's single greatest educational source* for club operators. Education through IHRSA comes through a myriad of forms, but rest assured... if you invest just a little money in an IHRSA membership and if you follow that very small investment with a dedicated and focused effort to use and benefit from ALL of the IHRSA services, benefits and club business professionalization opportunities, your investment will surely come back to you... not 10 times, but 100 times over. With this information provided for our readers that are not familiar with IHRSA, we will get into the final section of this extremely illuminating Cover Story/Case Study of the career of one of the club world's greatest individuals, Joe Moore. This section will provide Joe Moore, IHRSA's 25th and new President as of July 1, 2005 with the opportunity to share with our readers the IHRSA Board's plans for the 'Future' of IHRSA.

Rick Caro... IHRSA's True 'Founder' Weighs In

Rick Caro, my great long-time friend and the brain behind IHRSA's creation and the true 'Founder' of the Association along with five other Co-founders and myself, told me on the phone recently that IHRSA might consider a 'new idea' as well. Rick's idea is that there could be a CEO and a COO hired. Caro's idea on this aspect of IHRSA's future, *only slightly contrasts with mine*. Rick's idea is that the Executive Director's duties and other duties could be divided between these two individuals. Rick's idea would have the new IHRSA CEO & COO share the duties divided along the lines of their talents, experiences and backgrounds, instead of my suggested three Directors aligned with specific IHRSA club constituency groups.

So, here we have the Founder of IHRSA, Rick Caro and one of his Co-Founder buddies, yours truly, both suggesting ideas that at a minimum, would have the Executive Director's and others duties shared by two (with Rick's idea) or three (with my ideas) as part of IHRSA's strategic plan for when John McCarthy retires and to carry the Association forward to the next 25 years. But, Caro and I realize and acknowledge we are not part of the decision making process. We are just offering some thoughts for others to consider.

But, Rick and I are not worried about our 'Baby' because our 'Baby' has grown up, really matured and is in good, solid hands! Our 'Baby' is now THE GIANT of the world of club Associations thanks to the hard work and contributions of many IHRSA Board Members (well over 100) and John McCarthy and his terrific "Team IHRSA" over the past 24+ years. This giant has a current IHRSA Board of Directors that is loaded with really smart, dedicated and great people. Caro and I realize that as we observe from a distance, the 'Future' of IHRSA is indeed in their good hands, and we trust this excellent current Board to do the right things for the IHRSA Membership worldwide. They are close to it and they are working hard on it!

Caro and I are no longer as closely involved as we were when we spent many long-distance phone hours in 1980 creating IHRSA. But, while Rick

Caro prefers to stay *below the radar*, this IHRSA Co-founder has not and will not. So, I shared my ideas for the 'Future' of IHRSA with everyone in our June, '05 edition. However, that was all that writing represented... MY IDEAS... developed by myself, with NO other input except for my 24+ years of experience listening to IHRSA Members' comments as the years have gone by. Now, it is all up to the IHRSA Board. Rick and I trust and believe in them completely to do the right things for the IHRSA members.

With respect to the structure of the top level of management, I personally think that IHRSA will be fine with one Executive Director, or with two leaders as suggested by Caro. With the following caveat:

I Have Really Strong Beliefs About Just One Issue

The only area where I actually really have strong feelings, and not just ideas from my June writing, is with respect to what I believe is a sure need for IHRSA to develop a new layer of management to help manage the future growth of IHRSA. I believe this new layer is necessary whether there are one, two or three Directors of IHRSA. This new layer would place 3 or 4 key people directly below the Executive Director(s) if you were looking at an organization chart. I also strongly believe that there is a serious NEED for THAT MANAGEMENT and ASSISTANCE availability to be promoted and aggressively communicated to the IHRSA members moving forward.

Frankly, I was happy to hear Joe Moore's comments in this interview below on that. Read on, we're to the point where Joe Moore shares the exciting news from the June board meetings. I believe that this new layer of management, in essence a team of 3 or 4 'key-people' should be charged with the execution and delivery of services to particular IHRSA club constituency groups. And, Moore's comments below, illuminating the Board's thinking, in my view is very close to target with respect to my one serious HOT BUTTON! The only goal I have ever had and was reflected in all of my June writing about The "Future" of IHRSA in June and really every (See Joe Moore Page 19)

...Joe Moore

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word I have EVER written about IHRSA, is to assure that our IHRSA Member friends, (many of the very best club owners and operators in North America and around the globe), receive the attention they deserve and the best IHRSA service humanly possible. As IHRSA's club member numbers grow and pass 10,000, 15,000 and beyond, the strategic planning being done now will determine if that happens or not. I strongly believe that the formula and plan shared by new IHRSA President Joe Moore here will surely and dramatically increase the odds of success for any new person(s) stepping in for Big John McCarthy. I am sure everyone involved in IHRSA wants the new Executive Director to be highly successful and to develop his own long-run to follow Big John's amazing time in Boston.

An Aberration

In case you all do not know or have not even given it any thought... John McCarthy's almost 25 year run is an aberration in the world of Associations! For those of you that flunked English 101 in college like I did, I mean: Big John McCarthy's soon to be 25 year run is totally unusual, totally beyond the norm... way... way beyond what is normal or expected, and the odds for another 25 year success for his replacement by any person are not that good. Just ask any Executive Search Firm that works in that Association Director Search world!

GUTS!

Before I get into Joe Moore's comments on IHRSA I want to say this. John McCarthy has served almost 25 years as this Association's Executive Director for one PRIMARY REASON and a HOST of lesser reasons. In my June writing, I stated that everyone needs to realize and understand that Big John grew his talents along with the Association over the past 25 years. I also stated that the 'new guy' or 'new gal' would NOT have that luxury. The new individual (or individuals) that step in for John are going to have to hit-the-ground-running and then work their ass or asses off to have a better-than-even

chance of surviving in this job over the long haul. The IHRSA Executive Director's job has changed along with the Association over the years. In my opinion, Big John McCarthy has cut the mustard for almost 25 years now because of one primary reason: **GUTS!** Not his gentle manner which sure helps, not his great communication talents, which sure help, not his world class visionary ability, which is wonderful and helps, but **GUTS folks.** Big John stuck it out for the long haul, and I applaud him greatly for his guts, his dedication, his tenacity and all of his accomplishments!

I hope you will make plans to be in attendance at IHRSA's 25th Anniversary Convention and Trade Show in Las Vegas next March, '06 to applaud Big John as well!

A new guy or gal or even two people stepping in for John are going to need lots and lots of help. And, Joe Moore's comments have totally assured me that **Help Is On The Way!** So now, after boring you, I think here is what the people that actually count, the **IHRSA Board of Directors think and are planning**, straight from the new IHRSA President, Joe Moore's mouth.

25th IHRSA President Joe Moore On IHRSA Board's Vision and Planning for the 'Future' of IHRSA

"Thanks Norm. You all certainly started a GREAT organization almost 25-years ago. And, you put it together with legs. Norm, I think you're going to be happy with a lot of the things that are going to happen with IHRSA. We'll get into the details as we move through this conversation.

Right now our biggest job as a Board, of course, is to find a new Executive Director to step in when John McCarthy retires. So, we have been very systematic about the process. This, as you know from the IHRSA By-Laws, is a function of the Board as a whole. We've decided that to be completely fair about it we should bring in an executive search firm. The firm that we chose will assist the Search Committee in coming up with the best possible candidate. This candidate will be the right candidate for IHRSA not just for today, but will evolve into the right candidate with the right vision and leadership for IHRSA

5, 10, 15, 20 years from now.

