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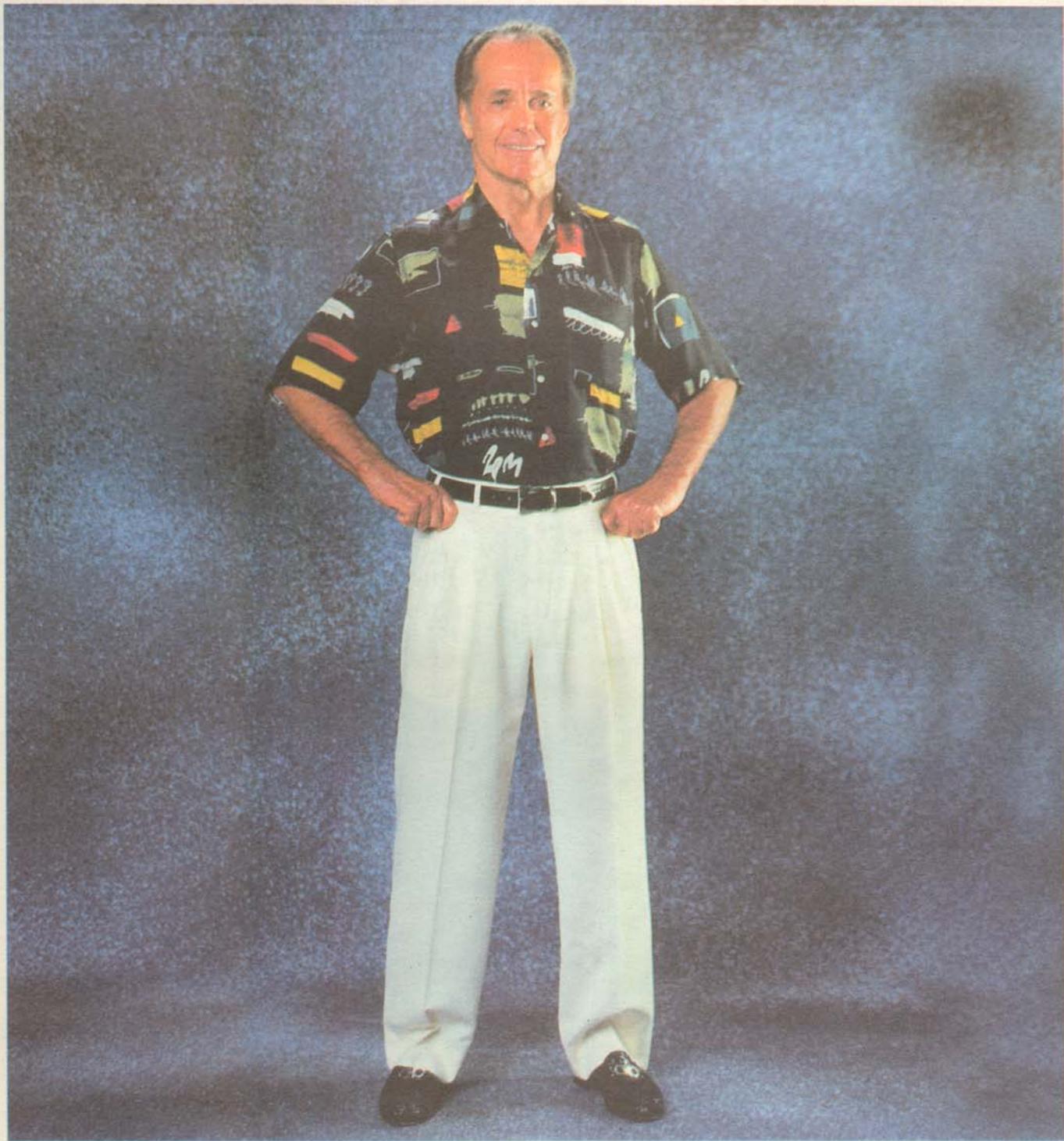
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THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business

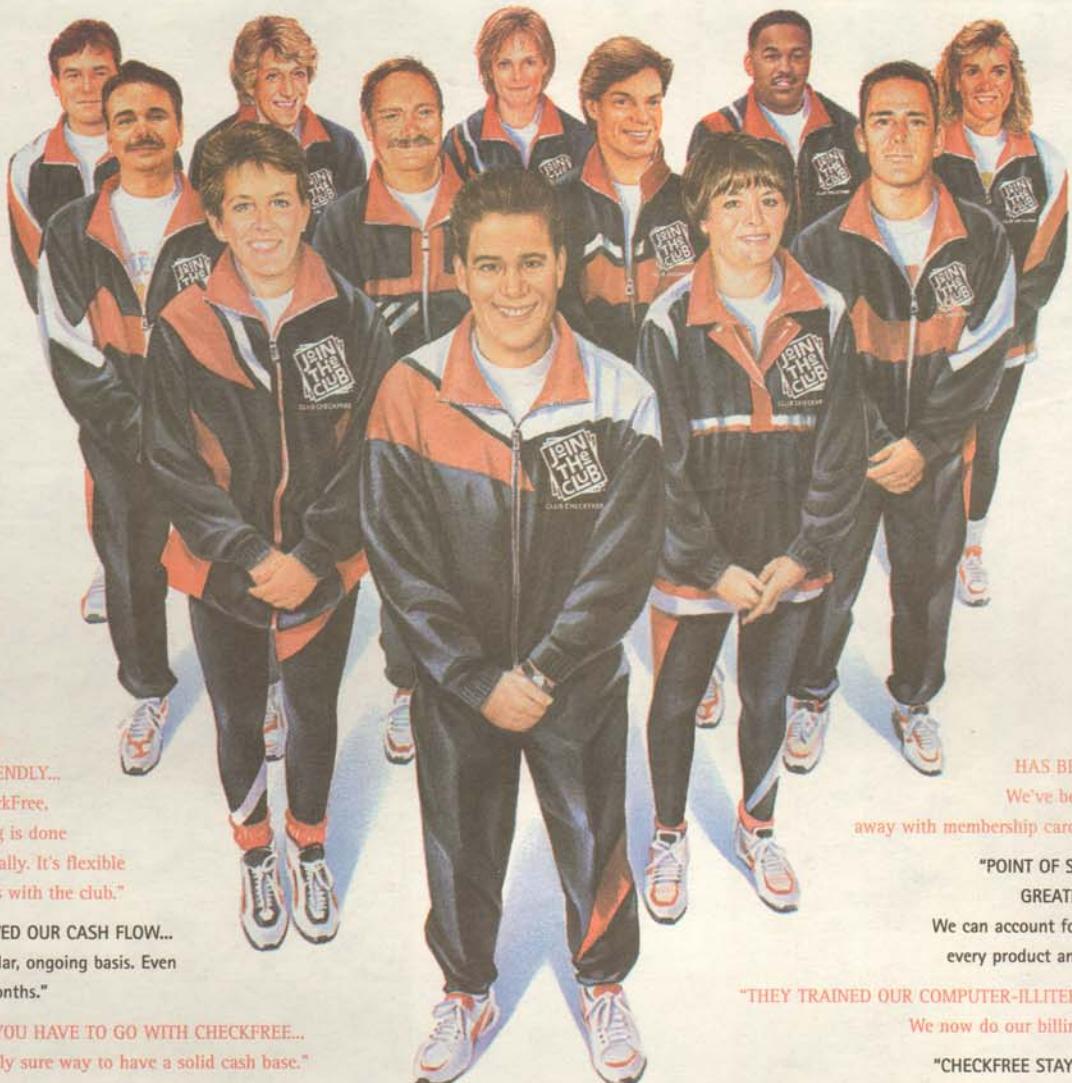
AUGUST 1997
VOLUME IV NUMBER 8



RAY WILSON HONORED

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THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business

Ray Wilson Honored

LAS VEGAS - A man that is a legend in his own time was honored in Las Vegas, Nevada when Ray Wilson received the Lifetime Achievement Award presented at the National Fitness Trade Show by Wally Boyko, promoter of the event.

Ray Wilson has been in the health club industry for 50 years and during that time he has provided health club services to literally millions of Americans in his American Health Studios, European Health

Spas, President's First Lady Fitness Centers and Family Fitness Centers.

Selling his chain of Southern California based - Family Fitness Centers to Fitness Holdings, Inc., now d/b/a 24 Hour Fitness in a transaction involving \$95 million two years ago, Wilson now serves on the 24 Hour Board of Directors and remains a stockholder in the company. In October, 1996, Wilson opened, in (See *Wilson Honored* page 11)

Ray Wilson On Monthly Dues

In Touch With Club Industry Legend Ray Wilson On Monthly dues

An Interview With Ray Wilson by Norm Cates, Jr.

Ray Wilson, the Founder of American Health Stu-

dios, Silhouette Figure Salons, Trim & Swim Spas, Presidents-First Lady Spas, Executive Health Club, European Health Spa, Family Fitness Centers plus several other companies and designer of the Lifecycle Exercise Bicycle, is a 50-year veteran of the health club industry. Early in his career he invented 'Lifetime Memberships.' Evolving and changing with the times and the feelings of his members, in 1985 he con-

verted his club business to monthly dues with amazing success and increased his profits dramatically. His ability to evolve and change is the benchmark of his legacy and his path to success over the years. His personal dedication to fitness and his passion for sharing that dedication with the masses has influenced the health club industry more than any other individual in the history of the business. He has shared that (See *Wilson* page 7)

BALLY TOTAL FITNESS RAISES \$90 MILLION!

Chicago, IL - Bally Total Fitness Holding Corporation announced on August 11, 1997, that it completed an equity offering of 8 million shares of common stock, through underwriters led by Merrill Lynch & Co. Including the underwriters' over-allotment of 1 million shares. The Company received pro-

ceeds of approximately \$90 million from the \$96 million offering.

This event speaks volumes of the importance of Bally Total Fitness Chairman Arthur Goldberg's selection of the 41-year old Lee Hillman as CEO of Bally Total Fitness. Hillman, a CPA, has worked on numerous

large financial transactions during his years at Bally Entertainment, including the recent transaction in which Bally Entertainment was sold to the Hilton Hotels Corporation. Hillman has a clear plan with respect to the turnaround of Bally Total Fitness and appears to be making excellent progress in the implementation of that plan.

Bally Total Fitness Adopts New Revenue Recognition Method

Chicago- Bally Total Fitness announced it was adopting a change in accounting conforming its revenue recognition to that of services industries in gen-

eral. Simultaneously with the filing of an amendment to its registration statement for its offering of Company common stock, amendments were filed to the Company's (See *Bally Accounting* page 11)

Universal Gym Equipment Files Chapter 11

By Norm Cates, Jr.

Universal Gym Equipment, Inc. is a 40 year veteran of the health club equipment business that in 1994 had been named to IHRSA's (International Health,

Racquet and Sportsclub Association) Wall of Fame as the Associate Member of the Year. Universal Gym Equipment, Inc. has been an IHRSA Associate Member, strong supporter and sponsor of IHRSA for 16 years, since IHRSA was founded.

On July 24, 1997, Uni-

versal Gym Equipment, Inc. filed for Chapter 11 in the U.S. Bankruptcy Court of Florida. Universal's lawyers are currently in the 120-day window of time allowed by the Court for Universal to create and have approved a Chapter 11 Reorganization Plan. The Chapter 11 Plan will allow Universal to move forward with Court supervision and with Court mandated control over the recovery process.

Last July, Universal Gym Equipment, Inc. was acquired by Gulf Stream Capital Partners, which has offices in New York and Florida. Universal had been based in Cedar Rapids, Iowa for nearly 40 years prior to their move two years ago of the manufacturing facility to Lexington,

North Carolina and the company headquarters to West Palm Beach, Florida.

Frank Canonica, Vice President of Worldwide Sales and Marketing, commented, "Since our acquisition in July of 1996, we have been severely under-capitalized. As a result, our debt load caught up to us and made it impossible to perform as a first-class company. The only way we could really move the company forward was to file for protection under Chapter 11, restructure the repayment of our obligations and work with the Federal Court to take us out of Chapter 11. We want the company to continue. We owe it to our customers, to the industry and to ourselves. The action we have taken gives

us the opportunity to refocus and succeed."

Universal equipment was founded by Harold Zinken, the developer of the first multi-station selectorized weight machine (known by all as the 'Universal Gym'). He is retired in California. Harold was one of a long line of owners including, George Nissen, inventor of the trampoline. Nissen equipment has been used for years to equip high school gymnasiums. After Nissen, Universal was owned by Hanson PTL, a British Company, until early 1995 when Hanson spun off 37 companies, including Universal Gym Equipment, Inc.

Since the Bankruptcy there was a minimal layoff of people because the company had been (See *Universal* page 9)

Inside The Insider

- **'Insider Speaks' Editorial Commentary Welcomed!**
- **Reader Satisfaction Survey**
- **Membership Pricing Structure**
- **Waivers and Releases: Basic Information**
- **National Fitness Trade Journal Distinguished Service Awards**

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

'INSIDER SPEAKS' EDITORIAL COMMENTARY WELCOMED!

By Norm Cates, Jr.

This 'Insider Speaks' editorial page is set aside each month for club industry folks that have something important to say about issues in the industry.

There are issues that are facing club owners that need to be addressed.

There are issues that are facing manufacturers and other club industry suppliers that need to be addressed.

Unfortunately; however, some of our associates in the industry have come to believe that

this space has been allocated only for us to write editorials on their issues! That puts us in a tough spot because we may not fully agree with their point of view or we may believe that their issues can be better addressed in other ways. Our pledge to "Tell It Like It Is" means that we will do so when we believe fully in an issue

and believe that we should comment on it. It does not mean that we will take up the sword for someone that is unhappy, just because they are unhappy.

When I am approached to write editorials about subjects that others are unhappy about, my response is: "You write the editorial, sign your name to it and we will publish it for you!" Many times I have said those words to folks that have approached me to write about their issues and they have rejected the offer, citing, "I can't sign my name to anything because it will hurt my business!"

The 'Insider Speaks' space was intended to be used by those that feel strongly enough about their issue to put their name in the writ-

ing. I want to encourage all of our readers to use this space to say something that is important to the industry. Don't be hesitant to "Tell It Like It Is," sign your name to it and send it to us. We will publish your editorial or letter if we deem the issue real and appropriate for this venue.

In the mean time, I always want to hear from folks with issues. Sometimes I may be able to work behind the scenes to help solve problems, even if you do not wish to have your name in print! That is what leadership is all about. It is not about arguing a case for someone that we do not fully believe in, especially when there are other ways to skin the cat!

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June 30, 1997

Mr. Norm Cates
Club Insider
P.O. Box 671443
Marietta, GA 30067

Dear Norm:

The latest issue of The Club Insider is your best yet! It is packed with high energy, high-impact articles, all based on major industry events and all accompanied by incisive and bold opinions.

Congratulations!

Regards,

John McCarthy
Executive Director

JMC/ack

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the Profitability and
Professionalism of
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CLUB INSIDER News READER SATISFACTION SURVEY

Please take a moment to copy and complete this Reader Satisfaction Survey and return the survey via fax to: (770)933-9698 or mail to: **CLUB INSIDER** News, P.O. Box 671443, Marietta, Georgia 30006-0025. Thanks!

