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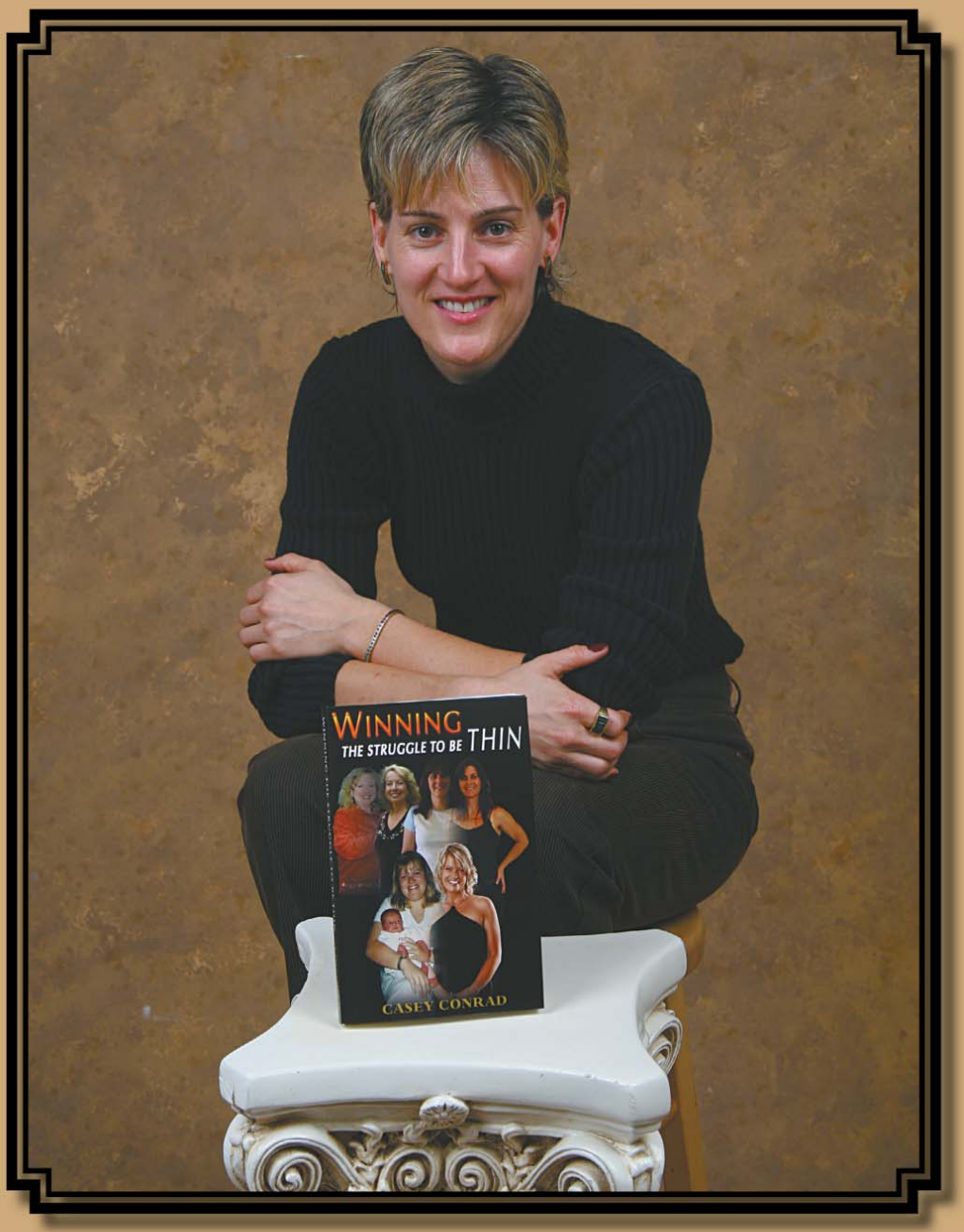
Norm Cates'
THE Club Insider NEWS
OCTOBER 2006



CASEY CONRAD

Getting IT done!

"THE PITCHER ONLY HAD A BALL, I HAD A BAT."

– HANK AARON

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Norm Cates'
THE Club Insider NEWS

Casey Conrad …Getting IT done!

An In-depth Interview with Norm Cates, Jr.

Casey Conrad is a bright, serious and gifted business entrepreneur. Conrad brings passion, focus, dedication, a vast amount of knowledge and hard-earned experience to America's and the world's fight against the obesity pandemic.

Conrad's story is one for the books. She claims to have been a poor student as a youth. But somehow, she managed to graduate from American University in Washington, D.C. and from the Roger Williams University Law School. Somehow she managed to become one of America and the *health and fitness club world's most sought after authors, speakers and educational service and product providers.* Somehow she has driven her own ship for 24 years, *a ship that is now growing and steering only in one direction*: *toward the target all club owners should consider…the overweight/obese 196 million Americans and 800 million others worldwide.*

This challenge will not go away until many people, just as Casey Conrad and a very few others have done, *step up and make the right moves.* The right moves, made by people with the *right stuff, will someday begin to turn the tide again the worldwide obesity pandemic. The fight is on.*

Casey Conrad is one of the generals in this war on obesity. She is one of the key early players and leaders, along with people like Donna Krech, Tasso Kiriakes and Alex and Norma Jones (of EasyZone Weight Loss) and other emerging participants who will really make the difference with their company specifically targeting assistance for clubs.

If I were a general preparing to fight a war, I would look at the potential arsenal of weapons that I might employ to win. I doubt that anybody can disagree with this statement: "America's 29,000+ health, racquet and

*(See **Casey Conrad** page 12)*

Casey Conrad

take it off weight loss program

Joe Moore Selected as IHRSA's New President/CEO with Unanimous Vote!

Joe Moore has been chosen by IHRSA's Board of Directors via a unanimous vote, to become IHRSA's permanent President/CEO! The final vote was taken in Chicago on October 4th at the IHRSA Board Meeting.

Moore has been serving as interim CEO/President in the newly named role since July 1, 2006, the day after Big John "the Alliance Master" McCarthy, IHRSA's greatly esteemed 25-year Executive Director, retired.

To say that Joe Moore's unanimous choice is great news for IHRSA and for the health, racquet and sportsclub industry worldwide…is a big understatement.

IHRSA's first Chairman, Michael S. Levy, who prefers to be referred to as "Chairperson", handled all of the matters associated with this transition in a very excellent manner. So did this excellent Board of Directors. Moreover, Levy and this dedicated and talented Board, never missed an IHRSA business beat as they continued to address the need IHRSA had for a permanent leader to follow John McCarthy, while continuing to conduct important IHRSA business.

We asked IHRSA Chairperson, Michael Levy, to comment. Michael wrote:

"Dear Norm: I am pleased to announce that Joe Moore has been unanimously selected as IHRSA's

*(See **Joe Moore** page 8)*

Rick Caro Honored by Club Industry

By Norm Cates, Jr.

The man has helped more people than anybody I know. He's helped people within our industry and outside our industry all of his life.

Rick Caro's passion is caring about and helping others. There is no way you can be associated with this *great man* and not be impacted. Caro's *caring and helping mindset* is *contagious*.

In Las Vegas, on the first day of IHRSA25 in March, Caro was honored by CLUB INSIDER News with its 3rd Annual "Health Club Pioneer of the Year Award". Retiring 25-year icon and IHRSA Executive Director, John McCarthy and Rick Caro received the awards at the Opening Session, just prior to Steve Lundin's amazing pre-

*(See **Rick Caro** page 8)*

Pamela Kufahl & Rick Caro

• Inside The Insider •

"BALLY: SAVING THE SHIP OR LOWERING THE LIFEBOATS?"

Bally Raises $280 Million! – by Michael Scott Scudder

I have just returned from a week at *Club Industry 2006* in Chicago, during which time I met with *Club Insider News* publisher Norm Cates. Due to so much *Bally Total Fitness* news during this week, at Norm's request I postponed my intended column for this special update on *Bally*.

*(See **Bally** page 8)*

Norm's NOTES

Thank You

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- **Donna Krech- Founder &** President-Thin & Healthy's Total Solutions® - 419-991-1223

• ***Hello everybody!*** This is your friendly ***CLUB INSIDER Publisher since 1993*** checking in! There is a *lot* that has gone on lately … so let's get to it!

• ***CONGRATULATIONS to JOE MOORE,*** the man I call **"The GLADIATOR"**, as he has been chosen by the ***IHRSA Board of Directors*** via a ***unanimous vote*** to be the first ever ***IHRSA CEO/President. Congratulations*** also to ***IHRSA Chairperson Michael S. Levy*** and his ***entire Board of Directors*** on a *very tough job very well done*. Truthfully, this was the *greatest challenge* the *Association has ever faced* and this *IHRSA Board has risen to the challenge with flying colors*! Look for great things from Joe Moore as he steps into the renamed role previously occupied for 25-years by the one and only ***Big JOHN "the Master of Alliances" McCarthy.***

• ***CONGRATULATIONS*** to ***RICK CARO,*** the ***President of Management Vision, Inc.*** in New York City, on his most recent industry honor, ***Club Industry's Lifetime Achievement Award.*** **PAMELA KUFAHL,** the ***Editor*** of ***Club Industry's Fitness Business Pro Magazine,*** presented the award to Rick at the great Club Industry event on October 5, 2006. Then, Rick introduced legendary ***Chicago Bears*** and ***Hall of Fame*** running back, ***GALE SAYERS,*** who gave a wonderful presentation sharing his memories about the *5 people* that have been the *most influential in his life and how their lives motivated him and could motivate others.*

• ***Congratulations*** to the group I will refer to here as "our group"***,*** a group of 11 industry veterans who met at ***McCormick Place in Chicago*** on October 5th at my request to discuss possibilities of a new entity, venture, alliance or professional association to discover health-and-fitness-industry-solutions to the obesity crisis in this country. The mission is: *to find ways to help* ***STOP the obesity pandemic.*** Tall order, eh? "Our group" includes: ***CASEY CONRAD, DONNA KRECH, TASSO KIRIAKES, DARON ALLEN, MICHAEL SCOTT SCUDDER, SANDY COFFMAN, DENTON SMITH, BRUCE CARTER, MICHELE MELKERSON-GRANRYD, COLIN MILNER, and me.*** I organized and facilitated the meeting of this *diversified group of industry professions* whose combined experience ***exceeds 275 years.*** Check out my article entitled: ***"Will America Die Young?"*** on page ***#6.***

• ***CONGRATULATIONS*** to ***AUGIE NIETO*** as he will be inducted into ***Claremont McKenna College Hall of Fame*** in Claremont, CA. on November 4, 2006. Thanks to ***JERRY HAHN*** for providing me with this scoop. ***Augie's Quest for the Cure of ALS***, a/l/a ***LOU GEHRIG's Disease,*** is going full force and featured a prominent exhibit in the center foyer at the ***Club Industry Trade Show***. Please make plans now to attend ***IHRSA 2007*** in *San Francisco, March 28-31, 2007*. And, be sure to plan to attend the Augie's Quest event on Friday March 30, 2007. Augie's Quest has raised ***$6.1 million*** as of Sunday, October 15, 2006, on its way to a goal of ***$12 million*** in the next 24 months. ***AUGIE*** and ***LYNNE,*** our ***HOPES*** and our **PRAYERS** are with you and your family! Folks … please go to: www.augiesquest.com to contribute what you can!