We started by interviewing eight possible executive search firms. We carefully examined the written proposals from all eight, and then we narrowed the search down to two firms. Board Member Greg Lappin Co-chaired the Board Search Committee along with Julie Main, Ex-Officio President. Greg was in charge of the negotiations and has gotten the contract signed with the winner of the Committee's search, the firm of Korn and Ferry. Both Julie Main and Greg Lappin did fantastic jobs interviewing these people.

The Search Committee agreed that it was only right to bring the two best search firms in to the last Board Meeting and let them make the presentation to the entire Board so that everything is totally fair. We wanted the Board itself to take a close look at these firms and make the decision after Julie and Greg did the heavy lifting. Other committee members in addition to Julie and Greg are: IHRSA's 20th President, Joe Cirulli, IHRSA's 21st President, Geoff Dyer, John McCarthy, Anita Lawler, Michael Levy, Deborah Siena and myself. We know the committee is a little bit bigger than it should be. But, there is a lot of work to do. We thought it would be a good idea to bring in a couple of recent former IHRSA Presidents who well understand the Executive Director's role a little bit better. Therefore, we chose Joe Cirulli and Geoffrey Dyer, IHRSA 20th and 21st IHRSA Presidents respectively.

IHRSA's New 'CHAMPIONS' Will Be There To Help YOU!

So, Joe "What is the Board's plan?"

President Moore replied, "First, you recall that Tom Behan established the 'President's Silver Anniversary Commission' during his Presidential term. From reports the Board received from that work, it's obvious that there are different constituencies within IHRSA that want different things from IHRSA. Its really not 'big-chains' versus 'independent-single club' operators. It's not the 'mini-clubs' versus the 'huge single independent multi-purpose and tennis clubs'. It's NOT anybody versus anybody! It's amorphous. But, we can see 'segments' within IHRSA. One segment may have a big interest in government relations. Another

segment might be interested in 'how-to' manuals, how do I hire employees?...how to do a sales presentation?...the nuts and bolts of the business. The problem is currently a 'work-in-progress.' You could point it out and say you've got the big-multi-purpose club, you've got the big chains, you've got the mini-club and you've got the 'single to five club' operators. But, we find there's such a 'cross-over' between those we can't really just identify them as 'segments' that's why we describe them at this time as 'constituencies.' So, as this evolves, and the Board is committed to this, people according to their interests, are going to have what we are referring to now as a 'Champion' to serve and help them. This is all being worked on and set up now by John McCarthy and the staff.

Moore continues, "In our plan, if you run a 'big-multi-purpose club', you will know who at IHRSA to call to help you with your problem. Once this is fully set up you will be informed of who the new 'Champion' for YOU and YOUR CLUB(s) is. You will get the 'specific attention' and 'help' from YOUR CHAMPION so that you get 'what you want done' (within reasonable limits of course) and are paying your IHRSA dues for". No matter what type of club you own and operate...you will be informed of who your 'Champion' is. This planning is now part of IHRSA's 'strategic plan' and is 'on the record.' The IHRSA Staff is working on this as well. In fact, by the time this article is in print, the program will be in place.

CLUB INSIDER - Joe...that's great news for the Association! This is a tremendous approach and idea for a new layer of management for IHRSA that will greatly help the new Executive Director(s)! This plan will surely increase the odds of success for the new TOP IHRSA management dramatically. I am very glad to hear about it!

Moore continues, "At the June Board we did some significant 'strategic-planning' along these lines so that no matter what YOU WANT from IHRSA... you will have a 'Champion' to go to'. Maybe it will not be the Executive Director that you go to first. The big and important thing people should know is that we had Tom Behan and Julie Main working

with the 'President's Silver Anniversary Commission'. Those Commission members, Joe Cirulli, Tom Plummer, Michael Levy, Jill Kinney, Frank Napolitano, Ben Emdin and Mitch Wald listened to the IHRSA Members. It's important to be stated here that "a great cross-section and sampling of the current IHRSA Membership participated in this President's Silver Anniversary Commission. This Commission listened carefully to the IHRSA Members. They studied what the IHRSA Members had to say. Every IHRSA Member that wanted to participate did get the opportunity to do so. They were heard. They were able to give opinions to IHRSA about what their WANTS and NEEDS. Through the Silver Commissions effort IHRSA can look forward to well-serving the entire industry and not at all giving preference to any ONE type of club constituency versus another.

Moore adds, "Here is something I found from almost every person I've seen come onto the Board, including me. NO IHRSA Member UNDERSTANDS all that IHRSA does to serve them!

IHRSA's CBI Magazine seems to be what IHRSA Members think is their primary benefit from IHRSA! When in fact, CBI Magazine is only part of the story. I've been telling people since I joined the Board 3-years ago that, unfortunately, some IHRSA Members have the WRONG PERCEPTION that CBI Magazine IS IHRSA.. CBI is a great publication, but there are so many other benefits.

But, it is the PERCEPTION of many IHRSA Members. WE should CHANGE THAT 'PERCEPTION' BECAUSE THERE IS JUST SO MUCH MORE available from IHRSA that great, long-time members ARE NOT USING!! I keep raising this issue and many other Board Members are extremely interested in finding a SOLUTION. Even though we've started the terrific new Entrepreneur Magazine, even though CBI is featuring more articles on smaller, independent operators, we've got the problem. If you're busy running your health club, you often may 'not have the time' to learn all the BENEFITS that IHRSA can offer you. You should get all the VALUE from IHRSA you can.

(See Joe Moore Page 30)

...Norm's Notes

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would identify the young officers with leadership talent real early. They wanted men who had the potential to rise to the rank of General, the top rank in the U.S. Air Force, the place where the BEST pilots in the world work. My commander had taken me aside quietly and privately in his office one day and told me they had identified me as one of their fast burners and that the next step would be for me to be promoted early from Captain to Major, "below the zone" they called it. My commander even arranged for me to be appointed to the U.S. Air Force Academy as an athletic instructor for cadets so I would have that on my resume' to help me compete with the Air Force Academy Graduates, who comprised most of the Generals in the Air Force. But, in the Summer of 1972, the commercial airlines began to hire here in Atlanta... and that job had been my goal since I was a kid. So, I gave my commander notice that Summer that I was leaving the Air Force to seek a job in the commercial aviation world. I moved to Atlanta, and three months later, I was selected for a class of new airline pilots by the airline now known as Northwest. People at the airline later told me that I was ONE out of a class of twenty pilots that month hired out of 1200 pilots they had interviewed! Maybe my commander was right when he told me that I was a fast burner and would make General some day. Well, my point here finally is that in the club industry, we have a lot of fast burners out there, and although I have not met Dan Morrissy in person, I believe, based upon what I know about the 15 mega-box XSport Fitness Clubs he has put together, Dan sure is one. I plan on meeting Morrissy in Chicago when I go to visit our terrific Contributing Author, GARY POLIC, this Fall during Club Industry time. I am hunting for the fast burners in our industry... single independent club developer/owners or multi club owner/operators, doesn't matter to me, I want to know them because it is MY JOB to know them... identify them and report their success stories so CLUB INSIDER will help others excel. So, IF you know a fast burner in our industry... fill me in with an email to: clubinsidernews@mindspring.com

• MIKE URETZ is successfully moving rapidly into more world-wide markets with recent announcements for 4 new World Gyms to be built in Hong Kong and Macau. Mike also projects 75 new World Gyms outside of the U.S. within 3 years from now. And, man you ought to see Mike's World Gym Website: www.worldgym.com

• Congratulations to the club owners and operators of New Jersey who worked hard to defeat a proposed Sales Tax on health and athletic services! IHRSAs Helen

Durkin, IHRSAs's Director of Public Policy, also deserves credit for helping out with informing and rallying those folks to get to their State House and Lobby like hell to stop that new Sales Tax! Way to go folks! Looks like we have some more "Gladiators" working in the Garden State!