1) Please circle one below to summarize your overall rating of the **CLUB INSIDER** News.

Excellent 6 5 4 3 2 1 Awful

2) What do you like most? _____

3) What do you like least? _____

4) What would you like to see on our Editorial Calendar for 1998? _____

5) Do you have other suggestions or comments? _____

6) What is your job title or role at your club? _____

•NORM'S NOTES•

1998

1998 will mark the beginning of our 5th year of publication of The **CLUB INSIDER** News! It is hard to believe that time has flown by so quickly! Everytime I go to industry events I receive great feedback from folks that read The **CLUB INSIDER**! I sincerely appreciate the positive feedback! However, my goal is to improve The **CLUB INSIDER** for your benefit and to assure that one day we will have a 10th Anniversary! So, I need your help. We are working on our 1998 editorial calendar and I would appreciate your recommendations of topics you would like to see us address. I would also appreciate your comments about the publication and what we can do to improve. So, I've printed a **READER SATISFACTION SURVEY** on the opposite page(4) and would appreciate if you would copy it, complete it and fax or mail it to us. Fax # is: (770) 933-9698 and the mailing address is: **CLUB INSIDER** News, Box 671443, Marietta, Ga.30006.

RICH BOGGS AND RAY IRWIN, the fellows that brought The **STEP** to over 18,000 health clubs in the U.S. have a new product that is **HOT! HOT! HOT!** The product is **BODY PUMP**, the first fitness phenomenon ever to combine the body changing results of high rep weight training with bar bells and high energy aerobics into one exercise program. I had the opportunity to see one of the first classes in the U.S. at **Sportslife Club Cobb**, in Marietta, Georgia. My reaction? The industry really needs something like this to revitalize sagging aerobic attendance. Just like they did before...The **STEP** Boys have the right thing at the right time. The **BODY PUMP** Class is challenging, fun, and results producing! My recommendation? Avoid the coming stampede and enroll your club(s) NOW to be the first in your market to offer **BODY PUMP**! Check out the **BODY PUMP** ad in this edition on our outside back cover.

WALLY BOYKO AND MESCHELLE BOYKO did a terrific job with their 16th Annual National Fitness Trade Show and Symposium. This husband and wife team put together one of the most enjoyable events I've ever attended in the industry when they roasted Mr. Ray Wilson the night before he was honored with the presentation of the Lifetime

Achievement Award by Wally's publication, **The National Fitness Trade Journal**. Also honored were 11 industry veterans who received Distinguished Service Awards sponsored by The National Fitness Trade Journal and **Fitness Management Magazine**. (See article on page #28). Wally Boyko and his wife are great American entrepreneurs and meeting them was one of the highlights of my brief visit to Las Vegas. Next year's show dates are August 11, 12 & 13. Also, congratulations to **Valentina Ouch** of Albany, New York who won 1st Place in the Bally Total Fitness 1997 Ms. National Fitness Contest and to **Heather Melzer, Cynthia Bridges, Veronica Martell and Kary Larkin** who finished 2nd thru 5th.

STAR TRAC Treadmills has published a brochure entitled: "Questions and Answers About Leasing" that provides information on equipment leasing. For a copy call:(800) 228-6635 and be sure to tell **MARK DUNHAM** at **STAR TRAC** that we published his phone#.

MIKE URETZ, CEO of **World Gym Licensing**, provided the introductions of speakers **MICHAEL SCOTT SCUDER, SCOTT WATSON** and **KEITH CAMHI** at the recently held **World Gym Regional Seminar Series** in Cromwell, Connecticut. The seminar was the second leg of the **"World Gym Education Program"** for 1997 and was attended by 85 owners and managers representing 38 **World Gyms** in the northeast. Scudder was the #2 rated speaker at the 1996 **IHRSA** Sales, Marketing and Programming Conference.

TONY de LEEDE's **Australian Body Works** in At-

lanta was the first fitness facility in the United States to offer the revolutionary aerobic/strength program **BODY PUMP**. The first class was taught by **CATHY SPENCER**, **BODY PUMP** Master Trainer, from Sydney, Australia. De Leede's **Australian Body Works** and **JERRY ALLES'** and **LOU OFF**'s, **Sportslife** chain in Atlanta are the first U.S. club groups to have their instructors certified by the **BODY PUMP** trainers from **LES MILLS AEROBICS** of New Zealand. I predict **BODY PUMP** will become as big with men as it will be with women.

MIKE TALLA's **SPORTS CLUB COMPANY** has acquired the 130,000 square foot **Green Valley Athletic Club** in Las Vegas from the original developer.

Life Fitness has promoted **Tim McCarthy** to Director of Vertical Sales and **DOUG WERNER** to Manager of Medical and Wellness Sales. McCarthy will oversee sales to military, hospitals, colleges and universities, hotels and real estate developments and will report to **JAY MAGNA**, Vice President of Sales for North America. Werner will report to McCarthy. **Life Fitness**' Commercial Direct Sales organization has been reorganized into an East and West region, expanding the responsibilities of directors **JON THORSELL** and **PHYLLIS DANNIN**, who both report to Magna.

MICROFIT, Inc. has signed a contract with the U.S. Air Force to provide modified MicroFit Fitness Assessment software programs and system technical support, beginning October 1, 1997.

PHIL WENDEL, owner of the **Atlantic Coast Athletic Club** has announced the development of a new \$5 million, 57,000 square-foot facility at Albemarle Square in Charlottesville, Virginia. The facility was designed by **Ohlson LaVoie Corporation** and will be built by the



Norm Cates, Jr.

General Contractors **Alexander-Nicholson**.

clothing as well as vitamins, minerals and herbs."

Australian Body Works has opened location #16 in the **Vining Jubilee Shopping Center** in northwest Atlanta. **TONY DE LEEDE**, owner of **ABW** comments, "We're including a lot of additional products and services that will make workouts more appealing and take us one step closer to becoming more of a total wellness facility, where we offer nutrition and relaxation as well as the exercise component. The club will feature a Dermess Therapeutic Skin Care Center, a "smoothie" juice and nutritional snack bar and a Pro Shop retailing logo

My beautiful hometown of **Atlanta** has been named "City of the Year" for 1998 by **The International Tennis Hall of Fame** in Newport, Rhode Island. One of the biggest reasons for that selection must be **ALTA**, the Atlanta Lawn Tennis Association, which has around 100,000 regular league tennis players. Atlanta is also the home of a lot of pro players. Previous cities honored have been: San Diego, 1996, Philadelphia, 1995, Greater Miami, 1994, Los Angeles, 1993, St. Louis, 1992, Washington, 1991, Kalamazoo, Mi., 1990, and Cincinnati, 1989.

Norm Cates' **THE Club Insider** NEWS

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Kathy Cox, New York



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Kate Hutson, Massachusetts



Strength Equipment

"These new strength machines definitely live up to StairMaster's reputation!"

Mark Noble, Alabama

...Wilson

continued from page 3

passion with his associates in the industry, millions of members over the years and the citizens of the State of California whose State Legislators recently honored him.

Mr. Ray Wilson was kind to share his wisdom and experience with The **CLUB INSIDER** News on the very important topic of monthly dues and how to make the conversion to monthly dues. This candid and illuminating interview with one of the true icons of our industry will help anyone that wants to make this very important and very profitable business move.

CLUB INSIDER - Q. "Mr. Wilson would you recall for us the early days of the industry and also the membership pricing at that time?"

Ray Wilson - A. "When I first started back in the early 1950's they were charging \$15 per month, which is the equivalent of \$60 or \$70 in today's dollars. The clubs then were attracting very few people. Kind of unique people out of the mainstream, so the clubs felt they had to get a large monthly price even though the clubs were practically empty. The few people they attracted were people like myself that had become involved in weight lifting or body building. There was no cardiovascular exercise. It was strictly weight lifting or body building and neither were very popular, as weight training was thought to make you 'muscle bound.' Then, along came pulleys and equipment began to evolve. Nautilus later on provided a giant step forward when it came out and cardiovascular exercise began to play a huge role when Lifecycle arrived. The equipment evolved from there in two directions. Nautilus caused the evolution and was the catalyst in resistance equipment and Lifecycle caused the same in cardiovascular equipment."

"In the 50's club owners believed, because members were so rare, that they had to charge a lot of money. They put a high monetary value on each membership sold. At the club in Salt Lake City where I worked out, they charged \$15 per month and no exceptions. The next price step for general gym memberships was when they began to sell three month memberships for \$40 or you could still buy one month for \$15. At this gym in Salt Lake City you could also pay extra for wrestling and boxing lessons. Eventually, I went into professional wrestling along with Roger Mackey and Bill Melby who had previously entered professional wrestling from this gym where we all worked out. I was injured in a grudge match and had to rehabilitate my shoulder from the injury. I figured it would take me about three months. In the three winter months, Jack Lozan, the owner of the club where I worked out in Salt Lake City, was just breaking even. I made a deal with him to take over his club and pay him his overhead for three months so he could go to his father's ranch for the winter. I did some progressive thinking and got Lozan to agree that I could sell one year memberships. For all practical purposes, it did not really matter as his club was only about 20% full anyway. He agreed and I sold a one-year membership for \$60. In my past, I had sales experience with at least a dozen products. I figured it would be a lot easier to sell one year for \$60 than to sell three months for \$40. I was right and I tripled the enrollment. Eventually most health club operators switched from one month and three months to six months and then eventually to one year memberships. That became pretty much the standard for several years."

"In the early 60's, I moved to Mexico for two years and opened six health clubs there (four in Mexico

City, one in Monterey and one in Guadalajara). My purpose in moving to Mexico was to develop my new 'Spa Concept' far away from everyone in the U.S., so people could not copy my ideas as fast. I wanted to at least be ready to roll and get the first shot when I blasted health Spas in the U.S. market. Since most potential members at the time did not want to do pure exercise, I gave them enjoyable 'frosting' (hot turbulent spas, cold plunges, saunas, steam rooms, inhalation rooms, pools, etc.) along with some exercise equipment. If you can't change them, join them, was my thinking. When I opened Presidents-First Lady Spas, Trim and Swim Health Spas and European Health Spas in the U.S., shortly thereafter, my Spa theme became the main thrust of the industry for the next fifteen or so years. This 'Spa concept' appealed to the masses and we were able to raise the amount we charged for memberships. For some reason, I have been able to predict which way the industry should be heading and make profitable changes."

"So, the industry evolved, but until cardiovascular exercise became the big push in the industry, it wasn't really the fitness business. After I had sold out of my main company, European Health Spas, Captain James Lovell, the Astronaut of Apollo

13 fame and a friend of mine, was then the Chairman of the President's Council On Physical Fitness. Lovell told me in 1973 that I had sold out at the wrong time. He explained that they (the President's Council On Physical Fitness) didn't have enough money to educate the general public about fitness and the benefits of exercise, but they were educating everybody in the schools about fitness and the importance of exercise. Lovell said that the students they were educating on the value of exercise were getting older every year and as they aged, the health club industry was going to do better and better. This is exactly what has happened and the fitness industry owes a lot of our success to this program which originated with President Kennedy and was carried through by Captain James Lovell and the President's Council. Lovell also said to me, 'Do the country a favor and if you ever do go back into the business, have cardiovascular exercise as an important component of your health clubs as only cardiovascular exercise creates true fitness.' In his opinion, progressive resistance was O.K., but it was not true fitness. This is

(See Wilson page 8)

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...Wilson

continued from page 7

true. There is a certain amount of cardiovascular benefit to progressive resistance exercise, but nothing like pure cardiovascular exercise. After this enlightening conversation with Captain Lovell, I became enthralled in cardiovascular exercise and eventually got involved with the Lifecycle. Another reason for my interest in cardiovascular exercise was because my father died at 48 of a heart attack. I don't think that fitness centers would have become nearly as popular if we didn't have cardiovascular exercises. I think a combination of satisfying vanity and becoming fit caused the great overall appeal. If Nautilus had not come along for the vanity appeal the industry today would be about 10 years behind where it is now. So, we all owe a debt to Arthur Jones,

the inventor of Nautilus. Arthur Jones also worked with athletes and once and for all proved that weight training improved athletic performance and that there was no such thing as 'muscle bound.' Also, if the Lifecycle had not come along, with Augie Nieto and all he's done for the advancement of the industry and all the progress that has been made there, the industry might be another 10 or so years behind where it is now."

CLUB INSIDER - Q. "I have heard that as the industry developed there was very fierce competition; was there any co-operation among health clubs back then?"

Ray Wilson - A." Not much, but there were two things that happened in the industry that were bi-partisan efforts that helped the industry a great deal. One was the mass production of the Lifecycle to bring the cost of it

down. We used to have to charge \$4,000 to \$5,000 for each Lifecycle because they were virtually made by hand. We needed a huge order to go into mass production. Augie Nieto was working with key fitness industry leaders to get them to go in together for a huge order which would allow us to go into mass production. We had gotten orders for about 200, but that was not enough until we received an order from Don Wildman for another 200 Lifecycles. Don Wildman believed as strongly as Augie and I did that the industry needed cardiovascular exercise. So, even though I was a competitor and I was involved in Lifecycle, Don Wildman and other industry leaders placed these large Lifecycle orders. These large orders enabled us to go into mass production and cut the Lifecycle price in half. Everybody joined together because they realized that Lifecycle was a great machine and that cardiovascular was necessary for our industry. That really helped the industry take a giant step forward.

Another similar bi-partisan act was when we sold Lifecycle to Bally. The reason we sold Lifecycle to Bally was that we wanted to sell to a huge company that had unlimited resources to put millions of dollars into research and development for advanced fitness equipment, like Life Circuit. I think Augie said over \$3 million eventually went into Research and Development on LifeCircuit before they ever sold a machine! I was negotiating with Bally and the deal wasn't going to go through because Bally was not going to give Augie Nieto or myself five year employment contracts. So, I told them 'no-deal.' Finally, they gave in and were going to give me a contract, but still weren't going to give Augie one. I again said 'no-deal.' So, then I called Don Wildman, who was already involved with Bally and said, 'Don, this is a great deal for the industry to get Bally to buy Lifecycle and expand it into other advanced equipment and they need Augie. Why would they not give Augie a contract? I won't do the deal without Augie getting a contract. Isn't there somebody you can talk to?' He said, 'I'll do what I can.' The next day Bally's attorney called me and said, 'I don't know why they are doing it, but they said to go ahead and also give Augie a contract.' I would not have sold Lifecycle without Augie getting a contract for two reasons: (1) because of

my loyalty to Augie; (2) because they needed Augie to develop all the new advanced equipment the industry needed. In spite of Don Wildman and I being competitors, Don went to bat for the industry and the industry took another giant step forward."

CLUB INSIDER - Q. "Why do you feel the industry should shift to monthly dues memberships and how can club operators make it happen? Do you really think it can happen?"