• ***Congratulations*** to former IHRSA Board Member, ***TIM RHODE and his beautiful wife, LIZ,*** as they will celebrate the ***10th Anniversary*** of the ***MAC, The Maryland Athletic Club,*** on November 11th. The MAC, located in Timonium, Maryland, was *voted* ***Baltimore's Health Club*** *three years in a row*. The MAC's aquatic facility has *been voted best facility and aquatics program in the U.S. the past four years in a row.* Last year, ***former IHRSA President*** *and industry veteran,* ***MITCH WALD,*** joined the MAC as ***Chief Operating Officer (COO).*** Congrats to all at the MAC!

• ***CATHY SPENCER-BROWNING, BTS National Training and Program Director,*** announced that ***Body Training Systems'*** has completed initial development of their new ***Group ACTIVE™*** program and it is on schedule to launch in the beginning of 2007. ***BTS' seventh program*** *is* ***positioned for the de-conditioned market*** *which includes able-bodied adults of all ages who are new or infrequent exercisers. Check out my report:* ***Body Training Systems = Quality – Part II*** on ***page 28.***

• ***TED FORSTMANN,*** *senior partner of* ***FORSTMAN LITTLE & Company,*** the owner of **24 Hour Fitness,** has named ***CARL C.***

Norm Cates, Jr.

LIEBERT III, 41, as ***Chief Executive Officer (CEO)*** and a member of the ***Board of Directors***. Liebert was formerly with ***Home Depot.*** 24 Hour Fitness ***Founder*** and former *CEO* ***MARK MASTROV,*** will continue as ***Chairman of the Board.*** Mark has done an amazing job with 24 Hour Fitness. The truth is years and years ago, ***24 Hour Nautilus,*** the original name of Mastrov's creation, did not hold a candle to the product 24 Hour Fitness provides today. I credit both industry icon **RAY WILSON** *and* ***MARK MASTROV*** for the great quality this fitness club world leader now provides. However, I've got a concern to express to 24 Hour Fitness and that is ***their sponsorship*** of the TV show called: ***The Biggest Loser.*** After watching this show since it began 3 years ago, I have concluded two things. ***It is good*** and ***it is bad.*** Good I guess because it puts out an ugly picture that might motivate some. My formerly 343 pound body, *greatly resembled some of the big boys* you see on this show. I mean, I was a serious ***"tub of guts" … a real case of "eye pollution!"*** Now, after my ***33%*** weight loss, my ***110 pound*** lighter body resembles some of the winners of that TV show. *But, this is my concern.* I am concerned that while this show *surely spotlights obesity and how ugly it is*, it also does *another thing*. That is it gives a message to the obese that ***weight loss can and should be done at a fast pace*** and it em-

(See ***Norm's Notes*** *page 10)*

"Insider Speaks"

Will America Die Young?
"Our Group" Says "NO!"

By Norm Cates, Jr.

The prognosticators in some world health organizations are now saying that America's children of today will be the only generation in history to be outlived by their parents.

The world is now faced with what world health officials are calling an obesity pandemic. This pandemic is being fed from the bottom to the top.

The bottom is our children sitting at their computers or in their schools with no physical education classes or in their homes in front of the TV or their computers.

The top is the adult population feeding itself to death while sitting sedentarily at their computers or in cars or at bars.

Inactivity, the almost total lack of physical body movement, is the bane of America and the world's now 1 billion overfat or obese population.

So, what to do? Governor Mike Huckabee is on the right path. He has followed his personal weight loss with a plan. His plan is called the American Health Initiative. His plan is being well received and he has already aligned the plan with 43 states and governors. (See CBI Magazine, September, 2006, page # 38.)

But, I ask, what is the health club industry doing? Answer: providing an arsenal of facilities, equipment and services in 29,000 commercial locations and 23,000 not-for-profit operations.

However, there is a problem. The problem is that the commercial side of the health club business is not getting its share of the overfat/obese population as members. The best estimates we can come up with is that we now have less than 5% penetration of the 187 million overfat/obese Americans. If 5% is correct, that leaves 95% to go after. But, how many commercial health clubs are truly PREPARED to go after that 95%? Few is the answer. Our industry has work yet to do.

What Is the "Our group?"

"Our group" is a group of individuals who met in Chicago per my invitation during the Club Industry Conference and Trade Show. I had invited them to gather to discuss possibilities of creating a new entity, venture, alliance or professional association to discover health-and-fitness-industry-solutions to the obesity crisis in this country.

The sole mission will be to STOP the OBESITY PANDEMIC. Tall order don't you think?

While this budding new entity has no name yet … its purpose is clear. So, for now I am referring to this start-up-team as "our group."

"Our group" now includes: Casey Conrad, Donna Krech, Tasso Kiriakes, Michael Scott Scudder, Daron Allen, Sandy Coffman, Bruce Carter, Denton Smith, Michele Melkerson-Granryd, Colin Milner and me.

Combined, "our group" has over 275 years of experience in the club industry. I have yet had time to listen to the tape from the meeting in Chicago because this October deadline was one short week after Club Industry. But, I am really looking forward to listening to the tape as this meeting literally exploded with opinions about how such a new association might or might not be successful forging ahead and *leading an intense, lazer-like focus on America's and the world's obesity pandemic.*

And, when I write "we" above I mean "our group" that has started with 11 people and hopefully one day will include YOU.

Someday, "our group" could include 100 or 1,000 or 10,000 or more.

What is clear is the mission: STOP the OBESITY PANDEMIC.

The methods are in no way, shape or fashion … clear.

This is where you and your club potentially may become a part, a member, of this new Association. It does not matter if you own a club or not. And, it does not matter if you are a company whose focus is on this crisis already. We will want to hear from you.

What is clear now are several facts:

1) The worldwide overfat/obesity pandemic is growing: now 1 billion, of whom, 300 million are clinically obese and 700 million are overfat. Many of the obese will become worse and worse until they die young. Many of the overfat will become worse and worse until they become obese and then, over time and more weight gain, die young.

2) To me, importantly, the overfat/obese human being suffers from one or more of 30 weight caused health maladies. Everything from sleep apnea to blindness to limb amputation faces the seriously obese individuals. Diabetes rages in the overfat/obese population.

3) Nobody knows exactly what to do to stop it. Not the health and fitness club industry. Not the medical/health care industry. Not the U.S. or any government. Nobody.

4) The world needs a true leader. Arkansas Governor Mike Huckabee is a great candidate.

But, he has to focus on his job as the top man in the State of Arkansas. And, I believe, he may one day engage himself in a hunt for the Presidency of these United States.

Therefore, I offer the "our group", myself and YOU as candidates to become world leaders in fighting the obesity pandemic. I invite you to become a world leader with us. You will read details soon.

I believe "our group" of just 11 now may be joined by many of you amazing people out there reading this right now. It is going to take a lot of leaders to stop the obesity pandemic. A whole lot.

"Cates, how could this possibly happen, you dreamer!" Well … I will tell you how.

First, you must realize this new Association is not to be a *new club association*. It will be a *new professional entity*. Everybody with a serious interest in curing the problem will be welcomed. And, everybody in this entire industry may become involved in one way or the other.

We already have a great club industry Association, IHRSA. "Our group" - the new entity, is not intended to compete with IHRSA, the world's #1 club trade association.

Instead, this new association will help IHRSA by establishing a lazer-like focus on the worldwide obesity pandemic and the development of a new arsenal of weapons to fight the fight. We will not develop a trade show, but instead will work with IHRSA and Club Industry and other trade shows.

One of the weapons in this attack will be more and more of your 29,000 commercial health clubs getting really involved in installing successful weight loss services and operations within the existing walls of their clubs. You will learn more and more about how truly different the health and fitness club business and the weight loss business are. And, you will learn how to install weight loss services to become a terrific profit center in your existing and new club businesses.

Other weapons will be built and employed in the fight and these are just *some of my own ideas*: different Public Relations messages that will tout, amongst other things, YOUR clubs' prowess in this area, we might organize "Revivals for the human body", we may seek *real involvement of the governments* of the world, we may seek *involvement of elementary, middle, high schools, Junior Colleges and Universities*, we may seek much greater *involvement of* the publishing, television, radio and move industries, fire and police departments and churches. We may seek internet involvement by the biggest and best service providers such as Yahoo and Google. We may seek involvement of the U.S. Postal Service. And yes, finally, true involvement of the medical-healthcare providers around the U.S. and the world will be continually pursued. I, the other 10 people in "our group" right now have lots and lots of ideas we will share much more about when we launch this new entity in January, 2007.

TALL ORDER? You bet!

IDEAS and WORDS from a DREAMER! You bet!

DO WE NEED YOU and YOUR IDEAS to succeed? You bet we do!

WILL AMERICA DIE YOUNG?
NOT if we can help it!

These are thoughts and ideas from just one of those that attended the Chicago meeting. But, they are thoughts and ideas from an American that truly cares about the plight of the overfat/obese American as to how it will impact our country's future! We have a long way to go and "our group" hopes YOU will become involved.

STAY TUNED!

- Norm Cates, Jr.

MAKE IT FUN!

…Joe Moore

continued from page 3

new President and Chief Executive Officer. Joe has graciously and successfully filled this role on an interim basis since July 1, 2006.

The entire Board of Directors and I are confident that Joe is the right leader to grow and strengthen our industry during this important time. He has extensive experience as a club owner, is a veteran of many public policy battles, is a proven coalition builder and is a life-long fitness enthusiast.

Joe looks forward to working with clubs and suppliers throughout the industry and around the world.

Please join the Board and the IHRSA Team in congratulating him on his new position.

Yours in health,
Michael S. Levy, Chair

This decision was reached after a period of 18 months during which Korn/Ferry, the executive search firm employed by the IHRSA Board, received over 280 applications during the first round of the IHRSA search. A single candidate emerged and was selected. He was an individual from the medical profession. However, that candidate had not reached terms with the Board before he was chosen and terms were never subsequently agreed to. Thus, the candidate was eliminated by the Board and they moved on in their search. In the second round, more new candidates were screened, selected and interviewed. However, none emerged with the job.

Joe Moore had worked with John McCarthy for several months before John's retirement. Moore had been asked by the Board of Directors to step in on an interim basis as IHRSA CEO/President due to McCarthy's retirement and the ensuing misfire with the first person chosen. Moore agreed.

When Joe Moore stepped into John McCarthy's big shoes on July 1, 2006, it is the view of this author, that nobody on earth was better prepared and more qualified to serve as an interim and permanent CEO/President. Joe Moore threw his name into the competition to become the permanent CEO/President.