• Gold's Gym just had their Annual Convention, and according to some of the folks I've spoken to, this may have been a doozie because the new Gold's owners, TRT Holdings, Inc., are significantly changing the arrangements. Word was many Gold's Gym owners were going to defect. But, the real "Insider" scoop I got today from my conversation with long time Gold's owner, GORDON JOHNSON, is that TRT Holdings, Inc., the new owners of The GOLD'S GYM International, are really doing it right, and he is flat out elated with what went on at the Gold's Convention. GOLD's has become a Golden brand over its 40 years. It was first made world famous by PAUL GRYMKOWSKI, RICH MINZER and DEREK BARTON and later carried on by Branding Guru Barton after the sale of Gold's to Brockway Moran, Inc. This will be an interesting time for the Gold's folks depending on their reactions to TRT's changes, so Stay tuned!

• TSI (Town Sports International, Inc.) seems to be "On-Top-of-the-World!" as they announced in early July that they were going public with an IPO (Initial Public Offering) intended to raise \$172.5 million. TSI, now operating 138 Town Sports Clubs in New York City, Boston, Philadelphia and Washington, D.C., followed up their IPO announcement with a plan to open 100 additional clubs in the next few years. Good luck on that IPO Mark, Bob and Ed.

• The Women's Club in Missoula, Montana is staffed by some really great ladies who are sure fun to be with... I mean these great gals KNOW HOW TO 'MAKE IT FUN!' They may have the most sterling personalities and senses of humor of any group I've ever come across. Recently, one of the great ladies from the Women's Club, CAMIE MUELLER, sent me a copy of a book the club published and just released entitled: Spirit and Strength... the Women of the Club... Our Stories. The book is a remarkable work and compilation of the stories from a number of their members. My sincere congratulations to those wonderful ladies that truly opened their hearts to the readers of this book with wonderful recounts of their personal lives. These ladies each share in their own words the importance and value of exercise and how The Women's Club helped them toward their goal of living a happier, healthier, more enjoyable and productive life. In essence, this book is priceless to me and I am really enjoying reading it. If you would like to acquire a copy, I am sure Camie Mueller

would not mind a phone call at: 406.728.4410.

• PAUL GRYMKOWSKI and RICH MINZER recently announced the creation of a new club chain they call 365 Fitness. They have also recently announced a deal with bodybugg by Apex. bodybugg is a new high-tech device that will assist club members in their tracking of all kinds of lifestyle-related data.

• FitDV was honored by MIKE CHAET'S of CMS (Club Management Systems) with one of CMS Vendor of the Year Awards. FitDV is an online magazine for members attached to club websites. FitDV is, according to a recent press release, THE member educational source. Congratulations to SHAWN VINT, President of FitDV and to TINA LEWIS and the rest of their team for receiving this honor.

• Just in case you were wondering where "Brother Scudder's column is this month... here's THE scoop. "Brother Scudder" is taking a short vacation from his column this month and will be back full of 'piss and vinegar' next month." STAY TUNED!

• HARVEY LAUER, CEO of American Sports Data, has released new numbers saying that U.S. Health Club member numbers have reached 41,338,000, as of 1/1/05. That is an increase of 4.5% over the past year. I am very curious about how Harvey arrives at his figures, so I am going to call him up and ask him for an interview so all of us will understand.

• DAD'S NuStep UPDATE! Since this month's Norm's PERSONAL Notes is dedicated to My Dear Aunt Mary, I have this update about my Dad's NuStep program. Dad is 87. I called him during the day of his sister Mary's passing. We talked just about her, and we attempted to console each other. Then I called Dad the next day and asked, "Dad, how's the NuStep exercise going... have you been keeping at it during the very stressful time while Aunt Mary was in the hospital before she passed? Dad replied, "Norm, I have NOT missed a workout through all of this and it sure HAS HELPED! Then Dad stunned me with: "Norm, you know how bad my hip was? I could hardly walk, was using a cane and surely could not do my 3 mile daily walk. I said, "Sure, I remember Dad." Then he said, "Guess what Norm... my hip has healed now, and I can walk just fine without that cane. It's amazing how good this NuStep machine is for me. I will exercise on this machine regularly until the day I die!" My guess is my Dad will make it to at least 100... and I am pulling for him to do it! Dad has had his NuStep for about six months and used it regularly since then. Check out the NuStep ad on page #26.

• Last... let me extend my MOST SINCERE APOLOGIES to long time Contributing Author,

KAREN WOODARD-CHAVEZ and new Contributing Author GARY POLIC. Because of this JOE MOORE SPECIAL EDITION and the length of the excellent interviews contained in Wall Street Part II, we just flat ran out of space this month. I had to BUMP their excellent articles scheduled for this month, but they will appear in our August edition, and I THANK BOTH OF THESE EXCELLENT PROS for their hard work and contributions to CLUB INSIDER and to this great industry.

• GOD BLESS My Dear Aunt Mary in Heaven. She passed away on July 7, 2005 at 1:35 p.m. Phoenix, Arizona time. MAY SHE REST IN PEACE! I know she is in Heaven now. If you were one of over 3,000 people in attendance at the IHRSAs Phoenix 'Opening Session' in 2001, you saw and heard My Dear Aunt Mary, at age 77, perform a beautiful and inspiring rendition of our wonderful National Anthem. As Aunt Mary finished the great "Star-Spangled Banner", she reached out and grabbed that big American Flag mounted on a long standard and smiling broadly, waved it back and forth for our appreciative IHRSAs Opening Session crowd that rose to give her a warm and happy standing ovation. As a 'Tribute of LOVE' to My Dear Aunt Mary from the Cates Family in Georgia and Louisiana. I've dedicated this month's Norm's PERSONAL Notes page #29 to her Life and Memory. I also want to extend my Sincere Condolences to Aunt Mary's loving and devoted husband since 1978, my Uncle SAM INGRAM, my great Dad and Mary's sister, my wonderful Aunt Melba. I also want to thank IHRSAs's JOHN McCARTHY from the 'bottom-of-my-heart' for arranging, per my advance request, her performance at that very

important IHRSAs Opening Session. John, especially with the international mix of the IHRSAs crowd, did not have to grant my 'Special Request' for Aunt Mary to sing our National Anthem that day. But he DID. Little did we know then, that within just two years from that IHRSAs performance, My Dear Aunt Mary would be diagnosed with Alzheimer's Disease. This was Aunt Mary's last performance for a large audience. During her very distinguished 55-year professional singing career she gave hundreds of performances for large distinguished audiences of thousands like our IHRSAs gathering. Perhaps, the 'highlight' of her singing career was when she performed solo for the Presidential Inauguration of Dwight D. Eisenhower in 1953. She also performed at the White House on a number of occasions. The Memory of My Dear Aunt Mary singing that beautiful song and waving that American flag before many thousands of us is emblazoned in my mind forever. Thank you to all of you that were there that day because YOU are a big part of this beautiful memory for me. I appreciate greatly how warm, wonderful and appreciative your standing ovation for My Dear Aunt Mary was.

• GOD BLESS our Troops, Airmen and Seamen as they serve our country and risk their lives in Iraq and other places around the world to protect our Freedom as Americans. GOD BLESS the families of our Servicemen and Women as those families must make huge sacrifices for all Americans. GOD BLESS the people of Iraq as they try to survive the ongoing bombings and murders by the insurgents. GOD BLESS ALL OF YOU, and GOD BLESS AMERICA!