Ray Wilson - A." If the whole industry could get together and do another bi-partisan effort, it could happen. If the LEADERS OF THE INDUSTRY and your CLUB INSIDER News, CBI Magazine, CLUB INDUSTRY, FITNESS MANAGEMENT Magazine and the NATIONAL FITNESS TRADE JOURNAL, IHRSA, ALL OF THE TRADE, SHOWS and the EQUIPMENT MANUFACTURES get behind the idea of moving to monthly dues and really give full support and effort, IT WILL DEFINITELY HAPPEN. The reason it can happen and the real motivation for it happening is that the club owners will make more money. The motivation is there for all clubs to do it, it is just different... it's change... people fear change. My people feared change. I had to threaten to quit to get them to go to monthly dues. When I started Family Fitness Centers in 1977, I started it out with the idea of straight dues, but I couldn't get the people to do it. We were selling about 15% dues. That's the most I could get my people to do because they wanted the big commission on the long term membership sales that they were comfortable with. Finally, in 1985, I sat my people down and told them if we don't go to 100% dues, I'm quitting. They didn't want me to quit, so we went to 100% dues. That was in September. We had another meeting in early October and everybody was moaning and groaning and trying to revolt. I told them I was serious and that I was quitting if we didn't continue with 100% dues. At the end of October, we had another meeting and they were ready for me to quit, at least damned near, because they thought I had lost my mind as the 100% dues had really interrupted the profits and their commissions.

It is very tough going 'cold-turkey' changing to 100% dues sales, which nobody should do, and I didn't intend to do it either. I was just getting them really used to the dues idea. We then made a deal

for November in which I agreed to 50% dues and 50% long-term memberships providing no club goes below that 50% dues sales. That way they policed each other and nobody went below the 50% because they didn't want to go back to 100% and they knew I would if they violated the 50%. Gradually, six months later, we moved to 55%, then to 60%, etc. Within a three to six month period after we went to 50% in November, everybody was making as much commission and we were making as much profit as we were originally as we were selling many more memberships."

"Dues memberships are much easier to sell and the buddy system works much better. The profits rose from there because we could sell monthly dues memberships much easier and sell many more of them than we could long-term memberships. The reason is you are selling a small initiation fee and dues which are much easier to sell than a \$300 or \$400 package. Also, the buddy system works so much better when you are selling dues than when you are selling a fairly high priced, long-term membership because the first time a person approaches one of their friends and says, 'Hey, you ought to come down to the club with me!' The first thing out of the friend's mouth will be 'how much does it cost?' so if they say \$300 or \$400 the curtain comes down and that's the end of the conversation. Whereas, if they say \$15 a month, \$19 a month, \$29 a month, whatever; they say... 'Tell me about it.' It just makes the buddy system work many times better. Also, the club's image is much better which also makes the buddy system work much better. Monthly dues is a win-win situation. Plus, members are smart and they figure out 'if this place is crowded and you've sold nothing but prepaid memberships,' they can figure out that the club is in danger. They think, 'how the hell are they going to keep this club open when they are already full and they have already collected from all these people?' But, if your club is full and you've sold monthly dues, they may not like the crowds, but they at least say, 'this club is doing great and at least it is going to stay open; it's really popular,' I guess I'll adjust my schedule and try to come in when it is not so crowded. I'll come in a little earlier.'

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"Dues just changes the whole psychology. Dues also (See Wilson page 9)

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...Universal

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downsizing for several years prior to the time of the Chapter 11 filing.

Canonica commented on the turnaround plan, "Our goal is to be more responsive to our customers. That is our top priority.

The past few months have been trying times for our valued customers as well as for us and we need to make them whole again. In order to do so we must execute the basics: on time, complete deliveries, unparalleled product quality and rapid response to their needs. A Chapter 11 filing can be interpreted many ways, but ours is all about becoming a more customer-sensi-

tive, professional organization. This will be the basis of building a strong foundation for our future as a business. After our restructuring plan is approved by the Court, we will operate as a new business with a rich history and a large, loyal customer base."

CLUB INSIDER News obtained a copy of the Chapter 11 pleading which was filed in the

U.S. Bankruptcy Court for the Southern District of Florida. The pleading showed Universal Gym Equipment, Inc. as a corporation, not publicly held, with 20 to 99 employees. The pleading indicated: "Debtor estimates that funds will be available for distribution to unsecured creditors." The total assets of Universal Gym Equipment, Inc. were shown as

\$12,588,940 with total liabilities of \$13,120,637. The contingent secured debt of \$8,526,774 was shown with 3 holders. The contingent unsecured debt held by 360 holders was shown as \$4,593,863. H. Sean Mathis and Mark L. Friedman were shown as persons who directly own, control or hold, with power to vote 20% or more of the voting securities.

...Wilson

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changes the psychology of the management, of the sales people and the instructors - everybody. For each member you keep, it is just like selling a new membership. So, you worry about your service. You worry about your equipment. You worry about your facilities. So, you keep them up and concentrate on that rather than concentrating on 'what gimmick am I going to use this month to pay the bills?' Half price or what am I going to do? You no longer have to do stupid/panic things every month. I operated for years and years potentially bankrupt every month! First of each month - no income coming in whatsoever - so, if we didn't do

enough sales, we were out of business! It is not a good feeling and also it tends to make the owner and employees a little 'flaky.' I know, as I was there for years and years. You do not feel secure, stable and you're not as proud of your business. With dues you feel secure, stable and are very proud of your business. Everyone who works for you feels the same way. Before we sold Family Fitness Centers each and every month we had over \$6 million in dues coming in from our 72 clubs. It is a great feeling! You just have a better feeling and an entirely different attitude with that great continuing income than you can have when you have nothing coming in."

"Remember, I am the one who invented the Lifetime memberships. If long-term memberships were more profitable, I would

be selling them. I have 50 years of experience in this industry and I have always changed for the better with the times. Fitness is now the 'in thing' and clubs get mass use, and you had better have continuing income or your club is in danger as this business is going to get more competitive. When more competition comes, and it will, if you have part of your overhead covered by dues each month, you have at least twice the odds of staying in business and prospering than you do if you are only selling long-term memberships. Many clubs have switched to dues and are making more profit."

"Dues memberships are the greatest profit and image builder in the industry. If we get the whole industry to go to monthly dues we would have the

greatest image in the world. Our product is fantastic, but it gets a bad image with so many complaints when people want to drop their long-term membership. If they want to drop a monthly dues membership, they just quit paying it. 90% of your complaints come from people with prepaid memberships and long-term contract memberships. It would make a night and day difference if everybody switched to monthly dues. Prepaid memberships and long-term contract memberships are the biggest black eye the industry has. The complaints and the closing of clubs are the two constant black eyes for our industry. Again, most clubs' closings are caused primarily by people selling long-term, prepaid memberships. They can't pay their bills because they do not have continuing income. Don't

forget, as I said, I'm the very person that invented the Lifetime Membership. At that time it was O.K. It didn't matter because nobody used their membership or at least very few. But now, anybody that doesn't have continuing income is headed for disaster. With the mass use there is in clubs now, you better have continuing income because your place is going to get crowded because people now believe in fitness and they use their memberships. If you are getting dues every month....that's wonderful. If you are not, you are heading for trouble."

"I repeat, long-term memberships cause two things: (1) They cause a huge amount of complaints. 90% of complaints come from people who want out of their long-term membership. An individual is

(See Wilson page 12)

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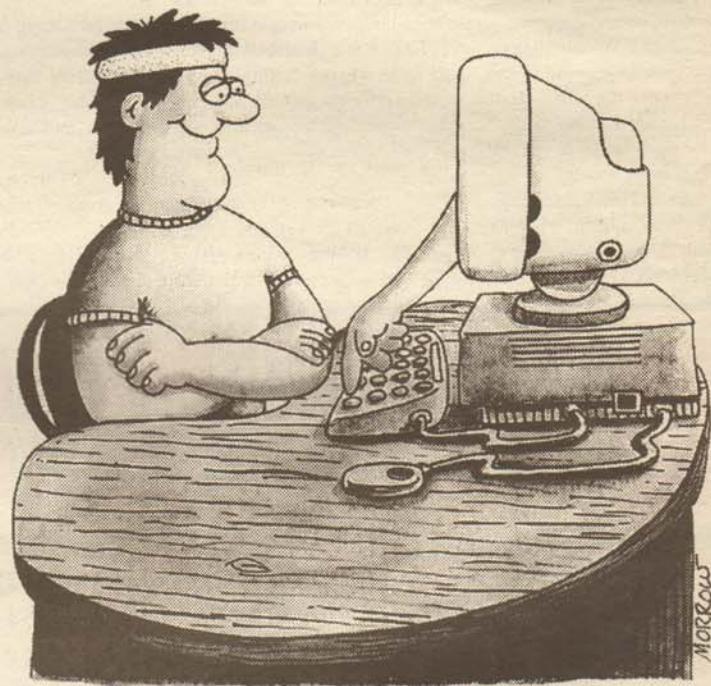


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...Bally

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Form 10-K annual report for the year ended December 31, 1996 and Form 10-K quarterly report for the quarter ended March 31, 1997 reflecting the change in accounting on a restated basis. The restatement has no impact on cash flows, liquidity or the strategic direction of the business.

Under guidelines for the fitness industry now required by the SEC staff, the Company is following a "deferral method" with respect to the timing of recognition of initial membership fees. Revenues from membership initiation fees are

spread ratably, under this method, over the expected membership life. Since 1985, when Bally Total Fitness first issued public securities, the Company generally recognized revenues from membership initiation fees at the time the memberships were sold, in accordance with the stated terms of its membership contracts.

As a result of the restatement of the Company's consolidated financial statements, the previously reported results for the year ended December 31, 1996 improved \$16.3 million to a loss of \$19.2 million (\$1.58 per share) and deferred revenues on the balance sheet at December 31, 1996 increased a net \$192.4 million

with an offsetting decrease of stockholders' equity to \$24.2 million. For the quarter ended March 31, 1997, previously reported net income increased \$8.2 million resulting in a loss of \$5.7 million (\$4.46 per share), an improvement of \$6.3 million, compared to a restated loss of \$12.0 million (\$9.86 per share) for the first quarter of 1996. The comparative improvement was slightly greater than previously reported between the first quarter of 1997 and the same quarter a year ago. Restated operating income before depreciation and amortization, excluding net changes in deferred revenue was \$24.7 million for the first quarter.

of 1997 compared to \$15.00 million for the 1996 quarter, a 65% increase.

Lee Hillman, President & CEO of Bally Total Fitness, commented that, "In light of its large size and long operational history, the Company believes the new accounting method will yield more stable and predictable results over longer time periods. The new accounting method will minimize seasonality of the Company's new membership revenues, deferring recognition during the Company's peak first quarter to later periods. This change will have no impact on the underlying performance of the business, its cash flow or liquidity." Hillman continued, "The

Company's informational disclosures will enable investors to fully understand the Company's business and trends given this more conservative approach."

The Company's quarterly report for March 31, 1997 filed on Form 10-Q was also amended to remove the effects of SFAS#125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", as it has now been determined that the Company's December 1996 securitization transaction is not covered by this recent standard. The Company's net results for the quarter were not affected by this change.

...Wilson Honored

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partnership with Eric Levine and First Pacific Davies Corporation, his first facility in Hong Kong- Ray Wilson's California Fitness Center. That facility is the first of a chain of clubs Wilson and Levine and their partner FPD have planned for the Pacific Rim area.

The presentation award ceremony for the Lifetime Achievement Award was preceded the night before with a Roast of Ray Wilson in which dozens of Ray's oldest friends came to share their experiences and interesting times. A long line of folks including Bob DelMonteque, formerly Ray's partner, Rudy Smith, formerly a competitor and later a friend of Ray, Jerry Kahn a business associate of Ray's, Augie Nieto, CEO and President of Life Fitness, Mark Mastrov, CEO and President of 24 Hour Fitness, Ray's sons Perry and Packy and many more shared their memories and experiences with Ray.

The essence of this man is remarkable. He started in life as one of 9 children of a migrant worker family. When his father passed away prematurely at age 48, Wilson came home to help raise and support the family. In his early 20's, Wilson entered the health club business and has been at it ever since. Since that time Wilson has made, according to the comments of his friends, 'several hundred millionaires' of those with whom he had done business.

Bob DelMonteque served as the Master of Ceremonies of the Roast and cracked people up with his comments and recollections of Ray Wilson stories. Bob and Ray were partners years ago and have remained friends ever since. There were a number of speakers that

made comments. Here are some of them. (Note: Our apologies to some of the speakers as the audio tape did not pick up the comments with enough clarity to transcribe them.)

Rudy Smith (Former competitor and now longtime friend) "The man has got courage like very few. He has the courage and the conviction to do what he believes. He has loyal friends that have been through the years with him. Just look around this room right now. His friends are so loyal to him - they love him. If that doesn't do it for you, meet his wonderful family. They are fabulous. Ray, thank you for a wonderful friendship."

Ray Wilson commented: "Years ago we opened right across the street from each other. Now "Rudy has a huge sign in front of his newest club here in Las Vegas which says, "Congratulations to Ray Wilson on his Lifetime Achievement Award. Thanks Rudy!"

Jerry Kahn (Former business partner and longtime friend) "I've known Ray for 44 years. When we first started to work together Ray kept saying, "Jerry, we've got to get the gross!" I didn't know what 'gross'

was! I was a Georgia boy. The only time I had heard the word gross was when I was dating this girl in California that kept saying, "Jerry, you're gross!" (The crowd cracked up laughing). Ray has been a mentor and inspiration to me. He has helped a lot of people become well off. He surely had a big impact on my life. I respect the guy very, very much. Watching Ray's career - he's had some ups and downs, but he has always had the tenacity to stay with it. I also want to acknowledge Ray's lovely wife, Sonya. Sonya has been very instrumental in Ray's career. As I've always said, 'Behind every successful man is a

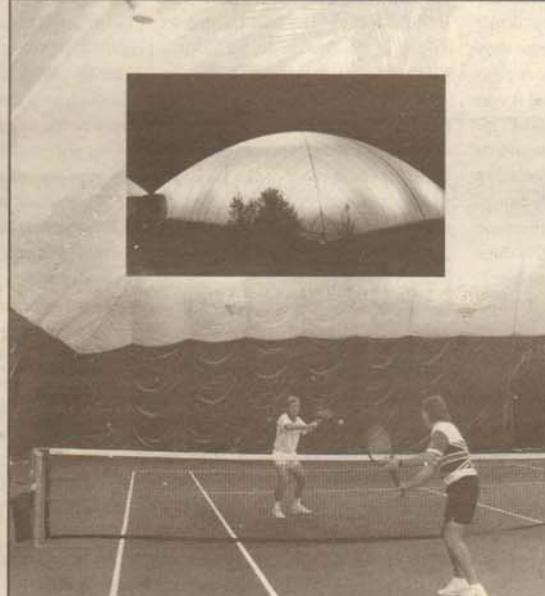
woman....with credit cards! I would like to add another adjective to describe Ray and that is 'pioneer.' The Pioneer of Fitness- If any guy should have that word bestowed on him, it is Ray Wilson, because as far as I am concerned, he brought fitness centers from ancient history to the next generation. Ray, I wish you continued success, much happiness and my sincere congratulations. And, when you get back to California - Get the gross!"

Ron Thompson (Former employee of Ray's for 17 years, now President of the Southern Division of 24 Hour Fitness) "It has been an honor and a privilege to work with Ray for the past 19 years. Ray has taught me about humility.