Joe Moore is extremely well qualified for the position. He had owned and operated clubs for 35 years before he sold his business a couple of years ago. Therefore, Moore was a person from *within our industry, a person who knows our industry inside and out*.

To exemplify his credentials, two years ago IHRSA was going through a significant process where it was sorting out the personal training certification world. In preparation for that, Moore had taken and passed the exams for all 14 personal trainer certifications available at the time. Talk about dedication and preparation!

Moore had also served for four years as an IHRSA Board Member. He served as IHRSA's Board President his last year on the Board. Moore was the last Board President in IHRSA history as the Board changed the title then to Chairman.

Joe Moore is an easy going, down-to-earth guy…a *really good Joe*. He is a leader who has earned, deserved and now received the respect of every Board member and staff member. He already knows thousands of people in IHRSA and the industry. Over time he will be able to get to know and serve more and more IHRSA member club owners and operators as well as Associate members.

Joe Moore will be a true representative of quality and excellence for all of IHRSA clubs and Associate Members.

Most importantly, Joe Moore is a man who can be trusted with this huge responsibility.

We asked Joe to comment on his selection and the unanimous vote. He replied, "It is an honor to serve this great association. The industry is poised to lead the country out of the obesity pandemic. We will accomplish this by meeting the needs of every segment of the population, eliminating the barriers that stop many people from joining clubs. IHRSA's goal is to grow the industry. That is a noble purpose."

- Norm Cates, Jr.

…Rick Caro

continued from page 4

sentation entitled: "The FISH Philosophy."

Rick Caro started in the club business in 1973 when, with partners, he developed, owned and operated 8 Upstate New York and Connecticutt multi-sports clubs.

In 1981, he conceived what became IHRSA. He arranged for an initial meeting between five representatives from the National Tennis Association and the National Court Club Association in Chicago. Based on the recommendation from this group of five after a 9-hour discovery meeting, Caro arranged the IHRSA (then IRSA) founding meeting at his CitiSports office in New York City.

Since founding IHRSA, while becoming the #1 club consultant in the business, he has also stayed close to the Association. Since then has contributed greatly to IHRSA becoming the #1 health, racquet and sportsclub trade association in the world with 7,200 member clubs in 74 countries.

On October 5, 2006 in Chicago in conjunction with the recent Club Industry Conference and Trade Show, Club Industry's Fitness Business-Pro magazine honored Rick with its Lifetime Achievement Award. This is a very prestigious award previously received by industry icons: Joe Weider and Joe Gold (in absentia). Rick's award was presented by Ms. Pamela Kufahl, Editor of Club Industry's Fitness Business-Pro magazine. And, immediately after Caro's award he introduced Gale Sayers, legendary Chicago Bears running back and youngest National Football League Hall of Fame inductee at age 28. Sayers gave a terrific presentation in which he spoke of the five people who had impacted his life the most.

Caro commented to CLUB INSIDER about his honor, "I am grateful to Club Industry for selecting someone who had no direct impact on the consumer but tried to work with owners and other club-related organizations to create better businesses and a better environment for the consumer. I feel very fortunate to have been part of this industry for 33 years and look forward to continuing in it for many years to come."

Rick Caro, in the view of this writer, is not just a great and close friend. It is my view that he is one of the industry's greatest icons, if not *the* greatest.

We congratulate Rick Caro on his lifetime of achievement where he has been helping, caring about, giving to and sharing with many people. And, we congratulate him on just being a down-to-earth, doggone good guy. Sorry about the Yankees, Rick! Uncle Rick, God Bless you and Sue and your families!

Rick Caro & Gale Sayers

- Norm Cates, Jr.

…Bally

continued from page 4

First off, why all the flap about *Bally*? Well, as *Bally* goes so may go the image of our industry out there amongst the American public…at least for a short while. Given that the much-beleaguered and financially-troubled company still commands nearly 3 ½ million members in about 360 clubs, *Bally* news is never just small potatoes.

Next…you, dear reader, have to understand that there are always two "*Bally* newsfronts." One is the news as it affects the stock price of this *New York Stock Exchange*-traded corporation…and the other is the news as it influences the health club industry. I will attempt in this column to explain news impacts on both fronts.

It is no secret that *Bally* (NYSE symbol *BFT*) has labored for years with a massive debt structure, negative profit margins, and, in general, a dwindling empire. Also, there have been changes in management direction over the last half-decade that have clearly affected the company. All of these pressures have been reflected in the stock price, which has dropped from a recent high just this year of $9.92 to its present level of about $2.30. (The stock traded last week at an all-time low of $1.43, which represented an 85% drop in value from the top of a few months ago.)

In a substantive management change just past mid-year, *Bally* ousted CEO Paul Toback, and in what appears to be an orchestrated move, Don Kornstein and Barry Elson were put into interim positions at the top of the heap in an attempt to salvage the company. A short time thereafter, they announced that the company may not be able to meet upcoming debt payments…a statement that often portends a future bankruptcy filing.

However, as the stock suffered an incredible nose dive, just last week the turnaround specialists went public with news that they had secured interim financing from a consortium led by *Morgan Stanley* and *Goldman Sachs*, two esteemed Wall Street investment firms. In one day, the stock rose from $1.50 to $2.50 on extraordinary volume of over 4 million shares. In subsequent trading days the stock price has backed off a bit.

Michael Scott Scudder

Does this mean that *BFT* has

*(See **Bally** page 20)*

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…Norm's Notes

continued from page 4

phasizes ***PAIN.*** *"Houston … we have a problem." I think this is flat out wrong*. I know about the mind of the obese person and I bet you this TV show is NOT attracting them to health clubs to exercise! And, I know ***it is NOT GOOD FOR THE HEALTH CLUB INDUSTRY to continue to BRAND OURSELVES as "HOUSES of PAIN", nor is it healthy or good for anybody to lose 10, 12 or 15 pounds in one week.*** I predict that virtually everyone of those people that lose a lot of weight the *fast way, touted by this show, will gain it all back and more.* My book, "***Leaving FAT City",*** is subtitled: ***A Tough Love Book About Your Mind.*** But, as I approach my final edits and revision on my book prior to its printing, I am seriously thinking about changing the subtitle of: ***"Leaving FAT City"*** … to ***"A Health Club for Your Mind."*** I do not believe ***"A health club for your mind"*** exists now. And, I believe I can, with my book and then by follow-up on the internet, create, operate and promote: "A Health Club for Your Mind" to help the overfat/obese population worldwide. My idea is based upon my strongly *held and firm belief* that health club operators should: "***educate and motivate the mind first and teach and coach exercise second."*** *I will make this important book subtitle decision very soon.* But, in my book, I *clearly explain that "**low and slow weight loss" is the only way to go if one wants to lose a lot of weight and keep it off forever. Low weight loss goals each day (such as my goal of 1/3rd of a pound per day) and slow weight loss (such as my planned one year), once and for all, will do the trick.*** *I would love to hear or read your opinion on my opinion! My phone # is: **770.850.8506.** My email address is:* clubinsidernews@mindspring.com

• Nice seeing *my friend* and *former* ***IHRSA President*** **GALE LANDERS** in Chicago. Gale has recently *renamed* all of his 7 clubs and 2 corporate fitness centers: ***Fitness Formula Clubs.***

• ***ROBERT SURFACE*** has joined ***ABC Financial*** as their new ***Chief Operating Officer***. Best of luck with one of the best companies in the industry, Robert!

• ***DANIEL MORRISSEY, CEO of XSport Fitness,*** the rapidly growing Chicgoland chain, told me in Chicago that *his group had opened four huge 60,000 square-foot clubs in six weeks*, marking their aggressive moves in ***Chicagoland*** and other markets. They now have a total of *22 top of the line clubs*. *This fast-burner Morrissey* just keeps on ***burnin'!***

• The late ***ROBERT DEDMAN's*** family has sold ***Club Corporations'*** *170 golf and dining clubs* and *3 resorts* to ***KSL Partners LLC*** in a **deal valued at $1.8 billion.** The deal is scheduled to close by the *end of the year.* KSL Partners invests in travel and leisure businesses and specializes in five sectors in the travel and leisure industry: *hospitality, recreation, clubs, real estate and travel services.*

• A long-time ***Gold's Gym*** owner approached me at my booth at ***Club Industry*** to speak to me. He was upset. STAY tuned.

• Have you ever contributed funds to ***IHRSA's Industry Leadership Council,*** the Association's vehicle for ***public policy*** efforts? Do you fully understand ***WHY IHRSA*** is working for you everyday in Washington, D.C.? Do you realize the IHRSA initiatives include a long list of items to *protect and help your club business?* IHRSA's ***HELEN DURKIN*** has been working for your club(s) for ***17 years*** whether your club is a member of IHRSA or not. During those years Helen has worked *extremely hard* with both our Federal Government and the governments of every state in the U.S. ***to protect your club business from bad legislation. Bad legislation that could potentially ruin your business overnight***. Moreover, Helen's IHRSA Team has been working for years on ***good legislation ... such as the WHIP and the new PHIT Acts.*** Either or both of those Acts, once passed, will play a great role in your club's future success. Helen Durkin and her Team at IHRSA have been unsung heroes for a long time and they deserve your participation and financial support. ***STAY TUNED!***

• The giant called ***Curves International*** has hit 10,000 locations in 44 countries. Check out *Curves' excellent and latest TV ads*, and you will see how your club might market to the overweight/obese market as well.

• Former President, ***BILL CLINTON,*** *through the* ***Alliance for a Healthier Generation,*** has *taken another healthy swing at childhood obesity by successfully brokering a deal to make school snacks healthier.*

• Finally, a politician I think ***ALL*** *of us can trust and agree with!* ***GOVERNOR MIKE HUCKABEE*** of ***Arkansas*** was featured on the cover of ***CBI Magazine's*** September edition. *His story is a great one.* The man had done what I had done…he had gained a lot of weight over time. Well…he also did what I did and said '*enough is enough*' and **lost 110 pounds**, the *same amount I lost*. Here is a man that has a *great plan* to *really move the battle against the obesity pandemic forward*. He has launched what is called: ***The Healthy America Initiative*** *and now the program has 43 states and governors on board.* ***STAY TUNED!***

• We've obtained a late breaking news report from a *100% reliable source* that the California-based and greatly celebrated ***Bodies In Motion*** club group has entered and exited bankruptcy and has been sold. Our source stated and I quote, "The Bodies In Motion deal, which was owned by ***BRUCE GORDON,*** went through ***Chapter 11*** and emerged *out of bankruptcy* on Thursday (October 12th) and was sold to ***Meridian Sports*** for a net of ***$8.5 million***. The *second highest* bidder was ***24 Hour Fitness***." Bodies In Motion operated four clubs located in Encino, Northridge, Pasdadena and West Los Angeles. Meridian Sports has six other clubs in Century City, Fullerton Rolling Hills, Park Labrea, San Rafael and Wilshire Miracle Mile.