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... Wall Street

continued from page 3

out of bankruptcy and they were being restructured in 1992. This is when Arthur Goldberg took over the company and at the time he was re-positioning Bally Manufacturing to consist of the casinos and Bally Health and Fitness, which became Bally Total Fitness. That was the first company I started covering. It was a small sector that I covered at the time. Most of the fitness companies are too small for the 'institutional' market. Bally was one group we covered. Town Sports International issued debt followed by Equinox. So, right now there are three companies we are involved with. At the time, Lee Hillman was the CFO of Bally Manufacturing for Arthur Goldberg. We were involved with Lee on the casino side and the health and fitness side. When the gaming operations were sold to Hilton, they spun out Bally Health and Fitness operations separately and Lee became Chairman, CEO and President of Bally Total Fitness as a 'stand-alone' company.

Q.2 - John, what were your first impressions as you entered involvement of the health club industry?

John Maxwell- Since Bally was really the only company I was covering at the time, we did do some research on the industry, and overall, we felt that it was really going to come into a growth pattern. Basically, coming from a 'fad opportunity' to something that was more 'given to professional management and technology', we thought that the sector had a lot of growth potential, given that most of the health club industry was comprised of 'Mom and Pop' operations. We felt that there was a 'place' for somebody who could come in, consolidate it and run it professionally.

CLUB INSIDER - John, you used the words above 'a fad opportunity'... what did you mean by that?

John Maxwell - By a 'fad' opportunity, I mean there was a question whether exercise was really something that people were going to do 'long-term' or just something where people would say 'I want to exercise' and three months later, they're gone. Originally the way the industry was run with people expecting to lose customers, they were

expecting a 'churn'. So, they weren't really focused on customer retention or creating any kind of loyalty. They were looking at just churning the customer base and to just keep replenishing more in the door than would leave. Initially, we thought the 'high-churn' was a big negative for the industry, and the fact is that when we would go around and tour some of the clubs, they didn't really spark a lot of interest. Basically, they were just places where you go sweat and then you leave. There was no 'customer loyalty.' If something opened up next door or if you move, you'd just go to the next place.

Q.3 - Were there comparable industries that you studied?

John Maxwell - It was kind of tough because we looked at it from the 'churn' standpoint. We looked at it more from a 'leisure' perspective. Our initial impression was that this was going to be a function of consumer discretionary income. We thought... let's look at it from the standpoint of other companies driven by consumer discretionary income, whether it was a gaming company or any other leisure time activity. The conclusion we've come to over time is that for the most part, we don't think the health club industry is as dependent on 'consumer discretionary income' as it is putting the right club in the right market. We've seen evidence that clubs in the right market with the right product do well whether the economy is good or not.

Q.4 - What are the reasons that Wall Street appears now to be attracted to the health club industry?

John Maxwell - I think it was a couple of things. Number one was that the 'cash-flow generating ability' of the properties is pretty apparent. Once you build a club (and again none of the clubs would be 'fool-proof' from outside forces such as a new competitor coming in), what we were comfortable with was that if the club was built in the right location with the right product, then we were confident in the 'cash-flow-generating ability' of that building. The second reason is that from a debt side, which is what I cover, this is a very good business to be able to lend money to and expect to get repaid. That's the main thing... if you're recommending to

people to put money into these properties, obviously we want to make sure that they are going to get their money back.

Q.5 - Since your early initial involvement what are the major changes you've seen?

John Maxwell - Really, I think it is the professional management of these companies. We've seen it really grow and become more corporate-type entities. There could be anything from Bally, where we first started out, to Town Sports International to Equinox to the Sports Clubs Company. We've been familiar with LifeTime Fitness and the way they run their company and 24 Hour Fitness. The key is this, and I think it was really driven home to me by Town Sports International when they had their first bond offering was that they were putting up all of these quality clubs in New York City and it appeared to us that they were cannibalizing themselves. They were the first ones that really drove home the point to us that really what they are after is the customer within a 15-minute radius of the club, whether it be a car ride or a walk. In a fifteen-minute walk radius in Manhattan, there are a lot of people. You could put these properties in a location and 'cross-sell' that to somebody where they work and live. You can get their health club business. It was really born out, particularly after 9/11 that the Town Sports Club and Equinox Clubs in Manhattan still did well when you look at it relative to the rest of the New York City economy. The one big thing we've really seen is the professional management. Again, you've got to keep in mind that we're only looking at the largest club organizations. We don't have much exposure to the 'Mom and Pops' out there. We did tour some of those Cuts and Curves clubs to see what they were offering. In our analysis, we looked at some clubs that opened and then closed. Again, if we're recommending that people invest in this sector, we want to make sure that there is a long-term life expectancy for these companies.

Q.6 - How would you describe the health club industry to a friend you were having lunch with who has no familiarity whatsoever with the health club industry?

John Maxwell - One of the things we've gotten to be much more of

a believer is the benefits of exercise. We know now that those infomercials where you sit behind your desk and strap on some kind of apparatus that is going to give you 'six-pack-abs' or take a pill... it's just not going to work. We know you've GOT to exercise. We've seen the 20-34 year-old sector continue as a big component of the sector, but now the aging 'Baby-Boom' population is living a longer, healthier lifestyle. To do that, you've got to exercise and you've got to be in shape. One of the things that we keep telling people, and we've seen a lot of this ourselves, is that the 'Baby-Boomer' population has pretty much 'grown-up-with-this-industry'. It's not a 'FAD' anymore... people have grown up with it and they recognize the importance of it and they've continued to do it as they get beyond what would have been in the past, the traditional age of a health club customer. Some people exercise on a treadmill at home. But, no matter what, you can't duplicate or have the same energy or effect as regular visits to the health club. One of the other analogies that we've used is when we used to cover the movie theater sector. Everybody would be putting in these 'home-theater' entertainment systems, but it still did not have the effect of actually going to see a movie on the big-screen with the high-tech movie theaters; they just give you a much better experience. That's the same thing you see with the health clubs. It's good to exercise at home, but you don't have access to the same amount of equipment and you don't have the same social interaction. So, I think that's become more apparent as we follow this industry.

Q.7 - Who are the club groups most likely to be considered by the financial community and why?

John Maxwell - The first thing to look at from an 'Institutional-investor-base' is going to be size. You are never going to get Wall Street to finance one or two fitness clubs, no matter how good they are or how good their location is. That's going to be something where a local lender would have to finance those. So, the first thing an investor is going to look at would be the size of the company. Probably the smallest one we would look at right now would be Equinox. At the time they did their Bond



offering, Equinox was doing about \$25 million in EBITDA, and I think that would be a minimum size that Wall Street investors would be looking for.

Q.8 - Where do you see the industry going over the next one to five years?

John Maxwell - Well, one thing we've seen for the past few years is that this is an industry dominated by a lot of private equity firms. For a while, they just could not get new investors. For example, I know that 24 Hour Fitness and Town Sports were looking to 'sell themselves' a few years ago. The equity sponsors just could not get the 'price that they felt that the business was worth.' Most recently with the 24 Hour Fitness news of the sale to Forstmann/Little, they obviously got a much higher multiple. I think that is going to attract a lot more private-equity into this industry. We could see more consolidation or at least some more transactions being done in this sector. We look at the 24 Hour Fitness sale to Forstmann/Little for a 9.5x multiple and feel it was very positive. It was good to see that the 'private-equity-guys' are recognizing the growth-potential of this business. We don't think, however, that you can take that multiple and apply it across the board because there could be some companies that may be sold for more, but there will also be some that sell for much less of a multiple. I would think that most of them would be sold for less than that 9.5x multiple. Over the next five years, we think that the business will continue to improve. Personally, I have a BUY RECOMMENDATION for Town Sports International (this interview took place on June 10th, about a month prior to TSI's (See Wall Street Page 23)

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Initial Public Offering announcement) and Equinox. Those two companies are on the right path to continue to improve their operations. From an industry news event standpoint, one of the *BIG THINGS* that needs to happen would be Bally resolving the financial and other issues surrounding that company and getting themselves back on the right footing.