He has taught me how to 'get the gross.' He has taught me how to always do the uncomfortable and among other things, he taught me how to be a betting man. He said, 'Ron, if you put money on this game, you will be more enticed to watch it. It makes it more exciting. I'm still trying to win back some of that money! Years ago Ray said, 'If you want to have a productive relationship in business, you need three things: 1) You need to have common interests. 2) You need to be able to predict the reactions of others. 3) You need to have mutual benefit. And, that's the part that amazes me the most about this gentleman. He has so much more

(See *Wilson Honored* page 13)

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not as likely to want out of a dues membership as they are a long term membership because they are not being forced to keep it. (2) The other thing is that long-term memberships cause clubs to close. That's the other black eye we have. It causes clubs to close and then members lose their money on their prepaid, long-term memberships. Our industry should be the most respected industry in the world. I mean, look at me; I will be 70 years old in 6 months and I'm in the same physical shape as a person who is in their 40's (but who does not use our product)... now, if that product isn't fantastic, what is? But, our industry, in spite of our product being so fantastic, still has these two black eyes: (1) People complaining because they want out of long-term memberships and (2) the closing of clubs. And, they are both caused by the sale of long-term memberships and/or prepaid memberships."

CLUB INSIDER - Q.

You really like to repeat things several times to get a point across, don't you? What advice can you give a club operator that would like to switch to monthly dues?"

Ray Wilson - A. "I don't advocate that people switch 'cold-turkey' because they will hurt their cash flow and jeopardize their club. They can, over a three-year period, make a safe conversion to monthly dues. If properly done, within three to six months, they will be making as much money as they have ever made. Within six months to a year, they will be making more money than they were making before. A lot of people 'pretend' they are on dues, but make people sign a one or two or three-year contract. Well, they're not on dues. They think they are being clever by forcing the member to pay and still pretending they are on dues. But, the person at the end of that contract time has to make a decision about continuing. If the long-term contract has an automatic renewal clause, that causes even more misunderstandings and very serious complaints. If they are just paying their dues on a voluntary month-to-month basis, then they have to make a decision if they want to stop. People don't make decisions. People procrastinate and don't make decisions. You are better off having a 'no-decision' on your side, so if the person has to make a decision to stop, they are not likely to make it. If they have to make a decision to re-enroll - they

aren't likely to make that. Clubs that use long term contracts think they are helping themselves, but they are really hurting themselves. If people are not forced to continue their membership, they are more likely to continue because they respect the club more. It is a more solid way of doing business... people are not stupid and they respect a stable business that has continuing income. Members continue paying their dues even if they don't use it every month... they will continue paying because they know they're going to want to do it in the future. They may let themselves get out of shape a little bit, but then they will come back and in the mean time, they pay the dues because they have an initiation fee to protect and they know that fitness is important and nobody is holding a gun to their head forcing them to do it. It makes a complete psychological difference."

A PLAN FOR CONVERSION TO MONTHLY DUES

"**C**lubs should set a three-year schedule where the first year they sell at least 25% monthly dues, then the next year another 25%. Then the third year 25% more. I don't recommend necessarily that they go to 100% monthly dues. If you go to 80% or 90% dues and sell 10% or 20% long-term memberships, then, if you are having a bad week, have your best sales people go in and sell a few long-term memberships. People don't resent that as much because the people that buy them are the people that will probably stay with it. Even if they do decide to drop out, they don't blame you as much because they know nearly everybody is paying monthly dues and that it was their choice. So, they won't be nearly as angry as they would be if everybody had been forced to buy a long-term membership. So, I recommend that at this time in our industry 80% or 90% dues and 10-20% long-term membership is the way to go. I think that in another 4 or 5 years as fitness gets even more and more 'in,' the Surgeon General's Report, insurance statistics, corporate fitness statistics, etc. impacts this fitness industry, our businesses will be doing so well that everybody will evolve to 100% monthly dues anyway and especially if we improve our image. Having a three-year goal of 80% monthly dues is not hard

at all to achieve and within 3 to 6 months, you will be over the 'hump.' If you do it properly, you will be making as much money as you have ever made and from there on it will increase and you will be making more profit than you have ever made. It is so much easier to sell monthly dues memberships, the buddy system works so much better, everybody respects the club, the financial people you are dealing with will also respect it more. It's no longer a promotion, it's a business. It switches it from a promotion to a business. You are no longer a desperate promoter coming up with a gimmick every month. Instead, you are a businessperson running a legitimate business and spending a huge amount of your efforts and thought on how you can improve your club to keep your members, because every member you keep is just like enrolling another member. Plus, you don't have to pay a commission or advertise to keep an existing member."

"I have successfully helped two important multi-club companies convert to monthly dues (24 Hour Fitness and Hart's Athletic Clubs), both of these companies dramatically increased their profits by going the 'dues' route. You can too."

CLUB INSIDER - Q. "What are the 'mine fields' to avoid during the switch?"

Ray Wilson - A. "There really aren't any. It is just a matter of doing it on a gradual basis. Don't try to do it 100% all at once. I did it on a 100% basis as a lesson to my people so they would handle 50% easily. However, I could have done it because I had sold European Health Spas and I had a huge amount of cash and could have done it 'cold-turkey' if I had wanted to. There is no downside. The only downside is in the staff's minds. They are scared of change. They have been doing long-term memberships for so long, it scares them not to. If I, the inventor of the Lifetime Membership switched over, it was damned sure for a good business reason! I would not be doing it if it wasn't more profitable. Anybody that knows the industry knows I invented the Lifetime Membership. I repeat, if I'm the one that invented Lifetime Memberships and I switched to monthly dues, it has to be because it was more profitable. I don't do anything to make less profit. My people's fear of switching to monthly dues was only a figment of their imagination. That is really all it is in the heads of anyone who is afraid to make the 'switch.' My people were extremely

glad they did it. Within 3 to 6 months they were happier than hell that we did it and they were congratulating me. I have done very well in this industry, because I am not afraid of change. That's why I came up with Lifetime Memberships; the spa concept; coed clubs; Lifecycle; mass cardiovascular exercise; family memberships; the use of mass fitness equipment and now 'monthly dues.' "

"In this industry, I have always been able to make 'far out' decisions that prove to be very profitable decisions. I was the first one to ever spend a half million dollars on fitness equipment in one club. In Hong Kong we just installed one million dollars worth of fitness equipment in one club. We started this Hong Kong club off with 100% dues and in less than one year it is already a huge success. I have come up with a lot of profitable ideas in the fitness industry, but, by far the most profitable move I have ever made was switching to dues memberships. I am not afraid of change. You have to evolve - when you can't change, you perish. When a body can't change and adjust to disease, it's over. If you get hit by a truck and you can adjust to it, you live. If you can't, you perish. You must also adjust in business. When you can no longer adjust, you perish. If you can adjust, you prosper. So, 'adjust' is the word. Dues are the necessary and the right thing for profit now and for future profit through our industry's improved image. As Augie Nieto says: 'The whole boat will rise and we will all benefit.' I say: 'Everyone should push this dues movement and that should include equipment manufacturers, they also should get behind this dues movement all the way and give a 1% extra 'symbolic' incentive discount to 'dues' clubs on their equipment purchases. With the fantastic image this industry can have, we can attract twice as many members; all clubs will make more money and the equipment manufacturers will sell twice as much equipment. Also, the State and Federal legislatures will start showing our fitness industry respect instead of trying to put us out of business. Legislatures will act fairly and positively if they believe in what they are supporting; proof of this is the California Assembly unanimously honoring me for my 50 years of service to the fitness industry." (See CLUB INSIDER News, June, '97 edition.)

CLUB INSIDER - Q. "Mr. Wilson, you've achieved an incredible amount in your career.

Now that 24 Hour Fitness is booming across the land and Hong Kong is doing really well, what are your plans for the future?"

Ray Wilson - A. "I've achieved about every goal I've wanted. I'm now going to semi-retire, as I will be 70 in six months. I'm just going to be somewhat involved in international expansion and be an advisor to Mark Mastrov, Eric Levine and Neil Schober. I still own stock in 24 Hour Fitness and I'm on the Board of Directors. I intend to remain on the Board of 24 Hour Fitness as long as they want me. Mark Mastrov and I have developed a very close relationship. Other than that, there is only one last goal that I would like to help accomplish and that's to get the industry to move in this 'dues' (good image) direction. For tremendous image and more profits the industry must move to monthly dues. When you think about it, image is profit a few months later. I have always told my people 'image is gross', only a few months later.' Whatever your image is, that is going to eventually evolve into gross revenue. If it is a bad image, it is going to hurt the gross. If it is a good image, it is going to help the gross. Just a little bit in the future, but not that far, this dues project can be another giant step forward for our industry. I believe it can be the largest forward step ever for the whole fitness industry!"

CLUB INSIDER - Q. "I can see one of the reasons you have been so successful. You just don't let up, do you? When you believe in something, you really come on strong and really repeat the same theme over and over don't you?"

Ray Wilson - A. "Yes, I do. I have found to really get anything moving and to make a difference, you must come on very, very strong and repeat it over & over & over. I think that it is very vital to our industry that I do all I can to get the great value of dues membership accepted and get everyone pushing it. I intend to do my best to get dues memberships accepted and get everyone pushing it. I intend to do my best to get dues memberships accepted throughout our industry, so we can have the great image and the increased profits that are ours for the taking. And yes, I am going to keep on repeating the same theme over & over & over! If I didn't feel so strongly about this I wouldn't be talking about it at all."

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to offer and so much more to give. I remember the philosophy that brought me into the business. It was Ray Wilson's philosophy of sharing the opportunity - sharing the wealth. That was what attracted me to the business. But, it was Mr. Wilson's sharing of himself that kept me in the business all of these years. I want to say 'Thank you' and I'm deeply grateful for all you've done. You've changed my life - you brought me into this industry and I look forward to another 19 years!

Packy Wilson (Ray's youngest son) told how as a child he would listen to his dad's business phone conversations and sit in on business meetings. Today Packy says when he gets into unfamiliar situations he thinks "what would dad do?" Ray said that Packy has developed into one of the best overall businessmen that he has ever met.

Perry Wilson (one of Ray's other sons) "I was thinking about what I was going to say here and basically I want to talk about all of the people you've helped and inspired and motivated. Look around this room. I can also remember some of the experiments you tried on me while we were living in Mexico. One was when you laid me upside down on a big staircase to see if I could work my way out! My Dad taught me to work my way out of anything! That worked out well because when I was in high school, I could walk a flight of stairs while standing on my hands! Another one was what you called, "Doing Big Boys" when I was a little infant. You would hold your thumbs out, I would grab your thumbs with my hands and you would hold me over a cliff above the ocean. At the time it seemed like a cliff, but I am sure it wasn't. That was to teach me how to hang on, never let go, never give up! That helped because in high school there was only one other kid that could climb a rope as fast as me! The other one is one of his favorite ones and Mom really protested about this one! He always observed how fast a person ate because he believed it would tell how aggressive they were. He'd take people out to lunch on interviews to see if they beat him with finishing lunch. He thought I ought to eat fast too. So, we had this big boxer dog and he would put me down next to the dog with my food and next to the dog while he was eating. He figured if I didn't eat fast enough, the

boxer would get my food. That one had some side effects! (The crowd cracked up in laughter!) Overall, the things you taught all of us were beneficial beyond belief and certainly, in more rational ways, you taught us to never give up, to keep going and to fight our way out of any problem. And, I do still eat fast! I love you and I'm so proud - so unbelievably proud."

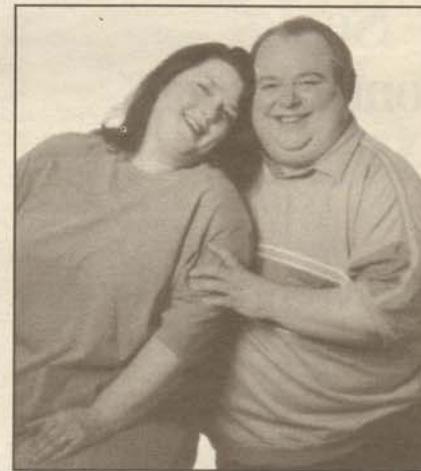
Ray Wilson Comments "My wife Sonja stopped me after the first time I tried that deal with the dog! And, remember, all of the aggressiveness I showed towards Vic Tanny's and other competitors, it WASN'T ME! I've got small bones. I used to eat a 4-pound roast beef every night. It was the steaks from the cows! At 32 I took an insurance exam and my cholesterol was 600 and my uric acid was 12! I gave a biochemistry graduate \$500 to write up a paper for me on cholesterol and uric acid. I changed my eating habits to fruits, vegetables and fish and my exercise to high repetitions and it changed me into the nice sweet, non-aggressive person I am today!"

Susie Ray Wilson "My first memories are when I was a little 5 year old girl with red hair. He would dress me up to take me out and he taught me to say, 'My name is Susie Ray Wilson and I belong to my Daddy.' All these stories Perry told you today are true. He had us exercising before we could walk. So that ingrained in us the importance of health and fitness. So, today - years later and 5 children later, I really appreciate the benefit of living a healthy - fit life. There are many successful businessmen in this world. But, few really take the time to really train their key people. I've seen my Dad spend millions of hours on phone calls and days and weeks and months molding his people to be successful. I think he really gets much more benefit and success and satisfaction in his life seeing people become independently wealthy. He gets a real benefit and joy out of that. He is definitely one that lives what he teaches. Every day of my life that I've known him he has exercised and eaten healthy foods. He is a true believer in what he teaches. He is a true pioneer in this industry. I think we all are very appreciative for the vision he has. He is definitely a visionary and he can foresee things and has the foresight to predict trends in terms of what is going to happen. I thank him very much for all he's taught me and I love him and honor him today."



Ray Wilson (L) and Roast-Master of Ceremonies, Bob DelMonteque

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MEMBERSHIP Pricing Structure

By Norm Cates, Jr.

The health club industry is, in fact, an infant industry..... a mere 'baby' when compared to the hotel or restaurant industry. So, no wonder we are still figuring out the best ways to price our products.

For years the health club industry structured membership pricing based upon the concept that memberships should be sold on a retail installment contract basis. Lengthy, legally binding retail installment contracts were the norm for years and years in the industry. Industry pioneers like Ray Wilson, Vic Tanny and Don Wildman sold millions and millions of memberships which required people to sign contracts for a fixed dollar amount and interest added on and then paid over periods of two, three, four, five years or even Lifetime memberships. These retail installment contracts are still used today in the industry, but they are rapidly being replaced by a sea of change in the health, racquet and sportsclub industry. The move into monthly dues memberships which allow members to pay month to month with no long-term commitment required. In this edition, an in-depth interview with Ray Wilson covers the history of membership pricing and a very strong endorsement by Wilson of monthly dues.

THE BOOM BEGAN!