• ***CHRIS BALLARD,*** former ***Publisher*** of ***Fitness Management Magazine,*** has launched a new publication that is all his own and called: ***OnSitefitness.*** *Congratulations Chris and best of luck with your new venture!*

• Hey 'ol buddy ***LYLE SCHULER …*** *remember the offensive lineman!*

• The ***2006 Club Industry Conference and Trade Show*** was another *great success* thanks to **HOWARD RAVIS, SAM POSA, *ZARI STAHL*** and their entire team! If we crossed paths it was my pleasure to see you. Especially those of you who took the time to stop by my booth and chat. I enjoyed visiting with old friends and meeting new folks. In addition to meeting and working with our 'our group' on Thursday night, it was my great pleasure to see: ***RICK CARO, MITCH WALD, TIM RHODE, RAY GORDON, EDDIE TOCK, JEFF MASTEN, LYLE SCHULER, MIKE CHAET (thanks Mike), MIKE KINCAID, SID NELSON, MARK PLEWA, BRUNO PAULETTO, KEN BRADLEY, MONTY KILBURN, BOB SIKORA, RUDY FABIANO (thanks Rudy!), LINDA GIAMMANCO, KEN GERMANO, GEOFF DYER, VICKI BUCK, RANDE LaDUE, LYNETTE FLYNN, MARCIA BIGLER, LISA VERMILLION, RON POLISENO, SCOTTIE MANION, RANDY, JOYCE & BRANDON IVEY (happy 38th Anniversary RANDY and JOYCE!), JEFF McNALLY, GALE SAYERS, JEFFREY MERRITT, CHRISTINE MORGENSTEIN, COLLEEN HAWCO, JOHN Q., STEVE STRICKLAND, JOE & HEATHER GRAVES, ANGELO DESIDERA, SUSAN PATTEN, CASEY GEE, BENSON FINE, TIM ENGLE, DAVID FEIFER, RACHEL MAKOFSKY, TONY deLEEDE, GAIL DeLEEDE, DONNA RILEY, GARY YURICH, FRANK & MOLLY NAPOLITANO, VICTOR BRICK, LEE GUTHRIE, JENNIFER URMSTON LOWE, J. DAVID URMSTON, LENNY LOWENSTEIN, MANDY LANE, JENNIFER GRAFFICE, DENNY NOECKER, KEVIN MICHAEL, ED DILBECK, BRENDA ABDILLA, MARY ELIZABETH POPE, COREY MICELI, GLYNIS GIBSON, PAMELA KUFAHL, MARC ONIGMAN, CHRIS BALLARD, TIM ROCHFORD, TOMOKO IWAI, KENT STEVENS, MARK McCLEARY, DAVID TAYLOR, DANIEL MORRISSEY, LAURIE CINGLE, GREG LAPPIN, CYRUS OSKOUI, ALAN OSKOUI, SAM POSA, HOWARD RAVIS and ZARI STAHL.*** I am sure there are many other friends and new folks I have missed noting here and if so, I apologize. Also, if I misspelled your name … *ouch … I apologize* for that too! But, if I did, please call me at: 770.850.8506 and give me hell!

- I care about you all… Norm Cates, Jr.

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…Casey Conrad

continued from page 3

sportsclubs are a huge arsenal of weapons to fight America's obesity pandemic right now." However, virtually all, of the huge arsenal of facilities and the equipment in these 29,000 clubs, are not truly in this fight. That is because most club owners' spirits are not. Their vision is not. Their understanding is not. Their mindset is not.

For these reasons, America's health clubs ***are not going to become the solution****, unless the industry's owners finally wake up to one fact quoted by Conrad in this interview: "Although on the surface* the *two businesses look the same*—i.e. a physical location, exercise equipment, programs and the selling of memberships— ***"at the heart of the matter, the weight loss business and the fitness business are two very, VERY different businesses."***

Therefore, *to be in both businesses* and to *generate new memberships and other revenues from both businesses for the future of your club(s)*, the *best thing* you could possibly do now is *really open your mind* and *read on.*

First, realize the statements above are true. But, also understand that your club(s) may immediately begin to make moves to *increase your new membership sales* and other revenues such as personal training and retail sales from an *untapped pool* of over *196 million Americans and 800 million others worldwide* now caught in this obesity pandemic. *Realize* this is a *huge opportunity* for your club to tap into…in essence…*a NEW opportunity*.

Don't just read this interview with Casey Conrad. Study it. *.* ***Learn*** from the passionate and enterprising Casey Conrad. ***Adopt*** what you can for your club right away. ***Contact*** Conrad's team and ***investigate*** *Conrad's enterprises and how your club may benefit.* Buy *her new book*. *You will learn about the true feelings inside the overweight/obese female from her book:* ***"Winning the Struggle To Be Thin".***

Find YOUR way and proceed now to begin to *tap* into this vast, untapped and needy American and world market. In short order *your club will begin to turn the tide*. In short order your club will become one of those who has begun to use your club's vast arsenal of weapons much more fully and as a truly productive tool to build your business and fight the worldwide obesity pandemic. Your club new membership sales will grow. Your club membership referral business will grow. Your club's personal training sales will grow. You will have installed an *entirely new profit center right* inside the walls of your arsenal…*walls you already pay for*. *Your club will become even more successful financially.* Or, if your club has been hurting lately, it will begin to *thrive again*.

Your club will have fully entered the 21st century health club industry.

If your club has already dug into this opportunity and you are already working hard on it…***congratulations.***

If you have given a little attention and focus to this opportunity and crisis, but *have not really focused on it…****begin to focus on it now.***

If you have ***ignored this huge new membership opportunity and continue to do so, because of your own personal prejudices against fat people, really, you are only hurting the potential for your club.***

Please really open your mind. Read on. Real help is right here.

An In-depth Interview With Casey Conrad

CI: Please tell us about yourself, your family: your mom and dad, brothers and sisters?

Casey: I was raised in Wakefield, RI. After leaving for many years I returned to Wakefield in 1998 and bought an office building and home here and have no intention of ever leaving. I am the youngest of three children and have an older brother and sister. We're all two years apart. My dad was a surgeon and my mother was a nurse. They divorced when I was 11. Although my siblings and I were not very close growing up, we are all best friends now. My sister and I have been working together for over 12 years now and my brother and his two children lived with me for the past 3 ½ years. All of us, including my parents who are both remarried, live in Rhode Island.

CI: Tell us about your interests as a youth and your education?

Casey: I was always very athletic as a kid. There were no girls my age in the neighborhood so I grew up amongst the boys playing sand lot baseball, football, basketball and riding motorcycles. My real love was baseball and at around the age of 8, with all my friends signing up for Little League, I went along with them to the try outs. Well, a week later my registration slip and $5 fee bounced back into our mailbox. We fought them and I became the first girl in Rhode Island to break into the boys Little League. I played up until the Babe Ruth League, at which time the boys were getting a lot bigger than me and I switched gears to track and field.

In high school I played tennis, basketball and softball but the majority of my time was dedicated to Junior Achievement. JA was a very large national organization dedicated to teaching kids how to become business people. We were put into regional groups and had to form a company, vote on a name, sell stock to establish capital, form an executive structure, manufacture one or more products to sell and then go out and sell them. I was a real JA geek and carried a brief case around in school. It didn't win popularity contests amongst my peers but it was perhaps one of the most influential and formative experiences of my business life.

I competed at both the state and national levels in sales, marketing and public speaking and was honored to represent my state at the National Junior Achievers Conference three years in a row. The conventions had more than 1,000 students from around the world and were treated to nationally recognized speakers and a full week of intensive workshops developing our business and communication skills as well as tremendous bonding among peers who think alike. I am saddened that Junior Achievement, as I knew it, is no longer available because today's kids think it is boring and stupid.

Casey Conrad - Junior Achievement Star

Back at the ranch I wasn't a very good academic student. Norm, I had a bad attitude and if I didn't like the teacher or subject, I just didn't do the work. As a result, my grades were all over the board, getting A's in the subjects I enjoyed and C's, D's and even F's in those I disliked. The cumulative average always got me through to the next grade but when I began to think about college my advisor warned me that my performance would affect my ability to get accepted. Of course, he was right and the only school that was on my list that accepted me was a small school in Connecticut called Quinnipiac College. They have one of the only international business schools at the time, which was 1982.

(See ***Casey Conrad*** *page 14)*

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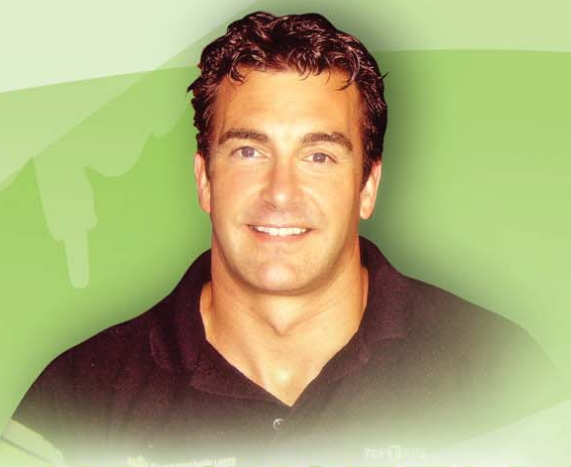

THE POWER OF A FOLLOW-UP SYSTEM

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> "Our Prospect Connect module is truly a better way."

And traditionally, we've had the salespeople within our facilities follow-up these "be-backs' with a phone call(s). As we know, the sales team doesn't particularly relish picking up the phone and, truth be told, the prospect doesn't really appreciate the phone call... so just how effective is that particular "system"?

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Shawn Vint
President
Greenmaple Wellness Communications

"Green Maple Wellness has been a great asset for our organization. Their communication tools make it easy for our staff to be able to keep in contact with prospects and members alike. Easy to follow tabs and data entry fields make it easy for even computer illiterates like me! With the Member Connect our members really enjoy the content delivered on a monthly basis. Another great feature is the Prospect Connect. With this feature all of the hard work is done for us, and the pre-designed letters that are sent out are fantastic and allow us once again to stay in contact with our prospects without coming across as high pressure....or we can customize our own letters and promotions in minimal time and effort, but with maximum results. One final thing about the Green Maple Wellness team is their commitment to make things easy. They take our suggestions and make them a reality. It's like having a computer guru on staff. The staff that they have are tremendous, and should be commended."

Christopher Carmichael // Popeye's Gym and Fitness LTD. // Kitchener, Ontario, Canada

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IHRSA

Simple & Effective

…Casey Conrad

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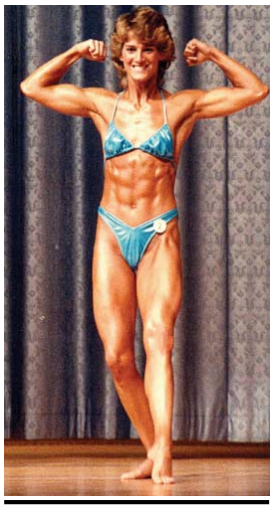
I was offered some scholarship money for sports too but declined to take it, believing that I would right the sins of my youthful ways and fully apply myself to academics. I did and my efforts allowed me to transfer to American University in Washington, DC, for my junior and senior years on a full academic scholarship, being accepted into their School of International Service. During this time, however, I also trained and worked nights at a Karate school, giving me my entrée into the fitness business. It was there that I honed my sales skills for how to take an information call, give a tour, present membership options, close the sale and overcome objections. My Junior Achievement training was a *huge advantage*.