They're supposed to have their re-stated financials released July 31st (Author's note: Bally announced on July 12th that they have requested from their debt holders up to a three-month extension of that July 31st deadline).

Q.9 - Given Bally's and the Sports Club Company's histories, how does that effect the financial communities perception of the industry?

John Maxwell - Given the way Bally runs its business as a Financed Membership plan, the key from the industry is that they need to separate from it. Bally is generally a 'one-off' with the way they run their business, whereas everybody else is more of a monthly, 'pay-as-you-go' membership base. For the most part, a lot of people recognize that Bally pretty much is a different entity than the rest. To me, Bally is more of a 'quasi-finance-company' as opposed to a 'traditional health club company'. Also, Bally still generates a lot of headline news... it still generates a lot of negative views with the institutional investment community. This makes it difficult for investors to look at other players in the industry. When we bring up the health club industry in our conversation with investors, many tell us, 'That's just NOT AN INDUSTRY I WANT TO INVEST IN.' So, it takes a lot of explaining to get people to understand the difference. On the other hand, one of the things that was *VERY POSITIVE* for the health club industry was the LifeTime Fitness IPO (Initial Public Offering). I think LifeTime Fitness really showed a very good effort in terms of getting their message out to other investors. They wanted to be compared against other 'specialty-retailers', as opposed to other leisure companies. They've done very well. That's what's really interesting. You can look at everything from your 'small-end, box-clubs' to the 'Big-boxes' that LifeTime Fitness puts together and it's just amazing to me what they offer for the price plan.

Q. 10 - Did LifeTime Fitness 'clarify' for investors what a typical or current 'pure-club-play' should be like?

John Maxwell - To me, LifeTime Fitness is also somewhat of a different animal... there are not too many others that I'm aware of that have the LifeTime Fitness concept, i.e., the 'Big-boxes.' To me the LifeTime Fitness concept does not work in Manhattan or in L.A. where the real estate for their box would be too expensive. It

does show that there are other alternatives to the traditional health club company. But, they really had to do a big job of selling it. Just like Bally's, LifeTime offers something unique or different that isn't readily copied given the size of those facilities as you can't put one of those up in every market.

Q. 11 - Are there other industries that you use as an analogy to the health club industry?

John Maxwell - I don't follow the restaurant sector, but to me, it's somewhat similar. You're looking for the right location, and you want to build customer loyalty. To me that industry would be comparable. People are going to eat, so where are you going to spend your money to eat? With the health club business... when people have got to exercise the question becomes: "Where are you going to spend your money? Are you going to go to a health club, to a YMCA or to a corporate fitness center? Just like the restaurant business, there is a whole host of different options. Again, it just comes down to having the right facility and the right location.

Q. 12 - John, if you were to sum up your thoughts on the health club industry as you know it today, what would you say?

John Maxwell - I would say that we've seen improvement. The biggest challenge in the health club industry is going to be the 'churn-factor.' Anything that the industry can do to reverse that would be important. I think that over time you will see health club operators leverage their brand with other entities, such as hotels. For example, The Sports Club fitness centers that have opened in select hotels have helped to increase occupancy in those hotels. We believe, at some point, you will see Nike or some kind of entity that would be in the fitness business because they think it is a natural extension to some of their merchandising. I think that the industry is poised for great growth potential right now. The aging Baby Boom population, people understanding the benefits of exercise and it's not just lifting heavy weights... there is a lot of low impact exercise that you can do. People recognize the importance. So, we view it *fundamentally* as being in a very good 'sweet spot.' The issues will be to continue implementing and executing the company's corporate policy.

Comments from Paul Lejuez of Credit Suisse First Boston

We continue our commentary for Part II with Paul Lejuez, Vice President and Senior Analyst with Credit Suisse First Boston.

Q. 1 - When and how did you become involved with the health club industry financial world?

Paul Lejuez - I was an accounting major at Wake Forest University in North Carolina. (See Wall Street Page 24)

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...Wall Street

continued from page 23

I am a CPA and CFA charter holder. I began my career with Ernst and Young, where I worked for a year. Then, I joined Credit Suisse where I cover Specialty Soft Lines. Basically, the Bank had a relationship on the banking side with LifeTime Fitness that was established in 2002. I didn't know anything about them until 2003 when I was first introduced to the company. The reason I was introduced was because we were looking at taking them public. Credit Suisse was the book runner and manager of the LifeTime Fitness IPO. The reason they came to me was because it didn't quite fit into any industry that was already covered. There isn't anybody who would ever follow *just the fitness industry*, so they look around at different analysts to see who is closest to it. So, since I was on the retail side, management here thought that I would be suited to pick up coverage. I was introduced to their management at the end of 2003.

The fitness industry isn't developed enough to where it would have coverage on Wall Street. There aren't enough players. The players that are out there aren't worth covering because they are so small and so poorly run... there isn't a whole lot of investor interest. Those that have been out there in the public domain have really given the industry a 'bad-rap', a *black eye* so to speak, in the view of investors. Bally has their 'accounting issues', and if you look at the Bally and the Sports Club Company being the only two main public companies, they're very small companies.

Q.2 - What were your first impressions of the health club industry, and in your view, what were the strengths and weaknesses of the industry as you began your involvement?

Paul Lejuez- The impression I had was that it was actually a very different model than my retail coverage. There is no inventory. Therefore, there is no fashion risk. It's a highly fragmented industry. To me, that says a lot of market share is there to be gained for some larger players, and there's no 'WalMart' impact. With everything we do in retail and consumer land, we need to consider WalMart because they are the 2,000

pound gorilla. We don't have to worry about that here with fitness. Strengths are the strong demographic and social trends. It seems like the fitness industry has the best of both worlds. This country is getting fatter, but they're also aware of the benefits of being healthy. It's becoming more socially expected across the country in many cultures that you work out. One thing I loved from an economic perspective was that it had very predictable cash-flows. Once you have the member, you basically have an annuity stream (To a large extent I should say, because of course, there is attrition.). My initial impression was that it was almost too good to be true, definitely a strength.

From a financial perspective, we learned that there is no clear, comparable company as we tried to present LifeTime Fitness to the financial community. The public fitness companies that are out there are losing money. That was a weakness. You can't compare these guys to a regular old retailer because there is inventory in regular retailing. The health club is a 'service business' right? So, we thought it was better to compare them to hotels. There's a big up front investment and you're actually *moving people through the box*. The comparable companies I would say is the first issue. The second would be the accounting issues.

Everybody seems to have heard about the Bally accounting issues with revenue recognition. I have a lot of investors, for example, where you're a retailer and you remove yourself from your core-competency and then turn into a bank. Lack of free cash flow at LifeTime Fitness was a bit of an issue. It actually should not be as much of an issue as many people perceive because there's a different economic model where they purchase their land, they build their building... they own it. The capital expenditures look much higher and therefore free cash flow is actually negative for LifeTime, whereas when we look across our retailer universe, because our retailers use off balance sheet debt, their free cash flow is typically very positive. It is just a classification issue. The economics are the same. Whether you owe a bank or you signed a ten-year lease with a landlord and you owe that landlord, basically, the economics are the same. So,

those are the primary challenges.