About 20 years ago, the health club industry began to experience rapid growth across North America. This mass growth, which is still picking up steam, was triggered by several events: (1) The development of cardiovascular exercise as a mainstay in the business. Dr. Ken Cooper, Founder of the Cooper Clinic in Dallas, Texas, was the first physician to determine the tremendous health benefits of regular cardiovascular exercise. He not only defined the value, he began to teach those benefits to millions world-wide. One of those that became a strong advocate of cardiovascular exercise was Astronaut Jim Lovell, who convinced Ray Wilson that he should include lots of cardiovascular exercise equipment in his future clubs. (2) Thousands of racquetball and indoor tennis club operators began to realize that they had too many courts and not enough players. This caused

hundreds of racquetball and indoor tennis clubs to go out of business. The survivors changed their clubs from racquetball and tennis to facilities including weight rooms, cardiovascular exercises areas, indoor tracks, swimming pools and aerobic studios, creating a new type of club on the American scene called the 'multi-purpose' club. In the early 1980's, Ray Wilson spoke on the topic of conversion of racquetball clubs to multi-purpose health clubs at an IHRSA Convention in Las Vegas and his lecture helped many racquetball and club operators in their quest to survive. (3) Another major contribution that Ray Wilson made was when he and Augie Nieto brought the Lifecycle to the world, giving cardiovascular training a huge boost in momentum. Arthur Jones' invention of Nautilus brought the world selectorized weight training equipment and made weight training popular with millions of men and women that would have never considered weight training before. (4) Arnold Schwarzenegger came onto the scene, giving the power of his physique and personality to an industry that heretofore had a weak image at best. (5) IHRSA, (The International Health, Racquet and Sportsclub Association) was founded in 1981. During the time since IHRSA was born, thousands of new clubs have been developed. IHRSA has helped perpetuate the growth of new clubs in many ways, including the sponsorship of research projects and publications on a variety of subjects, including the benefits of exercise and economic benefits of exercise, providing two educational conventions and trade shows each year, conducting a summer college for club professionals and producing a series of health and fitness reports through the IHRSA Institute sponsored by Technogym, to name a few.

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A DIVIDING LINE

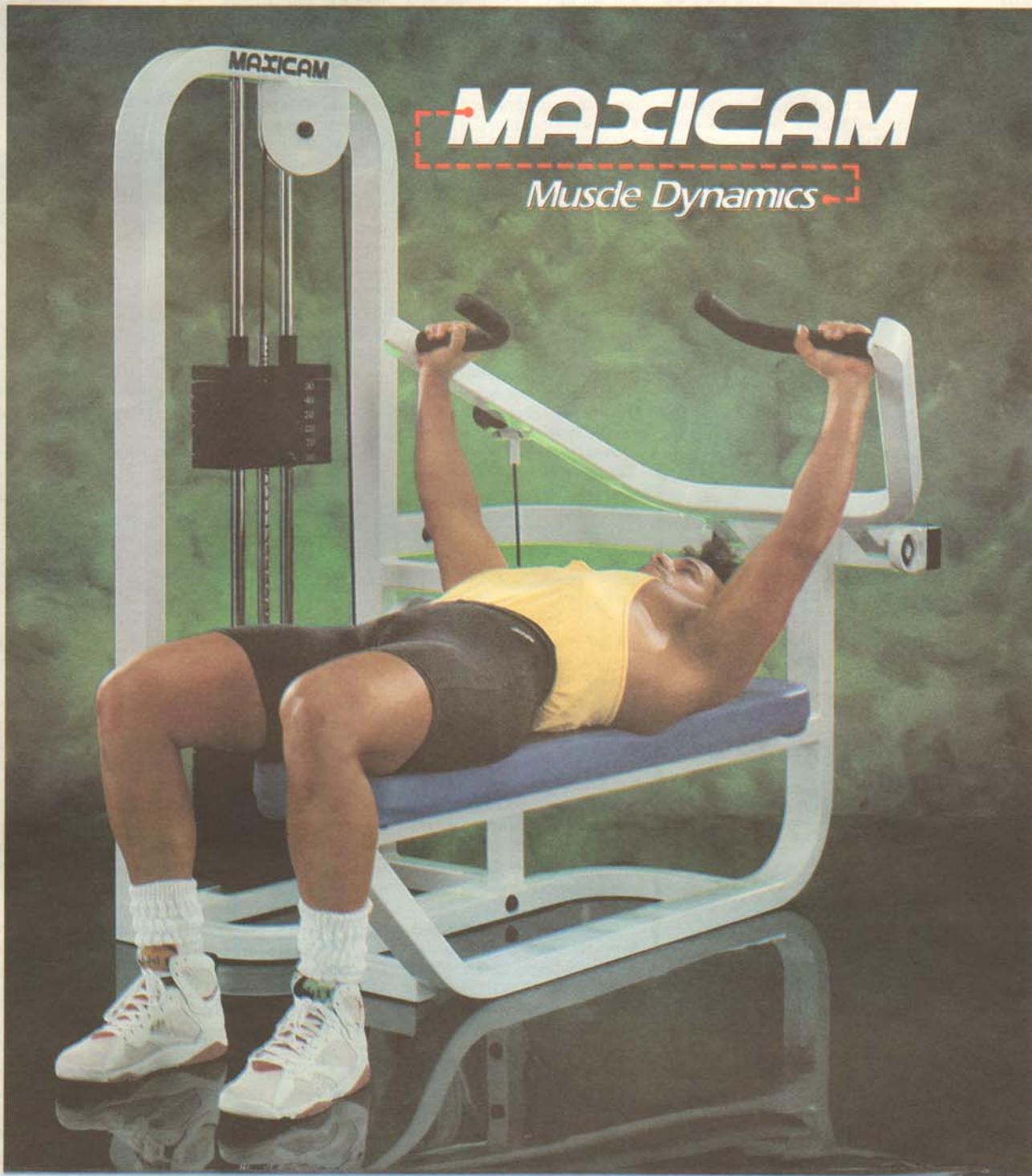
When the racquetball and the indoor tennis operators began to get into the health club business, an interesting thing happened. Most operators of indoor racquet sports clubs charged low annual membership fees and court time fees by the hour. When they converted their facilities to multi-purpose clubs they also began to switch their clubs to monthly dues. As a part of that change, in the mid 1980's, EFT, Electronic Funds Transfers became the primary method of collection of monthly

dues for many of these former racquet sports clubs. The move to EFT was a very important development for the industry and was facilitated in the early years by leading club owners like Curt Beusman and Dick Mitchell of the RCM Corporation. Mitchell's company was later merged with the CheckFree Corporation. Now the industry has several excellent companies like CheckFree, Affiliated Acceptance Corporation, Club Runner, ATA Information Systems and American Service Finance that provide EFT transaction services for clubs.

A clear 'Dividing Line' appeared in the industry. The line distinguished the 'new-age' multi-purpose clubs from the health clubs of that era. Many of the 'old-guard' health club operators stuck to their retail installment contracts and pre-paid long term memberships. Even today, some of those operators still use the retail installment contracts. Of those that do, many independent operators do so in order to generate 'paper' which they can sell to financial institutions and get cash up front for operations. The sale of long term contracts and prepaid memberships caused problems for many clubs. The problems were: (1) People were angered when they wanted to stop their memberships because they could not cancel the retail contract memberships without hurting their credit bureau report. (2) The prepaid funds generally were used to operate and/or make improvements the month they were sold, leaving the club operators without a monthly income stream to service the membership, often ultimately ending in the club closing.

DIVIDING LINE IS DISAPPEARING THROUGH CONSUMER AWARENESS AND A MOVEMENT TO MOVEMENT TO MONTHLY DUES

In this edition, Ray Wilson lays it all out. He shares his experiences and why he has made the decisions on pricing he has made during his career, including his thinking when he invented the "Lifetime Membership." He shares with us the difficulty he experienced with his (See Pricing page 26)



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Tiger, Tennis and Lotteries

By Spike Gonzales

I just don't get it! There are a number of things that everyone seems to understand that I just cannot. Here are several:

Why do more and more people flock to buy tickets when the state lottery reaches 20-30 million dollars versus when it's at its starting point of perhaps five million?

Why are so many people taking up golf because of Tiger Woods?

Why do tennis administrators and club operators spend time and money on efforts so far

removed from their most effective targets?

I guess it's just a world of numbers out there. At times logic doesn't count. It's not logical to buy more lottery tickets just because the pot has more-than-quadrupled. The infinitesimal chances of winning just get reduced to the sublimely infinitesimal as the number of contestants rise many-fold. Further, the impact of the reward really doesn't change at all. Making the questionable assumption there's a relationship between money and happiness, how could a lottery winner be any more happy with \$20 million versus \$5 million?

It's not logical to take up golf because Tiger Woods has

come on the scene. Here is a person who was recognized as a phenom when he was two years old. How do people connect their taking up golf with his domination of the sport today? It was far more inspiring to me when Calvin Peete, a physically handicapped former migrant worker who took up golf late in his life, rose to the top of the pro ranks. Peete's story sent the message that "anyone can make it." Tiger's story says "you can make it if you take the game up before age two, you're physically talented, and you receive total parental and coaching dedication!"

The Tiger Woods phenomenon has spurred another question in my mind. How can this minority background actually help raise the welfare of minorities, especially the underprivileged? Other than helping remove some vestiges of prejudice based on perceived inferiorities of non-Caucasians, I don't see how.

I hear of hundreds of campaigns to bring golf to inner-city and rural youngsters, and these are threatened with a very questionable outcome. Legions of youth will become enamored of the world's most addictive sport without the wherewithal to participate! It will be only the most fortunate of these who'll find the transportation, equipment and finances to get to the courses they can play on for less than \$20.00. These will feel all-the-more disadvantaged when they cannot get the "real-thing" on the reasonable quality courses, and even more deprived when they find those with money monopolizing the tees.

This brings us to tennis. Being the healthful, compact, affordable, portable, accessible and attainable game it is, it far exceeds golf as the preferred medium to build character and self-esteem in underprivileged youth. It is no less the ideal medium to upgrade the

lifestyles of baby-boomers and retirees. The real market for club operators are these people-not just the survivors of the competitive programs of the post tennis boom. Too often our veteran tennis players have established unrealistic outlooks of their privileged status in the game. They've come to expect favoritism because of their longevity and competitive competency. They've been conditioned to look for pricing that's sub-par for the survival of their facilities.

The real market out there is comprised of those who don't yet play tennis, but feel it might be a good game to try. It's almost a universal market - perhaps as big as the fitness market. To reach it, several changes in our approach as promoters of the game must come about. First, we must invite them! Non-tennis players do not feel welcome in the tennis environment. For almost two decades clubs have not advertised their product to newcomers. There has not been a nuance of solicitation, or even hospitality, toward the potential beginning players.

Second, we need to provide for fun-oriented competition, rather than ego-oriented competition for our children. The backlash against ego-oriented competition is exhibited in the 95% of the kids who stop playing tennis when they go to college. (I've come to believe, "teach a child to play tennis and she or he will play for around eight years. Teach an adult, and she or he will play for the rest of their life.") Once tennis has handicapping so people may play for sociability, a wider range of partners, and day-to-day competitive fun - rather than status, trophies, merchandise or rankings - young people will have tennis as an outlet through their college years.

Finally, we have to make our own versions of Tiger Woods! That's not to say we need to rely only on charismatic champions within the competitive game. Golf has been growing dramatically before Tiger Woods, and through the brief period of no-name, post Nicklaus/Palmer champions. The Woods factor is mostly a novelty that's simply putting the spotlight on the game.



Spike Gonzales

Isn't it just a world of numbers out there? Don't we need to reach the right numbers? Let's gear our advertising and public relations for tennis toward showing some of the role models and heroes playing the game! It's been somewhat ineffective to advertise the game using such players as Chris Evert and Pete Sampras, who are principally role models to the small numbers of existing players.

We need the exposure for their love of tennis of such characters as Bill Cosby, Charlton Heston, Jack Nicklaus, Donald Trump, Joe Dumars, Larry Bird, George Bush, David Dinkins, Scooby-Doo, Brooke Shields and Jerry Seinfeld! These can illustrate that tennis can be played for the pure benefits and joy of the game, rather than as a medium to gain status or money. The market they appeal to is many times that of the market it seems we've been targeting.

(Spike Gonzales has been building tennis markets since 1971. He was a prime developer of Tennis Corporation of America's® "Tennis In No Time®, and an advisor to the USTA in starting Play Tennis America. An influential member of the USPTA, USTA and IHRSA, he helped bring those organizations together to found the National Tennis Rating Program. He presently serves as an advisor to Tencaps, Inc., a USPTA - endorsed tennis rating system, and consults with clubs wishing to improve their marketing, management teams, and tennis professionals. Spike may be reached at: (941) 774-2442.)



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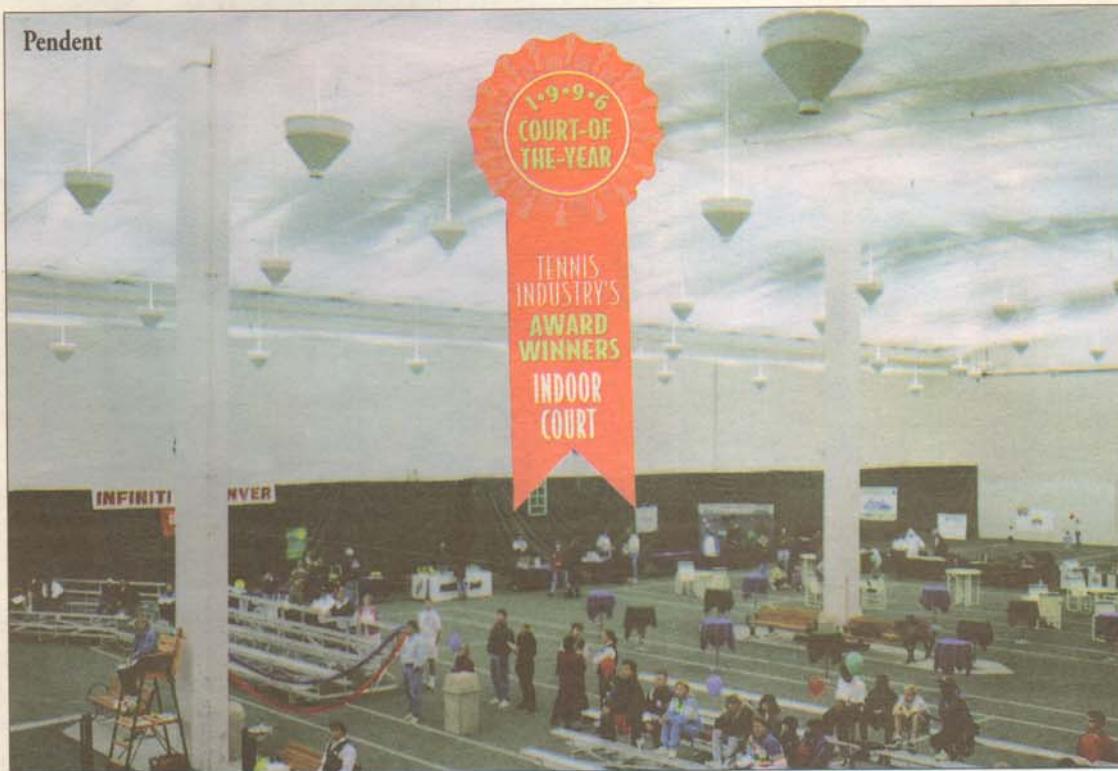
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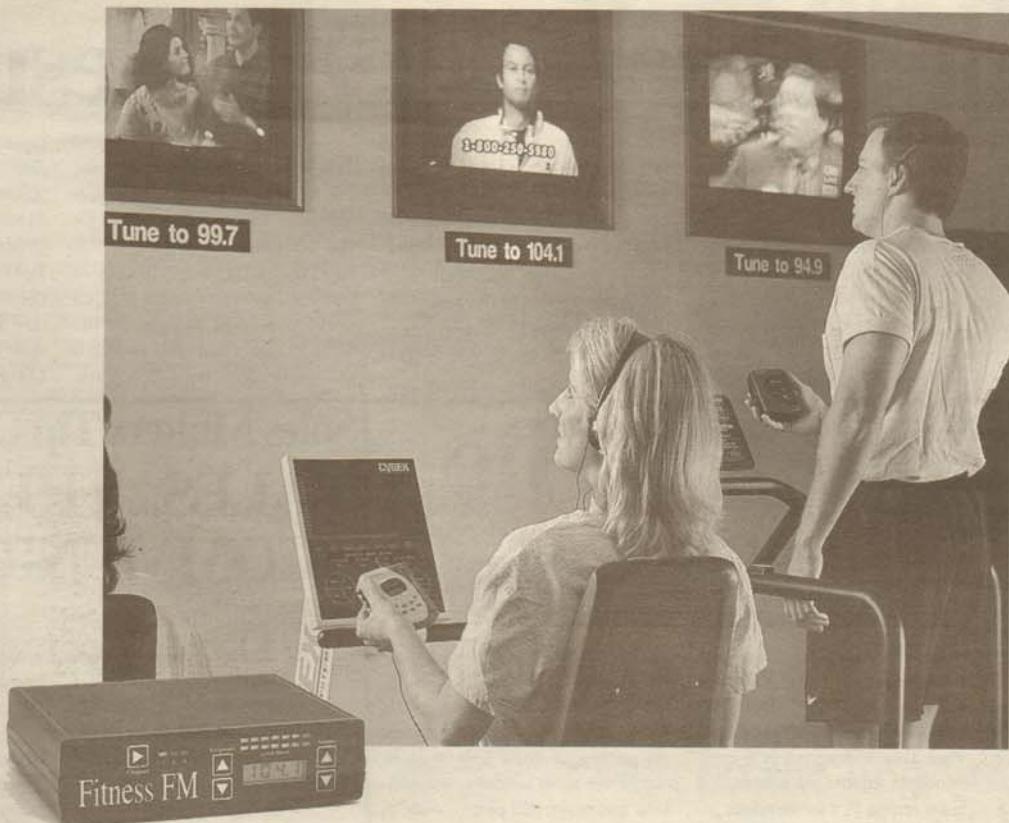
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Bally Total Fitness Announces Second Quarter 1997 Results