Martial Artist

At AU and because of my specialized international business studies at Quinnipiac, I applied for and was chosen to participate in a Co-op program where I would work every other semester at the International Trade Administration. This organization was dedicated to helping small to medium-sized companies export products out of the US. After graduating the ITA offered me a full time job which I happily accepted. But my happiness with working for the government came to an abrupt end after a short five months when the incompetence and governmental red tape for performance and production was simply strangulating my entrepreneurial spirit. I saw a "help wanted" ad for a 42-club fitness chain called Spa Lady, called to inquire, ended up talking to the Regional Manager who had me come down immediately for an interview. She hired me on the spot and the next day I gladly gave my two-weeks' notice to the US Government.

I stayed with Spa Lady for about three years, moving from a salesperson to an Assistant Manager to a General Manager and then Regional Manager and Sales Trainer rather quickly. I found myself frustrated again, dealing with senior management that didn't seem to appreciate those of us who stayed with the company and worked hard, so in 1989 I left.



Bodybuilder

During my years at Spa Lady I had been competing in some amateur body building shows and trained at a local Gold's Gym. The owner desperately needed some help with his sales efforts and although it didn't amount to anything close to what I was making at Spa Lady, his desire to have me do some consulting, combined with my frustration level was just enough of an impetus for me to make the break and start my own consulting company, Communication Consultants. That was 1989. I had no business plan, no savings account and no clue, but what I did have was a passion for the industry and a work ethic that allowed me to succeed.

A Long Time Star In Club Business Education

In late 1990 I moved back to Rhode Island and with a great recommendation from the Columbia Association in Maryland, I was introduced to John McCarthy and IHRSA. Soon after I published my first book, ***Selling Fitness: The Complete Guide To Selling Health Club Memberships***, that catapulted me into the health clubs' national and international speaking world. After that I continued to develop and produce an entire catalog of sales and marketing items specific to the health club business.

In 1994 I decided to go back to school nights and fulfill my goal of becoming an attorney and for the next four years I went to night school, graduating from the Roger Williams University School of Law in 1998. Although I had the intention of adding legal consulting and expert witness testimony to my menu of consulting items, by the time I finished with the degree and passed the Rhode Island Bar exam, it became very evident to me that my personality would not enjoy spending any time in the legal profession. I find it too depressing with people always arguing and fighting.

CI: Casey, on Tasso Kiriakes radio show on WNDB 1150 radio in Daytona Beach last summer I made a comment about you and I quote: *A blessing we have in this world are the great minds who step forward and do things to deal with challenges that we all face. Casey Conrad, the founder, CEO and President of Healthy Inspirations, is one of the great minds in America. She is an extremely adept entrepreneur. She happens to be a 24-year club industry veteran, highly respected consultant author and speaker. And Casey, during her evolution came up with Healthy Inspirations 6+ years ago to solve the issues that I'm addressing in my book.* My question is Casey: "How have you grown your professional and intellectual base over the years to reach the point where my comment on the radio show about you is so true?"

Casey: First of all, Norm, thank you for that wonderful compliment. I must confess to you, though, and my SAT, LSAT scores and IQ will attest to it, I am not some gifted intellectual. In fact I had to go to special reading schools when I was a child for a form of dyslexia. Even to this day I am not a fast reader and if it weren't for audio books I would have never made it through law school! A high school English teacher of mine who worked so hard with me, wrote this to me in her signing of my graduating yearbook: *"Casey, in this world, those of us who are not born with high intelligence simply learn how to work harder than others. Then, by the time those who are born with natural intelligence wake up in life and realize it takes hard work to succeed, we have left them behind."*

I believe that is the fundamental answer to your question. I was fortunate enough in this world to be raised by parents who believed that hard work was critical to the development of a productive human being in society. My dad was a surgeon but we were not spoiled and were not handed anything on a silver platter. We bitched and moaned about this growing up but all three of us are incredibly hard workers who simply know how to get things done.

Another key piece in my professional development is my participation in the *REX Roundtable* program, run by *Will Phillips*, who has a number of "tables" going in our industry. The roundtable is a group of 14 club owners and operators who get together three times a year, under the facilitation of Will Phillips, with the goal of improving their business success. Everything is confidential. We share KPI's and compare year-to-year performances. We read the latest business or personal development books and discuss how we can apply those to our companies and our lives. We hold each other accountable and look for both opportunities and threats to our industry and our individual businesses. For me, this has been the single most significant activity that I have participated in as a business owner.

I also have a personal philosophy that the day you cannot learn something is the day that one of two things has happened. Either *A)* you have stopped growing as a human being or B) you've died. Every single day I learn things from everybody and everything that I experience. I try and channel my experiences, my readings, my observations into answering the questions, "How does this make me a better person (rather than bitter)" and "How could I apply this to the business of helping others change their life through the benefits and privileges of exercise." I always have at least one book going on my nightstand and try to read all our industry magazines as well as attend seminars and lectures when I'm at conventions.

Simply put, I love learning and I love applying those insights in a way that can improve the various aspects of the health and fitness business that I'm in. I guess it's just a focus combined with a passion for what I do.

Evolving to Become a Weight Loss Provider

CI: How, when and why did you shift part of your involvement in the club industry to a focus on weight loss?

Casey: That is an interesting question, Norm. I feel that the "shift" of my primary focus from fitness sales and marketing consultant to weight loss provider was really an evolution. When I was with Spa Lady, which was a ladies-only business, 90% of the women walking through the doors wanted to lose weight. We did not offer anything but the fitness component and I found myself personally coaching the members on how to eat properly to become lean. Near the end of my time with that company they actually launched some weight loss products, which failed because they were not integrated as part of any system. Over my 10 years of pure consulting I saw the increase in obesity, the failure of many weight loss products and programs that were introduced to the industry and the reality that 87% of all club members were citing weight loss or weight maintenance as their primary reason for joining a club. What I "saw" was a huge gap in the market and a huge opportunity, no pun intended there.

All these observations, combined with my desire to do less traveling than I was doing, prompted me

*(See **Casey Conrad** page 15)*

…Casey Conrad

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to make the decision that I would start my own club chain and have it be a weight loss center that utilized exercise as one of the components of long-term success. *What I did not realize at the time was how radically and completely different the weight loss customer is compared to the average overweight person walking into a fitness center.* What I did not know at the time, and *what most health club operators still fail to realize*, is that the *average weight loss customer never even makes it to the doors of a health club.* We may think we have captured some of the weight loss market simply because we have overweight members, but in *reality we have not*. What we have done is get fitness-minded people who happen to be overweight to join. There is a *BIG difference,* and I know that you, Norm, know exactly what I am talking about.

Communications Consultants, Healthy Inspirations and Take It Off Weight Loss Program

CI: Please tell us about your three companies *Healthy Inspirations, Communication Consultants and the new Take It Off Weight Loss Program*.

Casey: Well, let me start with ***Communication Consultants*** since it was my first company. Prior to starting Healthy Inspirations, which obviously required all my time and attention, Communication Consultants *had five distinct divisions*. 1. The coordinating of myself and my team members speaking at conventions. 2. Consulting contracts with health clubs around the world to assist them in improving their sales and marketing systems and performance. 3. Health Club University where monthly sales and sales management training programs were conducted at our corporate offices in Rhode Island. 4. Direct mail marketing campaigns for our clients, and; 5. The marketing and selling of over 20 different books, audios and videos specific to the sales and marketing of health club memberships. As you can imagine, all of these things kept me very, very busy as well as my team of support staff who held down the corporate "fort" while I was traveling up to 25 days a month.

Today, *Communication Consultants really has two primary functions*. 1. We continue to sell thousands of dollars of books, tapes and videos because no other consultant has really filled the gap with the menu of items I had created, and; 2. Provide marketing support for my Healthy Inspirations organization. This company is also the publisher and primary distributor for my newest book, "*Winning the Struggle to Be Thin,"* which is a consumer book that provides hope and inspiration for any woman wanting to lose weight. We have a special website for ordering that book, www.winningthestruggle.com but it all ties back to Communication Consultants.

Next would be ***Healthy Inspirations***. As you know, I officially launched *Healthy Inspirations* in 2000 as a licensed weight loss program with the intent of it being primarily offered inside or adjacent to health clubs and our first 20 or so locations basically followed this model. Due to the explosion of Curves and people's inability to get a territory, what evolved was that business opportunity-seeking people began finding out about our program and wanting to open stand-alone locations. This led to our need to convert the organization to a franchise. We began that process in 2003 and got our first registration in January of 2004. To date we have 72 locations, with 28 of those being under our Australian master distributor and long time industry friend of mine, Jamie Hayes.

During our first few years we received a tremendous amount of publicity because of our fast growth with a unique concept that combined nutrition, exercise, one-on-one coaching, relaxation and beauty treatments all under one roof. Few, if any, health clubs offered a weight loss component and weight loss centers didn't offer exercise

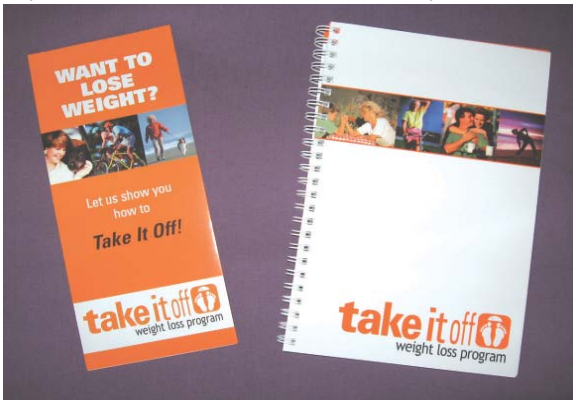
When I became a franchise and started to learn more about the business of franchising, I knew that I had made some critical mistakes in the early days as it related to two things. One, selection of business owner/operator and two, the establishing and monitoring of quality controls to ensure the delivery of the systems and the programs were consistent no matter where the center was located. As a result, and what most people don't know, is that for the past two and a half years, *we have consciously not sold new franchises* and have been improving our own infrastructure as well as culling out operators that were either not making it or were not meshing with our philosophy.

Fitness and Weight Loss… Two Very Different Businesses!