Q.3 - Were there comparable industries that you studied?

Paul Lejuez- Hotels, as I mentioned, are the best comparable industry to the health club industry because there's a large capital expenditure up front. You've got to get a big piece of land and build the building. Once it's built you basically are dealing with a 'capacity-business.' You basically are running people through the box. You're limited as to how many you can of course, and as you're running those people through the box, you're trying to sell them 'other things', whatever those may be. In a hotel, it's a cafe, it's a gift shop or it's breakfast. At the fitness center, it's also a cafe, it's a massage or it's personal training.

Q.4 - What are the reasons that

you and Wall Street seem to be attracted to the health club industry?

Paul Lejuez- I was impressed with the economics of LifeTime Fitness specifically. LifeTime Fitness was my first exposure to the industry and I said, 'this is something special.' As I did more due diligence and looked into the others I found the poorly run companies. So, I don't know that I was specifically drawn to the industry as a whole, but rather to LifeTime Fitness. I was impressed with that model. So, it made me ask the question: 'What are they doing right?'

Q.5- Since your early initial involvement what are the major changes you've seen?

Paul Lejuez- I think the financial community has become more accepting of LifeTime Fitness specifically, but they really did lay the ground work, I believe, for the financial industry, and for more

people to be more receptive to other companies in the health club industry. I think there is some private activity recently with the Forstmann & Little acquisition of 24 Hour Fitness to support that. They had a nice multiple. I think management at LifeTime Fitness has gone out and told their story and not only have they established credibility for themselves, they've also established some credibility for the industry as a whole. I think they increased investor interest into other opportunities out there. LifeTime really has re-established investor confidence in the industry. It's not that everybody is willing to go buy any fitness company. I think there are still some good fitness companies and poorly run fitness companies...you still have to choose which is which. But, I think LifeTime Fitness has certainly, being in the public
(See Wall Street Page 26)

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...Wall Street

continued from page 24

domain, woken people up to the fact that there are some very strong, well run companies.

Q. 6 - How would you describe the health club industry to a colleague that has no knowledge of it whatsoever?

Paul Lejuez- Competitive, fragmented with a lot of opportunity for major large scale club companies to take market share from many of the 'Mom and Pops' that are out there. There are relatively low barriers to entry; that would be the reason that it is so highly fragmented. Many people can get into the industry. Predictable cash flows, of course, assuming you can keep attrition rates at a reasonable level, and strong return on capital typically. The LifeTime Fitness returns are very

strong. I don't have detailed models for the other companies, but I would say that LifeTime has certainly made me think that returns on capital are pretty attractive in the industry in a business that's run appropriately.

Q. 7 - Who are the club groups most likely to be understood by the financial community and why?

Paul Lejuez- I guess I would say that there really aren't many. Part of the challenges during the IPO road show was that the stronger players in the industry in addition to LifeTime Fitness would be 24 Hour Fitness and LA Fitness. They weren't public. So, we don't know a whole bunch about them, and I think that was part of the challenge during that process. I don't know that anyone else would be readily understandable because there just have not been any filings.

Q. 8 - Where do you see the industry going over the next one to five years?

Paul Lejuez- For the industry itself I see consolidation. I think a lot of larger companies will be establishing more professional management teams. Perhaps, they will take on some sort of an acquisition strategy where they will be able to grow their companies through acquisitions. From a Wall Street perspective, we're likely to see folks be a bit more receptive to companies that seek public equity. I think LifeTime has kind of 'paved-the-way', but I would also throw caution out there. Because LifeTime has made it public, it's not to say that everybody can make it. It's not to say that any small fitness company can go public now. I don't think that's going to happen at all. I don't think the sentiment would allow that to occur, but I think it's paved

the way for high-quality fitness companies. I think in a longer term there are enough companies out there in the fitness industry it could become a sub sector within the financial industry, and I think that would help the club industry as a whole. There would be several sources of knowledge that investors could turn to in order to get educated on the industry. Of course, that would be a good thing. Maybe it would be similar to an analyst that would cover retail. Maybe it would be an analyst that would cover hotels and gaming and lodging. Or, maybe it would be a separate healthy way of life sub sector where that person would cover fitness companies, perhaps some organic food companies or exercise equipment companies. Things like that; anything having to do with a healthy way of life.

Q. 9 - Given Bally's and the

Sports Club Company's histories, how did this effect the financial community's perception of the health club industry?

Paul Lejuez- Bally has their accounting issues. If you look at Bally and the Sports Club Company being the only two main public companies, they've really given the industry kind of a black eye with investors, and they're very small companies. They certainly created a mountain that needed to be climbed by anyone that was looking to be received well in the public. I would say LifeTime Fitness has been able to climb that mountain.

Q. 10 - Did LifeTime Fitness clarify for investors what a "typical" or current "pure-club-play" should be like?

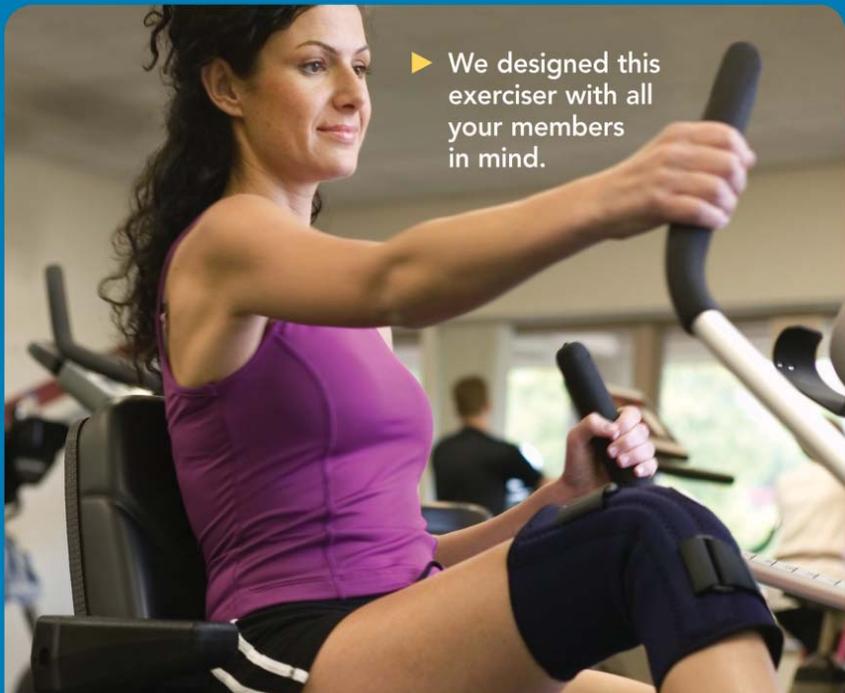
Paul Lejuez- I think they are a pure play, but it's more than just (See Wall Street Page 30)

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Critical Factors for Sales Success

By: John M. Brown

Ninety percent of the inquiries we receive, month after month, are about sales-related problems or issues. Understanding that sales is the "engine" running the club, I have pinpointed some components critical to sales success.

1. Sales Opportunity Awareness - Pay attention. Really look and listen. There are literally hundreds of sales opportunities currently occurring in your club right now! These include upgrades, add-ons, member questions, prospect questions, and random phone calls... not to mention ancillary sales situations. You can't be on "auto pilot" while working in a club. It's a fluid and ever changing environment. When at work, spend some time

every day, or every hour, getting out of the office and watch, look and listen to the minute-to-minute interactions between your members/customers and your staff. Then figure out how to start acting on what you find!