Chicago, Ill.- Bally Total Fitness Holding Corporation (Nasdaq National Market:BFIT) announced results for the quarter ended June 30, 1997. Revenues for the quarter improved 2% over the 1996 quarter growing to \$162.0 million. Operating income before depreciation and amortization

("EBITDA") increased 1% to \$18.4 million for the second quarter of 1997. EBITDA, excluding changes in deferred revenues and related costs, was \$15.4 million compared to \$8.7 million for the 1996 quarter, a 77% increase. Operating income for the 1997 period, excluding a \$3.4 million charge (principally

non-recurring amortization) related to restricted stock awards issued upon the 1996 spin-off of the Company, was \$6.7 million, an increase of 60%. Net loss for the 1997 quarter, including the aforementioned charge for stock awards, improved to \$7.3 million (\$.59 per share) from \$7.9 million (\$.65 per share) in 1996.

For the six months ended June 30, 1997, revenues increased 2% to \$330.5 million. EBITDA improved 18% to \$37.7 million for the first six month of 1997. EBITDA, excluding changes in deferred revenues and related costs, was \$30.1 million for the 1997 period compared to \$23.6 million in 1996, a 70% increase.

Operating income for the 1997 period, excluding the charge for restricted stock awards, increased to \$13.0 million from \$4.3 million last year. Net loss for the first half of 1997 improved to \$13.0 million (\$.106 per share) from \$19.9 million (\$.163 per share) in 1996 despite the \$3.4 million stock awards charge.

The State Of The Game Of Tennis

By Ward Hamilton

The State of the Game of Tennis shouldn't be blamed on any one person or any one thing. We cannot change history but we must learn from it. Our impetus to grow the game must be focused upon being proactive in the promotion of the benefits. For example:

- tennis is a game of a lifetime
- tennis is a sport anyone can play at any level & at very little cost
- tennis is a sport which results in better health
- tennis can be played with only one other person
- tennis is a non-impact sport
- tennis is a socially competitive sport
- tennis is a sport that embraces athleticism, intelligence & agility

There are no other sports with these characteristics because tennis is unique. We have been too sanctimonious in its traditions and development. We have been conservationists and not expansionist

in regards to its promotion. Even though I clearly see problems in the past and future, I mostly see challenges to grow this game. Play Tennis America is a great concept. Atlanta has proven that team tennis is a tremendous resource to grow the game (i.e. ALTA - Atlanta Lawn Tennis Association with nearly 100,000 regular league players).

- Club Professionals - give free lessons to the masses regularly
- Tournament Directors - don't let a bad influence ruin your event, follow the rules of the game
- Tennis Companies - help the pros and shops develop new products and teach the pros and managers how to merchandise (remember, a lot of us are new at the sport and the concept of merchandising)

• ATP & USTA - Get out of the box. No more paradigms. Learn that we have to reach out to the entire population and develop your tournaments and programs to be consumer oriented as well as sponsorship focused.

I grew up learning ten-

nis and programming from a master, a man who realized that his enthusiasm and interpersonal skills were the cornerstone for growing the game. He knew how to reach out to the most inactive, non-athletic and make that person want to learn to play the game.

We must not live in our small tennis world but must reach out and give something of ourselves to those who are non-players to create interest in the game. We must learn to promote for the benefits of the game.

Our pros need to understand that leadership should be demonstrated by creating new and innovative non-traditional programming which reaches out to the non-traditional markets. We need an attitude of seeking and opening opportunities to introduce our great game to the masses. We have a competitive task, but we are competitive people who need a common goal. Thirty million active players by 2003! We can and should do it!

(Ward Hamilton is a veteran tennis industry pro and General Manager of the Robious Sports & Fitness Club in Richmond, Virginia).

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- 3) The courage of your convictions.
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- 6) Composure and poise.
- 7) A genuine desire to be of service.
- 8) The ability to treat an objection as a request for further information.
- 9) An intelligent vocabulary.
- 10) A pleasant voice that encourages confidence.
- 11) The ability to impart confidence.
- 12) An appearance that says, "I believe in what I say and practice what I preach."
- 13) Bright eyes, a friendly smile and a sense of humor.
- 14) A plan. Plan your work around your goals and work your plan.
- 15) The only two ways to sell are through logic and emotion.

16) Make sure you inject your own personality into your presentations.

Remember, do not be offended by an objection. Rather, use it as a tool to learn more about the person. Objections help prepare you for your sales presentation to prospective members.

OBJECTIONS

- 1) Spar to reduce negative emotions. Repeat statements made by the prospect, I understand, however...
- 2) Investigate by using questions to bring out details, i.e. "Wouldn't you say...?"
- 3) Spar again to further reduce negative emotions.
- 4) Take at least some of the blame for their indecision. (This will put them more at ease).
- 5) Make the person feel their importance.
- 6) Endeavor to do a good turn in helping to solve their objection.
- 7) Thank the person for bringing his feelings out in the open.
- 8) Avoid being influenced by the other person's opinion.

When a prospect expresses a negative attitude toward us it is generally because:

- 1) We lack his favorable attention.
- 2) We fail to arouse his personal interest in our idea, or we ignore his objective instead of solving it.

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Top Sales Producers: What They Have In Common

By Stephen "Doc" Doeren, Ph.D.
(Part 4 of a 4 part article)

In parts 1, 2, and 3 of TOP SALES PRODUCERS: WHAT THEY HAVE IN COMMON, a total of 15 of "The 20 Golden Rules to Super Successful Sales" were presented. They were:

(1) Prospect, Prospect, Prospect!; (2) Be persistent; (3) Look the Part: Use What You Sell; (4) Be Resilient; (5) Don't Work Alone: Recruit An Army of Referral Agents By Providing Excellent After the Sale Service to Your

Members; (6) Constantly Work On Improving Your Sales Skills: The More You Learn, The More You Earn; (7) The Key to Selling Is Discovering the Customer's Real "Hot Buttons" AND Then Making the Customer Truly Believe That His or Her Fitness Dreams Can Be Realized; (8) Benefits, Not Features; (9) Know the Competition: Develop a Competitive Market Analysis; (10) Become Fluent in the Language of Sales; (11) Sell, Don't Tell (12) Selling is Not an Adversarial Relationship: It Is a Win-Win Relationship for Both The Customer and The Salesperson; (13) Don't Prejudge Your Customers; (14) Don't Be Content With Just Getting the Sale: Ask for Referrals at

the Point of Sale; and (15) Use a Daily Planner to Plan and Track Your Goals and Sales Activities.

In Part 4, the Final 5 "Golden Rules" will be presented. They are: (16) Qualify Every Prospect; (17) Be Prepared to Overcome All Customer Concerns (Objections); (18) Master the Art of Listening; (19) Develop a Professional Level of Product Knowledge; and (20) Whenever You Sense That You May Be Losing Your Customer, Circle the Wagons and Return to Their HOT BUTTONS!!!

16. Qualify Every Prospect - Qualifying the prospect is a critical step in every sale. Just how important is the qualification process? According to leading sales trainer, Tom Hopkins, surveys of more than 1/4 million salespeople indicate that the major difference between sales persons who earn \$100,000 or more per year and those who earn \$25,000 or less per year is their skill in qualifying! Do I have your attention yet? Repeat that statement to yourself one more time. The message is crystal clear: top sales producers are skilled qualifiers whereas average sales producers are not.

Qualifying refers to the process by which a fitness consultant (salesperson) asks the prospect pertinent questions to find out information about his fitness goals, interests, exercise habits, financial situation, authority to make a decision, medical history, and possible concerns (objections). Done skillfully, qualifying will provide the fitness consultant with absolutely everything he needs to know about the customer to get him started on a membership. In short, it provides the fitness consultant with a road map to the sale. It enables the fitness consultant to individualize his sales presentation and tour to best fit the customer's particular needs. If the fitness consultant neglects to ask the right questions of the prospect and/or fails to listen carefully to the prospect's answers to pertinent qualifying questions, the fitness consultant is just taking a "shot in the dark" at getting the sale. After meeting/greeting their guests, fitness consultants should take their guests to their desks, sit them down and go over the prearranged qualifying questions before taking them

on a personalized tour. The qualifying questions should be asked in a natural, conversational manner. All fitness consultants should make use of a qualification form, usually referred to as either a personal interview questionnaire, fitness analysis or guest profile, to make sure that they address all of the key areas of qualification previously mentioned. Most importantly, fitness consultants should listen carefully to the prospect's responses to the qualification questions because therein lie the secrets as to how to get the prospect started on a membership



Steven "Doc" Doeren

swers before you take it.

Certainly part of this difficulty stems from the fact that many fitness consultants incorrectly interpret a concern (objection) by a customer as meaning "No, I don't want to get started on a membership." They think of an expressed concern as a stop sign, that the customer doesn't want your product/service. On the contrary, all the customer is saying is that 'I need more information.' An objection is not a stop sign: IT IS A BUYING SIGN! It simply means: please help me overcome this concern and I'll get started on a membership. The customer is asking the fitness consultant to provide him with a solution to his perceived concern so that he can go about the business of getting his fitness needs satisfied. The best way that a fitness consultant can do this is by preparing convincing rebuttals for the anticipated concerns they are certain to encounter. The fitness consultants skill in doing so will determine whether the selling situation will result in a "Win-Win" or a "Lose-Lose" situation for the customer and the fitness consultant.

18. Master the Art of Listening - Two of the most frequently mentioned sayings in sales are: (1) "You have 2 ears and 1 mouth — use them in exactly that proportion" and (2) "The fitness consultant should be listening 70% of the time and talking only 30% of the time."

Why is this advice so important?
(See Doeren page 24)

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Doeren...

continued from page 22

portant for those who intend to become top sales producers? Simple, because the most effective way to get a customer to disclose to you the real underlying reasons why they want to get started on a membership, as well as the specific concerns (objections) you must overcome to get them involved, is to ask the customer questions and then to REALLY LISTEN.

Top sales producers ask questions of the customer, then they shut up and listen carefully. Top sales producers allow the customer to reveal to them, without interruption, all information relevant to the selling situation. Top sales producers are effective not only in hearing the customer out but also in feeding back to the cus-

tomer what they heard to confirm that they heard the customer correctly. This "clarification process" usually results in the disclosure of even more information by the customer to the fitness consultant which can be used to increase the likelihood that the customer will get started on a membership today.

19. Develop a Professional Level of Product Knowledge - To reach your full potential as a fitness consultant (salesperson) it is mandatory to develop a professional level of product knowledge. Customers expect to work with a "professional" who is thoroughly acquainted with every aspect of their product/service. A fitness consultant simply cannot know too much about his product/service.

Have you ever gone into

a place of business with the real intention of purchasing something and encountered a salesperson who was simply unable to provide you with the answers to your questions about the product/service? Or, if they did, the salesperson seemed uncertain as to the accuracy of their own answers?

How did that make you feel? Did you feel comfortable about making a purchase there? Or, did it make you feel uneasy? Obviously, there's nothing worse than when a customer asks questions that a salesperson should know the answers to, but doesn't. A lack of product knowledge contributes to customer concerns whereas a professional level of product knowledge eliminates customer concerns and builds customer confidence.

Top sales producers in the fitness industry know everything about their product/service including every feature; every benefit; every piece of equipment, including its name, manufacturer, how to operate it properly during a demonstration and, most importantly, the benefits associated with using each piece of equipment; the financial aspects of becoming a member -- associated costs, options, terms, conditions, financing, etc; the legal aspects of becoming a member -- they know the membership agreement inside-out; company history; days and hours of operation; club personnel and qualifications/certifications; schedules of club activities/events; the basics of exercise and fitness programming, including knowledge about cardiovascular conditioning, resistance training, nutrition, circuit training, aerobic exercise, losing fat; EVERYTHING!

20. Whenever You Sense That You May Be Losing Your Customer Circle the Wagons and

Return to Their Hot Buttons - Customers buy emotionally! Repeat: customers buy emotionally and later they defend their decision logically. As was mentioned previously in a discussion of "Golden Rule" #7, "hot buttons" are the true, underlying emotional factors that motivated the customer to come into the club. Their needs and desires. Those fitness goals that they are most interested in accomplishing. How they want to look and feel and, most importantly, why it's important to them to achieve these goals now.

Often times when fitness consultants sense that they are losing the customer they have a tendency to try to win the customer back by immediately appealing to priced-related issues, such as reducing or eliminating the initiation fee and/or extending to them a first day joining incentive like adding onto their memberships "bonus" time. What fitness consultants need to understand is that customers don't buy price; they buy fitness.

If there were just one lesson you could take away from this 4-part series on **TOP SALES PRODUCERS: WHAT THEY HAVE IN COMMON** it would be: the key to selling health club memberships is discovering the customer's real "hot buttons" and then making the customer truly believe that his fitness dreams can be realized.

Top sales producers realize that at any time they are starting to lose control of their customers, they need to rebuild their presentation back around these two pivotal cornerstones. Because, after all, if you can't convince and persuade the customer that you have what they specifically need nothing else matters, including price.