Perhaps the most interesting thing that we have learned is that health club operators, as a general rule, make terrible Healthy Inspirations operators. The reason is because their primary business is fitness and, as a result, *they do not understand the mindset of an overweight individual nor do they take the time and effort to create the environment that is necessary* for *long-term weight loss success*. I know I mentioned it earlier, Norm, but it needs to be emphasized again. *Although on the surface* the *two businesses look the same*—i.e. a physical location, exercise equipment, programs and the selling of memberships—***at the heart of the matter, the weight loss business and the fitness business are two very, VERY different businesses.***

As a result, we no longer sell Healthy Inspirations franchises to health club operators unless they can demonstrate to me that they are going to physically, emotionally and operationally be able to run a facility that will follow the Healthy Inspirations systems to the letter. You see, Norm, in the franchise business success runs up-hill. If the client is not successful at losing weight, the center is not successful; if the center is not successful, the franchisor will not be successful. This, in and of itself, is very different than the health club business where for years operators could have run-down facilities, little or no customer service and not achieve a high level of fitness with members but still stay in business.

Instead, we now only sell franchises to individuals who want to be in the weight loss and lifestyle business and who are what we call *"intrapreneurs."* An *intrapreneur* is someone who has many of the qualities of an entrepreneur, but instead of wanting to go out and do it his or her way completely, they are looking for a proven system of success and are willing to follow the systems—even the ones they may not agree with. We now, after both successes and failures, have a very specific set of guidelines and personality profile insights as to who will make a good franchisee and we do not waver from using those regardless of how much money the person waives in front of our face. *In fact, we no longer "sell" franchises, we "award" them only after a very rigorous and complete screening process.* The result will be a greater level of success across the entire organization and that is very exciting for the future growth of Healthy Inspirations.



Take It Off

Finally, is the new **Take It Off Weight Loss Program**. This program is actually a product being offered under the umbrella of Communication Consultants. The program was specifically developed as a result of my frustration with why more health clubs had not bought into Healthy Inspirations. Let me explain that a bit better.

As I mentioned previously, Norm, I am a member of the *REX Roundtable group*. Of the group of 14, only two had the Healthy Inspirations program at their club. I knew the potential that Healthy Inspirations had in each of their clubs and one meeting I asked to be put on what I call *"The Rack,"* which means *opening yourself up to the group and having them tell you, with no holding back, what they like and dislike about your product and service.* Well, they let me have it and the consensus was "We love the idea of having a weight loss program to offer our members but we don't want a separate facility or even area of the club, we don't want to have separate staff, we don't want the franchise costs and we don't want to be held to a franchise agreement," just to name the big issues.

So, with that information in hand, along with the growing evidence that health club operators were not making good Healthy Inspirations franchisees (too entrepreneurial), I recognized that what was needed was *really a middle of the road weight loss product.* Health club operators were not typically attracting the highly overweight client but rather the individual who is comfortable enough joining a club but still needing to lose 20-30 pounds. Therefore, they didn't need such a highly structured program like Healthy Inspirations but they did need a weight loss solution; a solution that wasn't going to be a huge capital investment and, most importantly, one that wasn't going to fail

*(See **Casey Conrad** page 16)*

…Casey Conrad

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or succeed because of one or two primary employees. *I felt very confident in developing such a solution because health clubs and Healthy Inspirations do not compete with one another—even if they are in the same marketplace—because the club does not provide the type of environment that overweight, middle aged women are going to be comfortable in.*

For the next 6 months the dietician and I worked together on developing a club weight loss solution. This was very difficult from a systems standpoint because the program would have to be simple enough for members to follow and non-dietician employees to administer but complete enough to get the type of results that the customer wants. Further, the materials had to be developed in a way that there would be one journal that could be adapted to any customer, ensuring the cost of goods and the complexities remained low. So, it was a big task but we did it. Of course, having the 6 years of experience with the Healthy Inspirations systems was a huge advantage because we knew what would work and what wouldn't, from a systems standpoint. Once we had the basics developed then we took it out to some clubs and let them play around with it. Believe it or not, the hardest part was coming up with a name. Eventually, with the help of a good advertising agency friend of mine, the name ***Take It Off*** was born. Finally, in January of this year we were ready to *beta test it with several clubs*. *The results were very strong*. Not only were clubs able to sell a significant amount of the programs but the number of questions and challenges they faced once they had been through the on-line training was almost completely non-existent. This latter piece was really the true test because if something is too complex, it will ultimately fail.

In August, after 8 months of testing it and finally feeling confident that we were ready to handle the launch, we press released the availability of the program. *We received dozens of e-mails and phone calls immediately, which really goes to show you how much club operators are struggling to find a weight loss solution for their members.* We have yet to do any advertising but rather are happy letting things slowly grow, ensuring we are able to service all the new licensees.

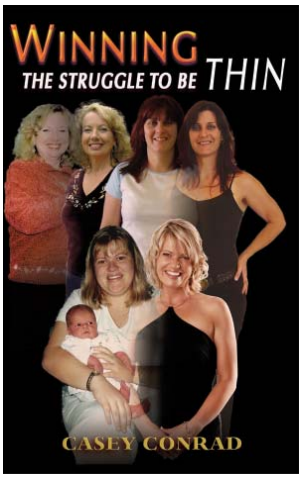
CI: I'm sure you hate being asked this question, but what does it cost a club operator to bring the Take It Off Program to their club?

Casey: I don't mind answering that because club operators are going to be floored at how small the investment is. ***First,*** *there are no up-front licensing fees*. ***Second***, there is *an inventory investment of between $1,200 and $3,000* depending upon how *much product and journals* the club wants to have on-hand for start-up. ***Third,*** there is an *annual fee of $295* that allows the club to train as many employees as they would like in the operational and sales webinars. Finally, there is a *monthly fee of $395*. That is it. Norm, as one of our beta sites so eloquently put it, *"This is a no brainer. There has never been a product for this industry that was so simple to bring in and that actually immediately generates revenue. If a club operator has to think about this one, they've got problems."*

Casey Conrad's New Book "Winning the Struggle to Be Thin"

CI: Casey, I have had the pleasure of receiving a pre-released copy of your new book ***"Winning the Struggle to Be Thin",*** which is shown on the cover photo of this edition. Can you tell us about the book, why you wrote it and what your plans are with it?"

Casey: ***"Winning the Struggle to Be Thin"*** is a *consumer* book, not another product I wrote for sales or marketing training. Norm, as you know, losing weight is much more than a physical task—it is an *emotional struggle.* In fact, I, like you, believe that *losing weight is all about being able to control the emotions that drive an individuals' behavior*. For women, the struggle with weight



loss is *even more emotional* because of the *stigma* that women are supposed to be thin. To make matters even more challenging, the very fact that women are much more emotional beings than men makes the struggle to lose weight a more tumultuous roller coaster.

"Winning the Struggle to Be Thin" is a book that *provides hope* and *inspiration* for every woman wanting to lose weight. It is not a "diet" book that simply gives you another way to eat. Rather, *it gets to the heart of the emotional struggles* that a woman faces when battling the weight loss war and gives her tools and strategies to stay in control of those emotions that are trying to throw her off track.

So, regardless of the diet a woman is following, this book will help her succeed. And that is the whole reason I wrote it.

At Healthy Inspirations we have thousands of women every day battling the emotions that accompany weight loss. This book, which includes 62 heart felt, real-life testimonials of women who have finally succeeded at winning the struggle, can be given to every new member to help make their journey more successful. Believe it or not, Norm, many women think they are alone in the struggle. When a woman starting her weight loss journey can see she's not alone, that is motivating.

Since I self-published the book, we have a 10-point marketing strategy for growing book sales. Obviously, this includes selling books at all 72 Healthy Inspirations Centers around the world, radio shows, book tours, and internet sales on our website, www.winningthestruggle.com.

Teamwork Key to Conrad's Growing Enterprises

CI: Who are the key people in your organization, how long have they been with you and what are their roles?

Casey: ***Sue Johnson*** *is my longest standing employee*. She has been with me for over 12 years now and has been my right hand in every one of my businesses. She is the Vice President of Operations for Healthy Inspirations and, as of right now, oversees the Take It Off licensing program until I can find the right person to join me in that venture.

Jean Gilligan is my Director of Training and has been with me since the first days of Healthy Inspirations. She is responsible for doing about 80% of the new franchisee training, does monthly training with existing Centers and oversees the customer service complaints we get at corporate.

Cindy Martin, Director of Franchisee Relations, has been with me for 5 years and she is responsible for all the program, supplement and vendor communication between corporate and franchisees. For our franchisees, she is the "go to" gal for their day-to-day needs.

Bonnie Ellis is my Director of Marketing and she is responsible for the new marketing campaigns, working with the designers, the monthly newsletter, press releases and any new referral or program campaigns that are developed throughout the year. She has been with me just one year but has become an invaluable part of the team. *My role as President is more of a visionary and one who orchestrates the team.* In addition, I work on the training and development systems for marketing, sales and operations. Of course, with the launching of the new book my role will become more of a public figure behind the Healthy Inspirations brand, in the hopes that we create top-of-mind awareness for the program and the franchise. We also have some part-time people who work with us in the shipping department and data entry, but they come and go.

Join Casey Conrad's Team!

One thing I am looking for, and if you don't mind my taking up the space to mention it here, is ***someone who wishes to work with me in growing the Take It Off Program***. Sadly, the woman whom I had brought on and fully trained had some family issues and had to unexpectedly leave. This has left a huge, gaping hole at the moment and I am trying to find the *right person* to fill it. I am looking for someone who really wants a business opportunity and is a driven, hard worker who is good on the phone and loves selling, not someone who simply wants to collect a paycheck.

A Huge Opportunity for Clubs! But… what will you do with it?

CI: Do you agree that America's health club industry is sitting in a very special place with respect to key opportunities now and if so, what should club owners be investigating for their club's future?

Casey: (Laughing) Norm, that is like having asked Lance Armstrong if he thought he could win another Tour de France! ***Of course I think that the health club business has a HUGE opportunity in front of them but then again, I'm biased. It's called the weight loss opportunity!*** Your last edition said it on the cover page—the ***obesity pandemic***. *This country and actually the world is heading down a very, very scary road as it relates to our health and wellness. Think about it Norm, two-thirds of Americans are now either overweight or clinically obese and this does NOT even take into consideration the generation of overweight kids we are currently growing!* When today's 14-17 year olds hit the adult statistics, followed next by the now 10-13 year olds, I have no doubt that we will easily surpass the *70% mark for overweight and obesity. This is scary*. *There has been no*

*(See **Casey Conrad** page 18)*

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In Their Own Words...

-Every club owner, no matter how long they have been in the industry, needs to attend a Thomas Plummer seminar.
Jason West
North Columbus Athletic Club

-Thomas Plummer is very fun and inspirational, the information is top notch, and I just enjoy being around other gym owners for 2 days.
Ken Laurie
World Gym Express

-I look forward to attending and sending my staff to a Plummer seminar every year. I take something back each time that will help take my business to the next level.
Mike Shirley
Double Diamond Athletic Club

…Casey Conrad

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other disease in the history of this country that has afflicted such a large percentage of the population. If it was any other disease the government would have stepped in and done something about it back at about 20% but because it is something that we have literally grown into and gotten comfortable with in terms of social acceptance, we now find ourselves way behind the 8-ball in both cures and prevention.