2. The Need for Accurate Records - If your records are not accurate (depending on your version of what's accurate) then you are leaking money. Are your records "close enough", or are they exact? Poor standards of recordkeeping account for tens of millions of dollars lost in the club industry today. Are your member records up-to-date? Is there a photo identifying every member in every record? If not, how do you know it's the bona fide member? Does every phone inquiry get recorded, and is there a *result*

with each call? Can you look at your guest register and determine at a glance who joined or who didn't join and why not? Do you reconcile these important records every day? If not, revenues are slipping through your fingers every day.

3. Having a "production mentality" - Many sales people in the industry today are simply "order takers", and unfortunately, their clubs sanction this. Sales staffs sit around waiting for the next walk-in or telephone inquiry, and that's the extent of their efforts. Too often, sales people expect management to generate all the new customers. Even worse, often sales people believe that's why management is there! The sales people should be generating the business! The club-generated leads should be extra.

In my book a sales person's job is to produce leads and to sell the memberships that don't sell themselves. If you're not getting that, then reevaluate. Your people should arrive at work with a "plan" and have business of their own lined up for the day when they walk in. They shouldn't just be waiting for it after they get there. In simple terms, sales people should understand they are expected to produce... with everyday diligence and effort.

4. You need a "bias for action" - That's a Harvard term for "make things happen", "sell something, anything, now!" Some of the best advice I ever received came from a little old lady who ran a small country convenience store. She said, "I have three principles of business. First, get the money. Second, get the money, and third, get the money." Tempered with attention to prospects' needs and feelings, do your sales people embrace this outlook?

5. Train & Practice - If your staff is not thoroughly and properly trained in the first place, you may be losing more potential members than you are acquiring. If your staff members don't continually work on sharpening their skills, then sales results will fall short. Create a sales staff culture of a *constant practice* of observation, analysis and communication. It can be challenging and fun! Not only will the sales persons become more skilled, but energies and job satisfaction will be higher.

6. Get quantifiable information on every prospect - Look at your guest logs and phone sheets. Do you just see first names only? Are there phone numbers? Are there any informational notes or any follow-up needs? Inspire your staff to get all the information and to record an outcome for each call.

A designation on an appoint-

ment sheet is not an appointment without a first and last name, phone number, staff initials, day/date/time of appointment. Don't settle for "I don't know" or "I'm not sure". If the staff member on the club end of a phone inquiry doesn't know, then who would? Casual efforts and incomplete business records, along with the absence of management's attention to these shortcomings, lead to a do-nothing culture. If you are going to keep records, have it done with accuracy and a mindset toward getting the details.

7. Have an "organized" work effort - Your staff can work together in an organized, systematic effort in order to produce consistent, "generated" revenues. A laissez-faire attitude and a fly-by-the-seat-of-your-pants effort are not only ineffective, but often they are counterproductive. Motivate the people you are paying. Inspire them to come out of their offices! The litmus test: Seek them out and ask them, "What have you done in the last 15 minutes to help produce revenues?"

Keep in mind, if they are not legitimately busy and doing something productive, then it's most likely your fault. If they don't know how to work in a productive and organized fashion as a team, then lead them. After this, don't be afraid to replace those who often are not prepared or "have nothing going on."

8. Teach them to sell for the benefits of our great product, not like it's a commodity. If they are selling on "price" then they might as well be selling soybeans, wheat, coffee or orange juice. No two clubs are alike, thus we're not a commodity! Selling a membership like it's just leasing a space in your facility is degrading to the club, members and customers. We change lives every day, in every club, all over the world. There is no "price" that can be measured against this! People are joining our clubs for a myriad of reasons, but very few of them are joining because it's "cheap". Teach your staff to search for and find what prospects are emotionally attached to. Sell to satisfy their emotional needs, and back it up with club operations meeting expectations, and you will never have a "sales problem".

9. Sell tomorrow, today - Too often, sales staff focus only on the sale that are right in front of them at that moment. This is shortsighted, not giving credence to the fact that almost 50% of new members come from referrals. If you don't understand and use this concept, then you're falling short of optimal membership sales. Every new member is a potential link to your next new member. Teach your staff



John Brown

to ask for referrals and to nurture new member relationships. Their appointment books will be full tomorrow and the next day!

10. Know how to "work" at your job - Many sales people could be far more productive than they presently are. However, I've found out that many have minimal know-how as to what to do to produce new business. Often they are not taught and coached on the "what and how" to produce revenue. In any training program, how to produce new business should be the first thing they are taught. The rest of the job could be done by the water fountain. If they get the prospecting part, their business generating skills will be successful. Those who can just "tour and close" always come and go. Business generators end up making a career out of the industry.

The above are some basics to enhance sales operations in almost all clubs. They are critical to sales success. While it seems very few are willing and able to perform them day-in and day-out, those that do are the ones with the ongoing "sizzling" sales!

(John Brown is a nationally known consultant, speaker and author. A club industry veteran of over 25+ years, he owns, operates, manages and consults with over 80 facilities across the USA and South America. His company, PCM Fitness Inc. is a leader in training, managing, funding and developing clubs. PCM has been in business over 16 years. He can be reached at 281-894-7909 or jbrown@clubexperts.com. John welcomes your calls and comments and invites you to visit www.clubexperts.com)

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Lifestyle Family Fitness and XSport Fitness Invest in VFP!

FORT WORTH, Texas - Fitness enthusiasts in Florida and Illinois just got a jumpstart in reaching their weight loss and health goals as Fort Worth-based Inter-Images prepares to install Visual Fitness Planner™ software in 42 centers total in both states next month.

Visual Fitness Planner, developed by Inter-Images, utilizes three-dimensional technology and information provided by the fitness candidate to

illustrate what an individualized fitness plan could look like when it's complete, providing a customized "exercise prescription" and determining goal achievement time frames.

Visual Fitness Planner also calculates an individual's likelihood of contracting type II diabetes, having a stroke, developing cardiovascular heart disease or getting cancer.

Privately held Inter-Images' one-year contract with

Lakeland, Florida-based Lifestyle Family Fitness is to install VFP in 27 centers worth \$100,000, but it could grow to become worth as much as \$250,000 if Lifestyle Family Fitness continues to expand as planned.

"We are so excited to be partnering with an organization of the caliber of Lifestyle Family Fitness," said Daron E. Allen, president and CEO of Inter-Images. "It's one of the fastest growing fitness companies in the

country serving approximately 130,000 members."

Florida has the highest concentration of VFPs but the software is used in more than 350 fitness centers and health clubs worldwide.

Inter-Images' deal with Chicago-based XSport Fitness is worth \$70,000 and includes installing VFP in 15 centers. The deal could grow to be worth as much as \$200,000 as XSport adds more centers, Allen said.

"They are recognized as one of the fastest growing health and fitness companies in Illinois," Allen said. "They dominate the Chicago market and we cannot be more excited to be launching into the Chicago market with anyone other than the market leader."

Contact Daron Allen 877-VFP-1212 or Stephanie Patrick 214-343-0362. See the Visual Fitness Planner ad on page #15.

...BTF Financials

continued from page 3

notes pursuant to the indentures. The original waivers, which were obtained in December 2004, expire on July 31, 2005.

If the waivers are not extended, the Company will be in default under its indentures after July 31, 2005. At any time thereafter, the obligations of the Company under its public notes could be accelerated after notice and the passage of cure periods under the indentures. Moreover, the Company's credit facility provides for a cross-default 10 days

after delivery of such notice under either indenture, which would give the Company's lenders under the credit facility the right to accelerate the Company's obligations there under.