If a fitness consultant is experiencing difficulty setting appointments, getting appointments to show or closing, it invariably leads back to their inability to get the customer emotionally involved -- they either have not been able to discover the customer's real underlying "hot buttons" and/or they have been ineffective in convincing them that their fitness dreams can be realized by acquiring their product/service.

CONCLUSION

I'm sure that you have been asking yourselves just how effective are these "20 Golden Rules to Super Successful Sales" when applied to a real, actual health club selling situation? How much can they effect a club's bottom line? All rhetoric and claims aside, do they actually work?

S.O.S. (Sales On Site) just completed a month-long comprehensive on-site sales training program for a leading health club located in a major city in the Southwestern portion of the U.S. The basis of the sales training program was the "20 Golden Rules." The club's sales staff was shown how to apply, in day-to-day selling situations, all of the techniques and skills which are at the foundation of the "20 Golden Rules."

RESULT: SALES WENT UP A WHOPPING 54% !!! (Reference available upon request. Call Toll-Free 1-888-767-4362.)

(Stephen "Doc" Doeren, Ph.D., is the President of SALES ON SITE, S.O.S., a health and sports club consulting company which specializes in providing comprehensive on-site sales training programs designed to bring fitness centers more profits through increased sales.)

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NEIL SOL'S HEALTHCARE CONNECTION A LEADER IN NEW ORLEANS

By Neil Sol, Ph.D.

Elmwood Fitness Center, a 165,000 sq. ft. facility in New Orleans, Louisiana, a Division of Ochsner Medical Institutions, is another example of a successful health club/health care connection.

Elmwood Fitness Center, a member of IHRSA, and a very profitable hospital affiliated Fitness/Wellness Center, is located 2.5 miles from Ochsner Medical Center and 18 minutes West of downtown New Orleans. It is positioned in the heart of a 35,000 employee business park and has access to a large area residential market. As a result, Elmwood Fitness Center enjoys a membership volume of 8,750 members, which is its capacity. Elmwood Fitness Center has been recognized as one of the top 3 IHRSA clubs in the US in 1996 and 1997 as providing the best in senior health and fitness programming as a runner-up in the annual Kaiser 50+ contest and in 1995 received the Excellence in Industry Award of the Association Hospital Health and Fitness Centers. Needless to say, Ochsner Medical Center is very pleased with the performance of Elmwood Fitness Center. The Center provides not only new profitability to the Ochsner System, but also numerous other positive benefits in

the area of preventive and clinical health care for the community it serves.

Elmwood Fitness Center has not always been affiliated with Ochsner Medical Center. Actually, in 1986 Health Care International (HCI), a hospital management company, based in Austin, Texas, built the fitness center for a hospital it managed in New Orleans. However, in 1989, HCI had a financial set back and to relieve its debt, returned Elmwood Fitness Center to the Savings and Loan (S&L) that financed the project. Soon after, the S&L became insolvent and Elmwood Fitness Center went to the RTC who proceeded to put Elmwood up for sale. It is important to note that during all the exchanges of ownership, the Elmwood Fitness Center continued to be a relatively successful and profitable business. It was in 1991 that Ochsner bought the Elmwood Fitness Center from the RTC and established it as a division of Ochsner Medical Institutions.

Once Ochsner purchased Elmwood the Center's profit grew even more as membership sales boomed. Senior membership, as an example, jumped from 400 to 2,400.

Ochsner has been so pleased with the Elmwood Fitness Center that it has since built another satellite location in down-

town New Orleans. The Downtown Elmwood Fitness Center is an 18,000 square foot facility that provides health and fitness services primarily to the New Orleans business community. This fitness center currently enjoys a membership of 1300 members. Additionally, Elmwood Fitness Center management also operates a 2,100 sq. ft. fitness center facility in the medical center, specifically for its employees.

As with most fitness centers affiliated with hospitals, there is a strong integration of programs and services such as physical therapy, occupational therapy, cardiac/pulmonary rehabilitation, etc. In these programs, at Elmwood, Ochsner Departments provide and manage their programs. Elmwood Fitness Center does not receive any revenue from these program revenues or rental from the space. However, Elmwood Fitness Center is operated by a very ingenious and capable management team of Ken Kachik, General Manager, Larry Conner, Assistant General Manager and Comptroller, Roger Zeigler, Manager, Downtown and Rob Streck, MPH, Athletic Director. They devised a program that offers a complimentary membership to the spouse of any individual who participates in the hospital's clinical programs for the duration of time the patient is receiving rehabilitation. Elmwood has real-

ized the necessity and success of spousal support in the rehabilitation process and has offered this short-term facility use. Not only is patient participation in rehabilitation better with the spouse program, Elmwood Fitness Center enjoys a 70% conversion of participants of the clinical program to fitness center memberships.

Another

membership program that has proved to be very successful for Elmwood is a Membership Sharing Program for area business and industry. In this program area businesses can purchase a number of memberships that is less than their total number of employees and those memberships can be shared among the total volume of employees. In fact, Ochsner Medical Center is a corporation that participates in this membership program.

Elmwood Fitness Center was started with the healthcare/health club connection in mind because a health care visionary at HCI saw the future merits of the fitness/healthcare affiliation. Whoever that executive of HCI was, he or she should be proud of their creation. Elmwood



Neil Sol, Ph. D.

Fitness Center, in affiliation with its new parent Ochsner Medical Center, has lived up to all of its expectations and then some.

The leadership at Elmwood Fitness Center is excited about their connection to Ochsner and their potential to extend the health care continuum of care and contribute to the health of their market place.

Elmwood Fitness Center serves as a terrific example of success to all of the current and potential hospital health club relationships.

Well done Elmwood!

(Neil Sol, Ph.D., is Director of Outpatient Services at ValleyCare Health Systems in Pleasanton, California. Neil may be reached at: (510) 734-0111.)

WAIVERS AND RELEASES... Basic Information You Need To Know

By Doyice J. Cotten

Lawsuits in the health and fitness industry are becoming more prevalent and carrying with them larger awards for the plaintiffs. A recent case in point involved a 21 year-old university student who suffered cardiac arrest while exercising on a Lifecycle at the University of Arizona student recreation cen-

ter. Employees called 911, but failed to perform CPR while waiting for paramedics. She was revived by paramedics, but suffered brain damage. In spite of the fact that she suffered from hypotrophic cardiomyopathy prior to the incident, the court determined the university to be negligent and awarded \$5,000,000 to the victim and another \$100,000 to the mother of the victim. (Spiegler v. State of Arizona, Case No.CV 92-13608

Arizona, Maricopa County Superior Court), reported in SPRLR Vol.9,p.59-60.

Regardless of how careful the club management, and staff are, injuries will occur. When this happens, lawsuits are possible and costly legal expenses and/or awards are probable. Most club owners and managers today are interested in controlling such risks as litigation. Risk management is a popular term used to describe a number of techniques that can be used to

either eliminate or reduce risks faced by the club and fitness professionals. A major component of risk management today is the use of the waiver or release of liability. Club owners, management, fitness professionals, and independent contractors should know the answers to the following questions:

Question 1 - I have heard that "waivers are not worth the paper they're written

on." Is that true?

No. Well written, properly executed waivers, signed voluntarily by adults, have proven to be very effective in protecting sport businesses from liability in at least 44 of the 50 states. They are not effective in Montana, Louisiana and Virginia and no sport-related waiver cases have been reported in North Dakota, New Mexico and Rhode Island.

(See Cotten page 27)

Cotten...

continued from page 25

Question 2 - You said that well written, properly executed waivers signed voluntarily by adults will protect sport businesses in most states. Are waivers effective if signed by minors?

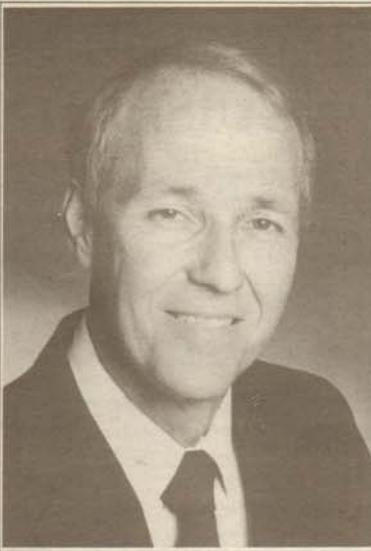
No, clubs and fitness professionals should not rely upon waivers for liability protection when the injured party is a minor. A waiver is a contract and governed by contract law, which says that parties to a contract must be of majority age. If a minor signs a waiver and is subsequently injured, the minor is free to disaffirm the contract and sue the club or professional for damages. The same is generally true even if the parent signed the waiver on behalf of the minor. It is well-established that parents cannot sign away the rights of a minor.

Question 3 - Do independent contractors {i.e., personal trainers, aerobic instruc-

tors, sport instructors} need to worry about waivers or liability?

Yes. An independent contractor is a small businessperson and will be liable for injuries caused by his or her negligence. It would not be prudent for independent contractors working in clubs to rely upon the club waiver for protection. That waiver may or may not be adequate or available when needed. Use your own waiver designed to protect you as an independent contractor.

*(Doyice and Mary Cotten own their own business, Sport Risk Consulting, in which they work with sport-related organizations (i.e., schools, recreation departments, and health & fitness clubs) in reducing risks, inspections, and risk management training of employees. Their book, *Waivers & Releases for the Health & Fitness Club Industry*, available for*

**Doyice Cotten**

\$18.95, including shipping, includes: (1) a summary of waiver laws in each state, (2) useful guidelines for writing waivers, and (3) suggestions for administering waivers. They may be contacted at Doyice J. Cotten, Sport Risk Consulting, 403 Brannen Drive, Statesboro, GA. 30458; (912) 764-4848; E-mail: doyicej@gsaix2.cc.gasou.edu.

...Pricing

continued from page 26

come like the used car business where the first question your customer asks when he comes in is: 'What kind of deal can you give me today? We liken our operation to the CARMAX of the industry because we have a fair price philosophy and we push the quality and service of our club. Gosh, I've seen so many different deals. Buy one, get one free, join today - renew for a dollar, join today - get three months free. Many operators have forgotten about why they are there and they are mainly negotiating price the whole time. If people will just quit making all of these deals, people will pay a higher and fair price. I mean, people will go out and pay \$45 for 18 holes of golf which takes four or five hours. We give someone a full month of access and service for just \$38 per month! They can do it all. When people know they can get it cheaper, they are going to try to get it cheaper."

Mansour provides a variety of membership options ranging from one month up to three years. He also offers a month-to-month where a person pays a one-time initiation fee and monthly

dues. Mansour comments, "What we don't do is say to any customer that 'today we are going to give this special deal to you and tomorrow, when his friend comes in he might get a better deal. We just don't change our prices like that. One customer will not get a price that is different than another customer. We will sell a person a one-month membership if that is what a member wants because we know that we are going to satisfy that member during his one month and he will want to set up a more regular payment plan. We accommodate what they want. We believe that the worst customer we can have is a member that is paying you and not using the facility. A member like that can be your worst advertisement because he tells his friends, 'I'm paying my dues, but I never use it. We try to go the other route."

"Mansour has 27,000 members in his four clubs which are predominantly family members. He has not yet switched to the EFT program, sticking instead to billing and coupon books for collections.

(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News, a 20+ year club industry veteran, the 1st IHRSA President and a Co-Founder of the Association.)

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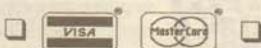
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NATIONAL FITNESS TRADE JOURNAL AND FITNESS MANAGEMENT'S DISTINGUISHED SERVICE AWARDS

The Second Annual Distinguished Service Awards were presented by the **NATIONAL FITNESS TRADE JOURNAL** and **FITNESS MANAGEMENT MAGAZINE** at the 1997 National Fitness Trade Show and Lifestyle Symposium. The following honorees have 12 or more years of experience in equipment manufacturing and have been chosen by fitness industry colleagues to receive special recognition for their outstanding service and accomplishments.

Richard D. Charnitski - Richard Charnitski is the CEO and President of Heart Rate, Inc. He graduated from Rensselaer Polytechnic Institute, Troy, New York, with a Bachelor of Science in Mechanical Engineering and was commissioned in the U.S. Navy. After



Richard D. Charnitski

military service, he spent four years designing and field testing Corporal and submarine missile launching systems at the Firestone Guided Missile Laboratory in Monterey, CA. Throughout the



James M. Doody

60's and early 70's, Richard was the founder and Vice President of Synergist Products, Inc., Irvine, CA., the manufacturer and marketer of numerically controlled automatic wire wrap machines for the computer and communication industry. He also consulted for Cavitron Corp. in New York and for Cooper Vision in Irvine, CA. In 1978, Heart Rate, Inc., a privately held California Corporation, was founded to design and develop heart rate monitors and the first total body climbing machine - VersaClimber®. At that time, Richard obtained an exclusive license from NASA to further develop, manufacture and market a new capacitive electrode technology for use in the fields of ECG, EEG, and EMG testing and monitoring. The company's 1*2*3* Heart Rate Monitors and VersaClimbers now incorporate this exclusive NASA ECG technology providing the most reliable, accurate heart rate signal without skin preparation available today.

"The VersaClimber was developed a full three years before the first stepper has finally come of age," states Charnitski. "Consumers and club owners alike have finally realized the advantages of full body workout. It's too bad people didn't realize this years ago," he added.

Today Heart Rate's cardio and strength line has been expanded to encompass the "one stop shopping approach" and includes Versa Climber, Sit-Up Master, ClimbMaster, PACE Cross Conditioning Circuits, Hoist Fitness Systems, WalkMaster and accessory products such as Accu-Measure Personal Body Fat Tester, and 1*2*3* Heart Rate Monitors.

Dick has three children, Dan, General Manager at Heart Rate, Sue, Heart Rate's show coordinator and Mike. Dick resides



Ron Dorwart

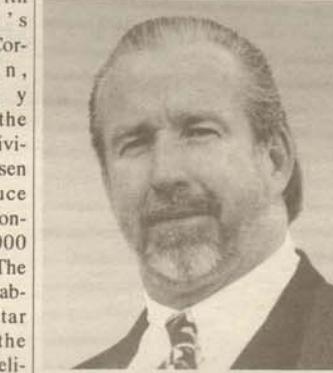
in Mission Viejo, Ca.

James M. Doody -

James M. Doody, Jr. was an early investor and vice president of business development for the creative So.Cal. industrial and microprocessor engineering company, Unisen, Inc. which was hired by Ray Wilson to develop the fitness industry's first electronically-controlled exercise cycle.

Capitalizing on the successful design and manufacturing contract with Wilson's Lifecycle Corporation, Doody founded the Star Trac division of Unisen to introduce the revolutionary TR2000 treadmill. The TR2000 established Star Trac as the pioneer in reliable motor control, programmability and price economy in commercial treadmills.

Doody subsequently hired popular fitness industry names Jim McPartland and Andy Richter to help build Star Trac's infrastructure for benefit-based sales and customer service. Doody now oversees broadening of Star Trac treadmill, stepper and cycle product lines in more than sixty foreign countries. Doody holds an engineering degree from Stanford University and an MBA from Harvard.



Jim Flanagan

United States.