And this is the reality. The government is now realizing the magnitude of the problem and they are searching for solutions BUT HEALTH CLUBS ARE NOT CURRENTLY SEEN BY OUR GOVERNMENT AS BEING ABLE TO PROVIDE A REAL SOLUTION. What this means, Norm, is that the government and the medical community are going to go *find a solution of their own*.

It is my prediction that we will see many more club-like facilities in the near future that are owned by state, federal and medical agencies and professionals—*not because they necessarily have the answer but because they have more credibility in the eyes of the consumer as to providing a solution.*

The health club industry serves a very small percentage of our population, an even smaller percentage of the overweight population and virtually none of the obese population. *If clubs don't begin positioning themselves as places where people can achieve weight loss and lifestyle goals, they will find themselves stuck in the fitness industry only.* This will not be a good situation because, as you have covered in past publications, *the commoditization of the club industry has begun* and the *low cost club concept is beginning to have an impact on the mid-to-upper end club market.*

So, *to reiterate, I believe that clubs need to find better and more successful ways to help the average American lose weight, lower blood sugar, cholesterol, blood pressure and other chronic diseases associated with overweight and obesity. In my opinion, this will have to be done with some sort of affiliation or partnership with the medical community for the establishment of credibility.*

CI: *In my opinion Casey, you, Tasso Kiriakes, Donna Krech,* and Norma Jones all have very clear *"visions"* of where the health club industry really should be going in the future. What is your vision for the future and tell us how you plan to help make that vision come true?

Casey: My answer to that is really a continuation of my earlier answer about the ***opportunity.*** *Norm, I don't consider myself in the health club industry. I am in the health and wellness industry. Fitness just happens to be a component of that industry.* I know that sounds like splitting hairs but I believe it is at the crux of the future. With Healthy Inspirations we have spent the past year and a half developing additional lifestyle programs to bring into the Centers and we continue to develop a more medically oriented organization where we have strong relationships with the doctors in the communities we serve. We are currently putting together a national medical advisory board and continue to find ways to reach out to health insurers and employers to get support and subsidization for weight loss and wellness programs.

Arkansas Governor Mike Huckabee Is Absolutely Correct!

I think Governor Huckabee of Arkansas said it quite nicely in his recent interview in CBI magazine. "America isn't driven by health; it's driven by disease. The healthcare system is designed to diagnose and treat medical problems . . . An insurance policy will cover an individual for a $200,000 quadruple bypass, but it won't cover a gym membership, a session with a nutrition counselor or a weight loss program. That doesn't make sense—we're spending an extraordinary amount of money treating snake bites, rather than killing the snakes. We need to change the paradigm to one of a health-focused culture." CBI, September, 2006, p. 40.)

My vision for the future, therefore, is to help build an organization that creates a health-focused culture AND one that is pro-active at both the local, state and federal levels to try and move the powers that be in our government and health care agencies to become a health-focused culture.

It really is strength in numbers, hence the Legislative Summit that IHRSA organizes so that club operators can band together in one, more powerful voice on *Capitol Hill*. *The challenge, though, is that individual club operators are so busy putting out fires and trying to stay in business day to day that they don't have time to focus on the bigger picture.* They don't have time to work *"on"* their business because they are working *"in"* their business. The power of a franchise organization is that the franchisor works *"on"* the business and the bigger picture items, so that the franchisee can successfully work *"in"* the business but still get the edge.

Driving this important message home to club owners!

CI: When you communicate with club owner/operators about our industry's opportunity now that obesity is a worldwide pandemic, what are the key points you drive home?

Casey: ***First***, and I said it earlier, ***the weight loss client is very, very different than the health club client.***

Their mindset is different, their comfort level is different, their personalities are different. If club operators want to successfully tap into AND service the weight loss market, they must hire the right personalities that can empathize and work with overweight and obese individuals.

Norm, I can't tell you how much I've learned about the mindset of the overweight and obese individual over the past 7 years. I once thought that losing weight *was about having the discipline* and *determination to eat right and exercise more. Nothing could be further from the truth.* ***It is all about the emotional issues surrounding weight loss.*** Most people know what bad food is, know they should be exercising more and probably have lots of books and tools that would help them accomplish those things. ***What they don't have is the hope, the motivation, the support systems in place to apply what they do know.*** Oh, sure, some people need to be completely educated and some people just need some distinctions, but it is the more *amorphous things that really determine whether someone loses weight and keeps it off for a lifetime, not the nuts and bolts of the process.*

With the right mindset, understanding and people in place, the next thing is to find the *right system*. Whether it be the *Take It Off Program* or another one of the very few options available to health club operators, *invest in a proven system. Do NOT try and re-invent the wheel! Club operators are notoriously cheap.* Often they take a look at a program and think, *"Hey, I can duplicate that."* They may be able to *copy a journal*, *hire a dietician* or *even find similar products to sell* but there are so many *behind the scenes systems for an effective weight loss program that it would take someone years to uncover those things,* and that is assuming they were focusing exclusively on the overweight population.

Three, give whatever program you do bring in the right time, money and energy to ensure its success. I don't care how turn-key a program is, *without the right person overseeing* and *managing it, it won't succeed.* That's true even for the Take It Off Program and I'm not embarrassed to say so. *I'm not talking about one person who is solely responsible* for the administration—that is suicide for any program—*what I'm talking about is the right champion to keep the troops marching in the right direction.*

CI: Casey…please FAST FORWARD 10 years in your mind. Please tell our readers what the health club of 2016 should look like. What should its marketing focus be in relation to ensuring that the health club industry makes the right moves for the future to defeat the obesity pandemic?

Casey: I think we've already answered part of that Norm. ***Health clubs need to become a place for total health, not just fitness.*** They need to ***provide solutions for weight loss*** and ***chronic conditions as well as physical fitness***. In terms of ***marketing they need to learn that the average consumer is not attracted to the typical health club ad*** but responds in **droves to pharmaceutical ads that provide solutions for their medical conditions**—conditions that, when one is faced with, are much more successful at ***creating behavioral change than simply the promise of a hard body.*** *They need to become more involved in legislative issues surrounding health and wellness initiatives and form alliances and relationships with the medical community.* Of course, this is not going to happen overnight but if *more club operators don't begin to see this path as the one that leads to the pot of gold at the end of the rainbow, they will find themselves stuck in an industry that is purely driven by who has the lowest dues and the most equipment in a square box.*

CI: Casey, your companies are long-time IHRSA Associate Members. What could IHRSA do to provide greater value for your businesses?

Casey: That's a bit of an unfair question because my needs as a franchisor are radically different than the needs of my franchisees, which is really whom IHRSA serves. I am now getting more involved in franchise associations and attending those conventions because they will help me build a franchise organization. As far as IHRSA and my franchisees, *I think the biggest thing—and something they are beginning to deliver are conferences like the Entrepreneur Show that has been held the last two years in conjunction with the Wally Boyko show.* That is, offering programs that *provide very specific skill-based seminars for smaller operators.* Our Healthy Inspirations Centers are typically 2,000-2,500 square feet and

*(See **Casey Conrad** page 20)*

…Casey Conrad

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have less than 8 employees. This is a *very different structure and day-to-day operation* than a big 50,000 square-foot box with 80+ employees. *Their needs are different. Seminars that offer ideas are interesting but what small operators need are hands-on information that they can take back and implement.*

I also think that, in alignment with my earlier comments about becoming more involved politically, IHRSA needs to provide more directive tools and perhaps even regional assistance to help club operators get involved. Again, they are so busy working ***"in"*** their business that the last thing most operators are going to do is try and figure out how to contact their legislative representative unless it is an immediately pressing issue that affects them. If there were more pro-active involvement before issues and problems I believe there would be more constructive advancement in these areas."

CLUB INSIDER - There you have it folks. *Another* ***thrust into your mind*** *about an opportunity you may have ignored, but simply should not ignore any longer.*

Look at your *membership numbers.* Have they grown this year and last year and the year before? Or, have *they gone flat line? Have you seen the many new club competitors in your market dipping significantly into the lifeblood of your club business…your long-time and even your new members? Are you and your competitors fighting over the same FIT members in your community?*

Do you truly understand and realize that there is *no difference between a FAT person's dollar* and the *dollars you collect from your existing fit members?* Do you realize that there is no such thing as a ***FAT dollar?***

Do you realize that reaching out and marketing with a *separate and distinct message to the OVERFAT population is easily achievable?* Do you realize *your club may effectively deliver two messages* to your market: 1) your *standard* messages that you've used successfully over the years to reach out to the *fit* consumer and 2) a *special message for the overfat/obese consumer that will attract them by teaching them that your club is ready, willing, educationally prepared and very able to accommodate their special feelings and special needs.*

Do you realize that *you really do not have to change your club dramatically* to something you *don't want it to be,* in *order to succeed in attracting and servicing the overfat population*?

Do you realize that *if the overfat person is treated kindly and served well* and is *on a path to success*, her *happiness* and *physical changes over months and months* will serve as *walking billboards* for your clubs? Her *obvious weight loss* and *physical changes* will be *seen and noted* in *many, many conversations* she has in daily life and *will attract both her fit friends* and *her similarly overfat friends, to come to and spend their dollars at your club?*

Never, ever forget that word-of-mouth is the single greatest form of advertising for your club.

And, never, ever forget that FAT people have many friends, neighbors and business associates whom they interact with every day of their lives. Never, ever forget that no matter what a FAT person may say or do, she does not enjoy or like walking through life with a big coat of FAT covering her formerly normal body. In fact, she HATES it and wants to lose it. She is just afraid of health clubs *because she still thinks your club is a hard-body haven* where she will be embarrassed to go. *They need your encouragement* to turn the wheel of their car into your drive way and *to then get out and walk into your club.*

The ***FACT*** *is it's your* ***OPTION now*** to *be or not to be more successful. That is the question. You must answer this question for yourself. Are you* ***willing*** *and* ***ready to exercise your OPTION for much greater success for your club?***

Will you look back 10 years from now and say to yourself, "I am really glad I answered the CLUB INSIDER's question the way I did."

Or, just two or three years from now, after your wiser competitors have fully embraced the overfat/obese market and are then generating 30, 40 or 50% or more in annual revenues in their clubs, while you've continued to struggle, will you then say "Uncle" and try to catch-up?