As a result of the previously disclosed investigation conducted by the Company's Audit Committee, which found multiple errors in the Company's past accounting, the Company decided to no longer rely on Ernst & Young LLP's reports with respect to prior year audits and engaged KPMG LLP to audit the Company's financial

statements for 2002-2004.

Bally's management has devoted a significant amount of their efforts and Company resources towards completing the multi-year audit. A key part of this effort has been bringing in new financial and accounting leadership. In recent months, the Company has appointed a new Chief Financial Officer, Treasurer, Controller and Assistant Controller. Given these parties' limited tenure with Bally, the involvement of a new auditing firm and the complexity surrounding the accounting

issues involved, including, among others, revenue recognition and the valuation of goodwill and other intangible assets relating to prior acquisitions, Bally does not expect to complete such audits by July 31, 2005. Resolution of all remaining audit issues is expected to be completed in order to make the necessary filings with the Securities and Exchange Commission, the trustee and the noteholders no later than October 31, 2005. The Company also expects a delay in filing its 10-Q report for the quarter ended June 30, 2005,

which would also be covered by the waiver extension.

Operating Highlights

- New joining members grew 8% during the five months ended May 31, 2005 over the same five months ended 2004.

- New memberships sold during the five-month period are 2% ahead of the same period in the prior year.

- Free cash flow improved \$17.2 million for the five months ended May 31, 2005 compared to the same five-month period in 2004.

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Norm Cates'

THE Club Insider

NEWS

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Mrs. Mary Ingram - In Heaven Today

July 7, 2005

My Dear Aunt Mary,

I want to tell you how much I dearly love you. I am also very sorry I have not written and stayed in touch more over the years. I think I have learned a real painful lesson.

This letter is too late... but I am sending it anyway because I know in my heart you will receive it where you are, in Heaven. Heck, I bet St. Peter was waiting for you with open arms at the "Pearly Gates". I'd even bet that you're already singing your heart out for big events up there! If anyone on Earth ever deserved to be in Heaven...it was you Aunt Mary!

Thank for being such a gracious, caring and kind loved one to me all of my life. There is not a birthday I can remember in which you didn't send a card to honor me on those special days! The only other person I know besides you that does so well at remembering to honor people is my really great friend, "down-here" on Earth, Rick Caro. As you know, if the Good Lord is willing, I will celebrate my 60th Birthday, right after the New Year, on January 17th. On that day you will surely be in my heart and prayers of "Thanks"!

Before I go back to work on my July CLUB INSIDER issue, let me say "Thank You" again for your beautiful and energizing performance of our National Anthem at the IHRSA Opening Session in Phoenix 2001. At age 77, all dressed up in your beautiful blue outfit and your red flower, you just looked magnificent and dazzled all of us! Little did we know then that within two years you would be diagnosed with that dreaded Alzheimer's disease, ultimately causing your fall, brain damage and then your premature trip to Heaven. My thousands of IHRSA friends, many of whom I've been good friends with for nearly 30 years, and I were so excited when you grabbed our beautiful American Flag and began to wave it for the crowd after you finished singing. We all enjoyed the moment and giving you a standing "O"! Your 55 years of professional event performances and highly trained voice served us all so well that day.

Members of your family, especially your loving husband and my Uncle Sam, are all taking your early departure to Heaven pretty hard, but I am happy for you because I believe deep in my heart... they don't have Alzheimer's or other diseases in Heaven.

May God Bless You and Keep Your Spirit Alive Forever,

Norm, known to you and Aunt Melba as "Chip"

P.S. If you see President Eisenhower up there, whose Inauguration you sang solo for in 1953, tell him "THANKS" !





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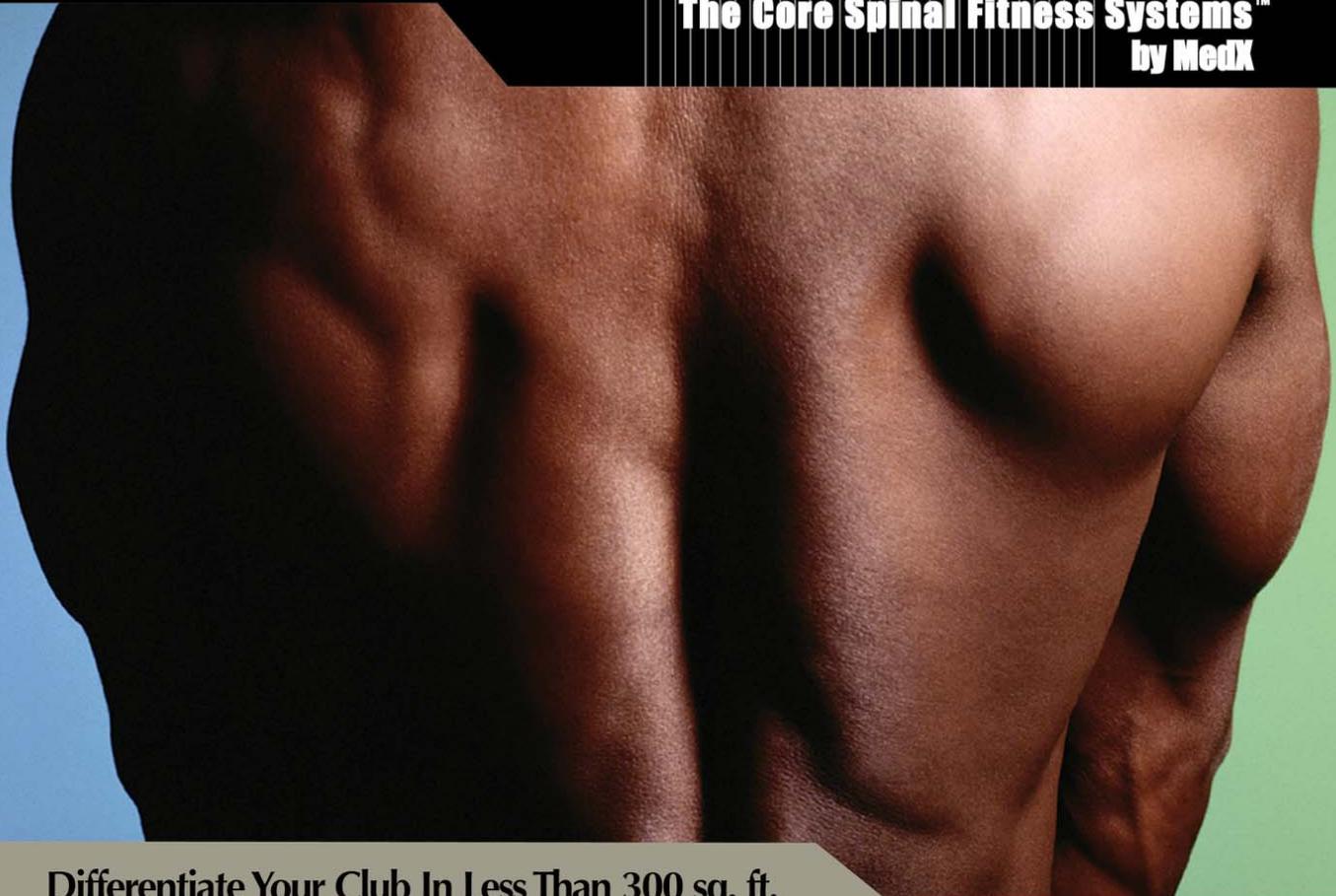
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