Jim Flanagan - Jim

Flanagan holds a Bachelors and Masters of Education from the University of Central Florida. He taught in the Orange County School System in Orlando, Florida.

Jim started in the fitness industry in 1971 and owned and operated a Fitness Center for 15 years. He was employed by Nautilus Sports/Medical Industries from 1976 to 1987. Jim has also set-up personal training programs for various athletes at all levels since 1971. He worked as a clinician/speaker with the coaching profession from 1976 through 1987.

Jim is currently employed by MedX Corporation, a medically based company specializing in spe-
(See Service page 29)

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...Service

continued from page 28

cific testing and rehabilitation to soft tissue injuries of the lower back, neck and knee. Since 1991, MedX, has re-entered the fitness industry with its new strength training line.

Jim would like to thank Arthur Jones, inventor and former Chairman of both Nautilus and MedX for affording him the opportunity to work with him. That opportunity was golden and will always be cherished.

Rich Hanson - Being involved with athletics and working out was always fun and fascinating to Rich. Training became more serious during his U.S. Marine Corps experience, but it was actually a "great stress outlet" from the daily regimen of recruit training. Returning to college he pursued a teaching credential and from 1974-1976 he taught and coached at a high school in Queensland, Australia, where he designed and built the school's first weight training equipment. He was also a guest speaker at the State Teacher's Conference on weight training. He and his wife traveled through Japan, Russia and Europe before heading home.

Upon returning to the U.S. Rich again taught school and coached, but also began leading group and individual training for clients of a Registered Dietitian. This led to researching the possibility of opening a year-round, medically-referred camp for kids with special needs. The camp never came to fruition but by "bugging" people at Nautilus about information and research I was offered a summer job at a health club in Woodland Hills, Ca." In 1979 he left teaching, working his way up to managing a Nautilus of California club, then eventually being the Equipment Sales Manager for California and Nevada. During this time Rich was completing requirements for a Masters Degree in Exercise Physiology.

In the Fall of 1983 he saw a small ad in a magazine with a caption, "The Workout Of Your Life." - the first StairMaster ad. He had several conversations with the three owners of the company from Tulsa, Oklahoma, George Schupp, Jim



Rich Hanson

Walker and the inventor, Lanny Potts. It was readily apparent that the three men were terrific people, with a great idea for a product, and very naive about how to market and distribute to the exercise industry. In July of 1984, Rich opened a West Coast distribution company for StairMaster along

with (The Tulsa Group), Nicholas Orlando, Randy Peterson, and Paul Samide. Rich is currently the Western Regional Manager of StairMaster Sports/Medical Products, L.P. "Many people in the industry gave StairMaster little chance of succeeding. Some actually

laughed at us, and those negative comments spurred us on to work even harder."

Frank Kaplan - Born in 1933 in Los Angeles, Ca., Frank Kaplan's sports activities began at Louis Pasteur Junior High School, where he held the school rope climb record and lettered in track, football, basketball and baseball. At age 14 Frank's older brother bought him a York 110 lb. barbell set, which Frank has to this day.

Frank's interest in body building and strength training had its roots in Bert Goodrich's Gym in Hollywood and his idols were the popular Steve Reeves and Earl Pedersen.

Moving on to Los Angeles High School, Frank earned three Varsity letters in football, was awarded All League and All City team honors and was chosen to play in the city Vs. C.I.F. All Star Game. As an undergraduate, Frank played varsity football at San Jose College and U.S.C.

From 1955 to 1969, Frank was in the commercial real estate business and then purchased the North Hollywood Gym with Frank Van Der Nagel. Subsequently, Frank built, owned or operated a dozen gyms, many of which are still in operation. Continuing body building, Frank won the tall class 1984 Masters Mr. Western USA title in Fresno, Ca. Frank was employed for eight years by Icarian Gym Equipment company and in 1989 joined Flex Equipment in a sales capacity.

Frank currently handles shipping and traffic management at Flex, while still serving some of his long-term clients. Frank, the father of three grown children, is a grandfather and yearns to resume weight training after major surgery in 1996. Frank's younger son Bruce, now 40, after many years with Universal Gym Equipment, has relocated to San Luis Obispo, and is with a major sporting goods and fitness equipment retailer. Frank has attended every National Fitness Trade Show since its inception and looks forward to many more.

Brian Lewallen - During his football and marketing major career at the University of Notre Dame, Brian sampled how not to build weight equipment by training on 40 year-old, antique equipment huddled into the dismal basement of a dormitory with 150 athletes vying for that last rickety dumbbell on a dilapidated rack.

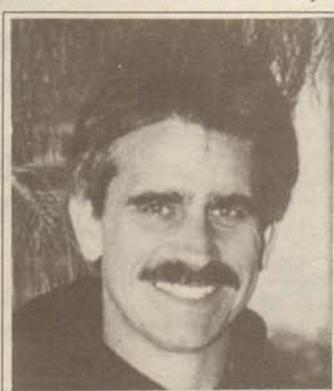
Dynamics (MD), introduced Brian to Roger, the first person to use 2-inch square tubing and who got his start private labeling for Gold's Gym and Muscle Beach.

Brian recruited his cousin, Tom Csenar, from South Bend, Indiana as his partner in the late 90's. They embarked on the unenviable task of tackling the Goliath of the industry, Nautilus. To do so, they made an early commitment to build their business through an extensive dealer network realizing that the route of copious trade shows and direct selling ads could not displace the friendliness and efficiency of a local distributor. Thus Brian hit the road for 26 weekends in a row to roust up the beginnings of what is a vast and loyal dealer base. The formula was simple: Build what customers want..., superior, streamlined, low maintenance equipment with a moderate price tag while allowing the dealers to make a good profit.

In 1991, Terry Rogan, a rugged veteran of Nautilus internationally, came on board to add stability to the dealer network while expanding worldwide sales. The plan has worked well with MD being among the world's top manufacturers with fast, on-time deliveries of over 100 machines, benches, and racks and very competitive prices. "Everyone in our company is valuable from custodian

to office personnel. We don't waste money! We operate efficiently with a great product. That's the secret to our success!"

Brian graduated from Notre Dame in 1970. He lives in Palos Verdes, Ca. with his wife, Terri, and 4 children, while his eldest daughter Lauri, runs the CALTRAC division of MD.



Brian Lewallen

in near L.A.X. Ron Haddad, still a valuable distributor for Muscle



Roy Simonson

sibility of new designs), new product development and quality control. Mr. Manigo has over 21 years of fitness product design experience.

Roy Simonson - The career of Roy Simonson, Director of Product Design at Cybex, has been one of logical progressions born of a passion for tinkering, a few injuries, and an unquenchable desire, as he puts it, "to build stuff."

A native of Minnesota, Roy grew up playing sports. "I was a goalie on our high school ice hockey team," he recalls. "I started making protective masks for myself, and by the time I was 17, I was making them for other high schools, colleges and professional goalies as well."

Roy's innovations have enhanced the safety and efficiency of equipment used by the National Hockey League, the National Football League, the summer and winter Olympic athletes, and even the French national cycling team. Indeed, it was after undergoing knee surgery when he began riding a rehab bike that Roy became intrigued with bicycle design. A subsequent bike injury got him interested in weight lifting, which helped recondition him for cycling.

In 1979, Roy and his brother, Mark, launched their own successful exercise equipment company, Eagle Fitness Systems. In 1983, they sold Eagle to Cybex, which at the time was in the isokinetic medical equipment business. Roy remained with Cybex, where he has continued to indulge in his passion for building stuff.

(See Service page 30)

Service...

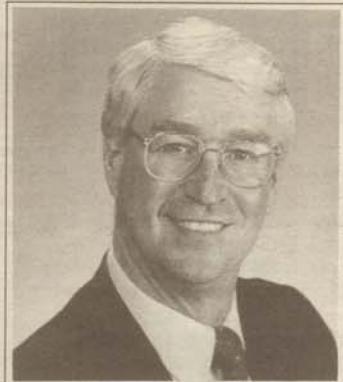
continued from page 29

Today, Roy, his wife, and three children all pursue a range of sports near their home in Colorado Springs.

At Cybex, Roy and his team have designed about 100 products which account for some 90 percent of the company's annual fitness sales. The best thing about his job, says Roy, is "the creative aspect and working with people who have the same passion, pride in their work, and commitment I do. That is a real hallmark of Cybex."

Jim Trisler - Jim joined Paramount and the fitness industry in 1980. With a BS in Industrial Management from Purdue University and an MBA from the University of Detroit, it was an opportune time as the major growth and changes were just beginning to occur within the industry and Paramount.

Paramount was addressing the need to move from solid steel chromed construction to a 2" square tubular line with an expanded product offering upon his arrival. The early 80's saw Paramount become one of the first companies to offer



Jim Trisler

quality single and multi-station home units plus 3 to 4 station commercial units.

In the mid-80's, Paramount ventured into the realm of computer controlled strength machines, retail ergometers and retail benches. The economically priced FitnessLine, Paramount Lady Line plus continued development of multi-station and high quality home units saw the 80's draw to a close.

As they entered the 90's, an entire new line of commercial products greeted the industry - the Performance Line of selectorized weight machines and free weight products. These innovative designs delivered superior biome-

chanics and ergonomic fit and feel.

More recently Paramount unveiled the well-received line of patent pending rotary motion single stations designated "Advanced Rotary Technology." They are following with a complete line of single station leveraged mass movement units targeted for price and feature conscious buyers.

Jim has seen that through constant research, development and introduction of cutting edge products: the consumer has been given vastly improved biomechanics and a high increase in value per dollar of cost.

Jim is currently the Vice Chairman of the Fitness Products Council of the SGMA. An avid snow skier and hacker golfer, Jim has always believed in being physically active even prior to his career in the fitness industry. Jim has been married for 31 years and has two children ages 25 and 27. The past years have been great fun and he is proud to have been a part of Paramount and the fitness industry. Jim is currently the President of Paramount Fitness Corp., a position he has held for the last 17 years.

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Mike Sweeney

President of Tectrix Fitness Equipment, Mike graduated in 1977 from SDSU with a Biology degree and joined his father's company, Unisen, Inc. There he served first as an engineer designing assorted products including alarms, industrial control equipment and fitness products. Later he managed production as a VP.

Mike started Tectrix with his brother, Jim and another Unisen defector, Duane Stark, in 1988. After demonstrating a rough prototype to a Japanese export company, Tectrix got its first order, paid six months in advance, and was on its way. By 1989, Tectrix was shipping its first product, the ClimbMax™ and had a hit! The product line has grown to include a high end home climber, upright and recumbent bikes and the super high tech VR line. The business awards of which he is especially proud include: two years in Inc. Magazine's listing of the fastest growing 500 private companies in the US; the Orange County, CA. Entrepreneur of the Year Award in Manufacturing; and a World Trade Center Exporter of the year award.



Mike Sweeney

Mike likes his company developing high performance equipment. Mike says, "If it isn't better than the other equipment on the market, it is not worth doing. This is a general principle guiding Tectrix. We build performance."

His three kids, Nicolette, Ryan and Kate are in respectively, college, high school and Jr. high. The kids are the focal points of his personal life whereas semi-extreme sports are the play focus. Surfing California waves (the bigger the better), skiing or boarding off the top of Mammoth or mountain biking around the hills in Laguna at night provide some of Mike's regularly needed physical thrills.

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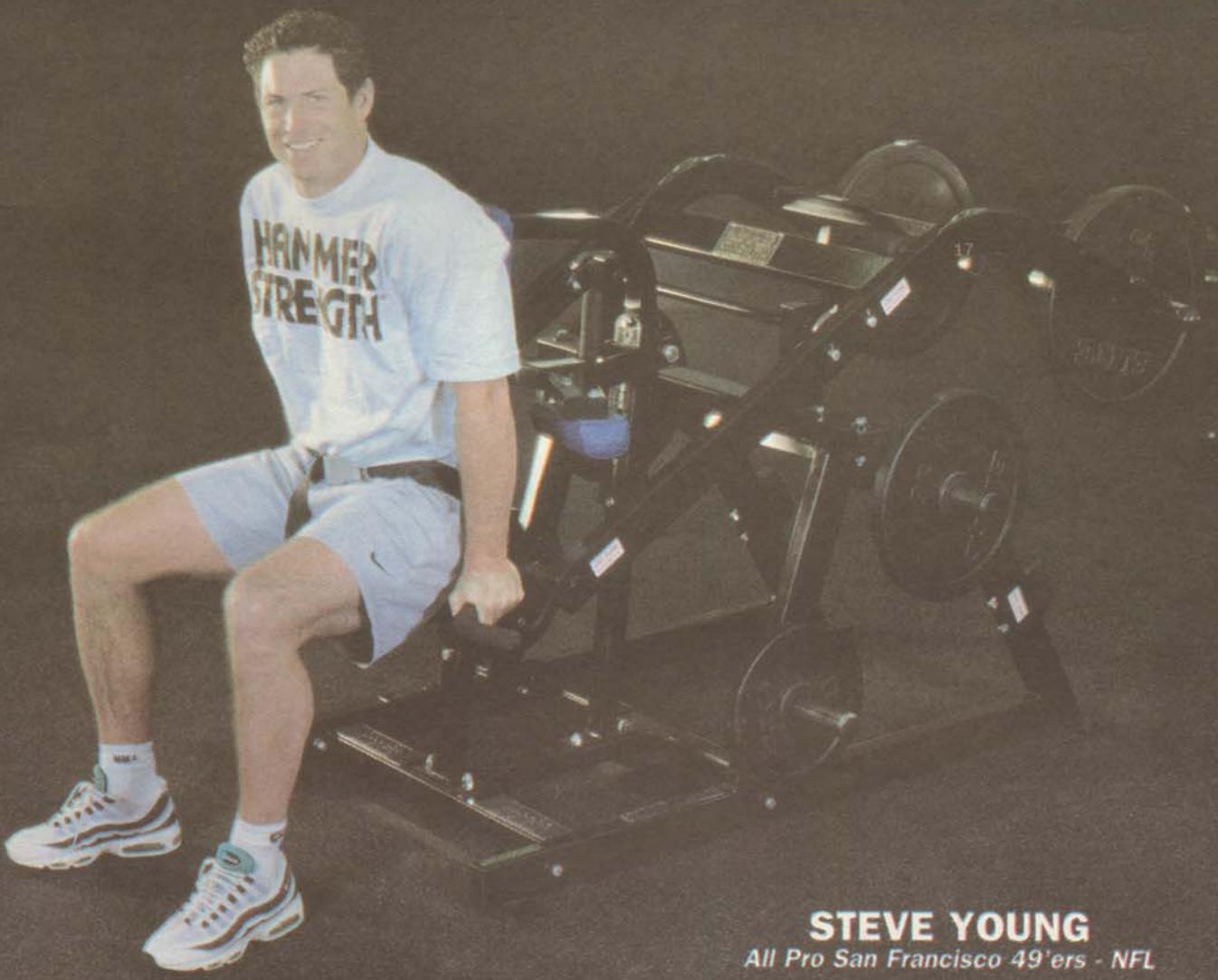
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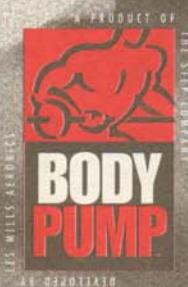
Photo by Jim Keppler

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