Are you going to continue to let just ***one mindset, PREJUDICE*** against the American majority now…the ***FAT***, *two-thirds of the United States population,* ***held by you and your staff,*** *block your path to much greater success for your club business? That is* ***TRULY*** *the question.*

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(Norm Cates, Jr. is the Founder of CLUB INSIDER News and publisher since 1993. Cates is a 32-year veteran of the health, racquet and sportsclub industry. In 1981 Cates was the 1st President of IHRSA and a co-founder of the Association with Rick Caro and five others. He was honored by IHRSA in March, 2001 when he was presented with its DALE DIBBLE Distinguished Service Award … an honor that was the greatest of his life. Norm Cates may be reached at: 770.850.8506 or at: clubinsidernews@mindspring.com or at: normcates@leavingfatcity.com To order Norm Cates' new book in print for just $7 a copy go to: www.leavingfatcitycom)

…Bally

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bailed itself out? Probably not. Now, rather than about $700 million in debt, they have nearly a billion in debt! Or, one dollar of debt for each dollar of reported sales. Also, the company apparently has no stockholder equity to speak of, and no one except insiders seems to know whether *Bally* has any substantial real estate holdings or other "inherent values" left. Stock purchases and sales in the last few months have better than equaled the total outstanding shares of the company, so it is reasonable to assume that there are few long-term holders of *BFT* shares left in the public marketplace. (An exception to this are the *Pardus* and *Liberation* funds led by Manny Pearlman, which own about 26% of the outstanding stock. They had signed a no-buy, no-sell three-month agreement with *Bally* in return for privileged private information about the company…that agreement terminates around October 16, 2006.)

So…from a stock price standpoint, while there is evidently a short-term band-aid on the company's wounds, there are no clear long-term solutions to the ongoing intrinsic problems.

Norm has asked me to try to evaluate what the strategy of Pearlman-Kornstein-Elson may be. That's a challenge, because unfortunately I am not a fly on the wall inside 8700 West Bryn Mawr Avenue (*BFT*'s Chicago headquarters address). However, I will hazard a few guesses…at the risk of being totally wrong! (But I don't think so.)

1. Bally cannot resurrect itself with its present, decaying structure. Many clubs are in need of large capital infusion. Membership sales are down and predicted by *BFT* to be down for the remainder of the year. In other words, the "revenue news ahead" is bleak at best. A new, modern marketing strategy needs to be introduced and implemented…and even the best advertising plays take time to come to fruition.

2. Even though they have managed to dodge a grenade with the $280 million tiered loan of last week, that money will go fast. There is a large interest payment ahead of them, *BFT* is in negative

(See ***Bally*** *page 30)*

Since you need insurance, why not SAVE MONEY and have PEACE of MIND?

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Association Insurance Group

Master Mind Group

By Will Phillips

Part II

HOW TO FORM AND RUN A MASTER MIND GROUP (MMG)

COMPOSE YOUR GROUP

Select others who will be helpful, not just friendly. Contract for 3 months of working together in the Master Mind format. Then, re-evaluate what you have learned about making the MMG valuable. Redesign it as needed. Drop or add members as appropriate. Ideally, they are not competitors and for convenience live within easy driving distance. Now make a 12-month commitment. A Master Mind Group of two works. That was the size of my first one in 1974. Three is probably a better number; more balance is possible with three. Going beyond three can be challenging as the management of the group now becomes an issue. Benjamin Franklin started the first recorded MMG in the Americas. It consisted of 12 men from Philadelphia who were committed to growing their business and improving their community. Out of this MMG came such lasting contributions as the University of Pennsylvania, the first public library, the first fire department, the first police department and a major hospital. If you visit Philadelphia, you can learn more about Franklin's *Junto,* as he called it when you visit the Franklin Exhibit.

Large Master Mind Groups usually find that a professional chair is essential. Top-level master mind groups often have to search nationwide and even internationally to compose a group with the qualities of non-competitors, industry leaders.

A DISCIPLINED SCHEDULE

Schedule a regular time to connect. Weekly is the most powerful. Monthly works, but can lose momentum. Set up your meetings to fit your schedules. If a conflict arises, proactively reschedule. If you are not meeting weekly, use conference calls in the off weeks. The best results occur when you've made your Master Mind conference call every Wednesday at noon!

A conference call is ideal as long as you are not driving or have a poor cell phone connection. Many cell phones have conference call capabilities. The conference call service REX uses: Judy Sabah (Judy@JudySabah.com). It is about $30 an hour and everyone calls in. Simple, foolproof and if you want a recording, Judy can arrange it.

A DISCIPLINED AGENDA

Follow this agenda with diligence. Do not get sloppy with it. If the agenda slides, it tends to spiral out of productivity and the MMG loses its purpose and power. Then, members miss meetings. Someone then drops out and the MMG dies.

WARM UP

1st Share your numbers from one to ten rating Business, Family and Self. Just the numbers. Then take a few minutes to get the background on uncharacteristically low numbers or significant changes.

2nd Decide who goes first, second, etc.

3rd Assign or take roles:

-TIMEKEEPER: Insures the Group has agreed on the length of the call-usually one hour or meeting-usually a half to a full day. Makes sure every one gets equal time and that there is time at the end to cool down. Give reminders when a person's time is half way up, three quarters, etc.

-FOCUSER: Keeps the dialogue focused on the agenda. Minimizes social chit chat.

-CHALLENGER: Continually thinks of how to challenge the others to higher levels of performance. Setting more challenging goals and time tables. Encouraging all to go to the edge and then a bit further. Nurtures fearsome courage. Helps MMG members see what they could accomplish if they were convinced they would not fail.

-STRENGTH BUILDER: Notices each person's strengths and passions. Reminds everyone to focus on the positive; not get stuck behind difficulties. Helps each be true to their unique talents and to stay focused on them. Consider having everyone complete the *Now Discover Your Strengths* profile and sharing with the group.

-RECORD KEEPER: Keeps track of commitments and One to Ten Ratings from meeting to meeting. You may do the record keeping or simply insure that each person does his/her own. Sends reminders for the MMG meetings.

The TIME KEEPER and FOCUSER roles are essential in each MMG. The CHALLENGER and STRENGTH BUILDER are needed intermittently. The RECORD KEEPER's value depends on how well individuals keep their own records and honestly share them.

Over time the roles can rotate, but the strongest MMG occurs when those roles are filled by the person with the most natural talent for that role, in which case they are not rotated.

THE WORK

4th When it's your turn: Cover the following agenda more or less in sequence. Some items will overlap in actual conversation. Master mind groups are driven and focus on helping individuals set and achieve challenging goals: business goals, family goals or personal goals. In the early meetings take time to help each person clarify his/her goals and design his/her actions to achieve them.

a. You have three main choices on what to work on with your MMG. Your goals, clarifying the actions to achieve them or overcoming the barriers to achieving them.

b. In subsequent MMG meetings review progress and identify obstacles.

c. Report the degree of integrity with which you have pursued the activities you selected to reach the goal. Did you do the things you said you would use and planned to achieve the goal?

d. Report any barriers in the external world and inside yourself.

e. Problem solve with your group to overcome low integrity problems or barriers.

f. If you are acting with integrity and there are no barriers, you should achieve your goals. If not, you have selected the wrong actions to achieve your goals. Use your group to think through a fresh set of actions.

g. Record your commitments.

h. Pass to the next person.

REX has developed two tools to help MMG's. One is a simple set of guidelines for presenting an issue (opportunity, or problem) to a MMG. It is available at www.REXonline.org in the Locker; see Issue Preparation. The second tool is a guide for the next step after the issue is presented. It is called the Problem Solving and Decision Making Pad. REX produces pads of these forms and you can down load a free sample as above.

Will Phillips

COOL DOWN

a. Evaluate the meeting. How'd it go? Beneficial? What specifically helped you? Did you split the time? What and who helped the MMG go well? What should be done differently (if anything) in your next MMG meeting?

b. Plan to meet/connect again. In the beginning, weekly is the place to start. If this is too frequent or infrequent, change it. Schedule several meetings out. The RECORD KEEPER can send an email the day before to remind everyone.

c. Give each person a turn where the others appreciate and celebrate that person's progress.

d. If any one missed the MMG, *everyone should call him or her*. Update and tell them how their absence impacted the MMG. Express care. Induce guilt!

GUIDELINES FOR MMG

• Be positive: Look for "How To" not "Why Not?"

• Remember you are not responsible for the other person's decisions or feelings.

• Hold one another

*(See **Will Phillips** page 27)*

The Bottom Line on the Weight Loss Business

Part I

By Donna Krech

There are a variety of weight loss solutions available for your club(s). Please note I've written 'solutions', not components.

Solution says you intend to do something to fix the problem. Component implies you offer it as ancillary revenue stream.

There are stand alone, business in a business, group or class, short-term model and on-line models. In this Part I and II article this month and next, I'll cover how each one works so you can size up what's right for you AND what's right for the member.

What's the goal for offering a weight loss program to your club members and the marketplace? Is it to create added profit? Of course! And it should also provide the solution for a need.

With that in mind, you need a double goal:

1) increased revenue for your club or personal training business, and

2) an on-going, lifestyle-related program of continuity for the member.

So the specific information shared here will be of the most benefit to you, let me start with the words I've heard from club owners over and over:

• "We see the need and want to get on-board, but we don't know which weight loss business model to use or which program style is the right one."

• "Our weight loss business added one hundred thousand dollars to our bottom line!!!"

• "We added weight loss services and saw no increase in profit at all."

• "We just want something that will 'run itself'."

• "We want to be the full-fledged solution provider in our community, but we can't get the overweight person to come to us."

• "We just don't want to ***deal with*** weight loss customers at all."

One of the statements above may strike a nerve with you because they're good representations of the wide range of comments I've heard from club owners.

The end result of the confusion is simple. There is an obesity pandemic running amok in most of the world. There are now more obese people than underfed ones. It seems only a moment ago that our hearts, time and pocketbooks could turn toward the crisis of feeding the hungry and we'd know we were doing our part to save the world.

Today the crisis we must focus our attention on has changed. If we do not do something immediately the generation of children in school now *will be the first not to outlive their parents.* The *1 billion* in our society and societies around the globe are slowly KILLING our kids and ourselves with our lifestyles!

You may say, "Come on now Donna, this industry isn't killing anyone! We offer the amazing benefits of exercise and fitness, after all."

That's true. *And, we all know when we exercise regularly everything about life is better.* Keeping weight in check is almost a perk, right?

However, the problem is that we offer these exercise and fitness benefits to people who are already well aware of what the benefits are, possess the habits to pursue them and are ready to receive them.

Millions of those who need us most don't come to us.

We are an industry who truly does provide the secret to permanent weight loss. Yet, we're not providing it to those who need it most. Therefore, **<u>we are</u>**, in fact, standing by and watching as people not only feel more unhappy and lethargic, but also suffer from life threatening disease and quite simply- die younger.

If we don't do something, more and more mothers won't be able to run and play with their kids because of the excess weight they carry causing a lack of energy. More fathers will die leaving a young widow to care for three children without anyone to help her because of the heart attack that took him at 38 years of age. Prescription drugs will continue to be a way of life for even the 20-somethings because of heart disease, high blood pressure and type 2 diabetes… all things we, as an industry, can prevent!

If it seems I'm trying to sell you on offering weight loss as a business model- I am.

Long ago I discovered the multitude of benefits that came from exercise and living healthy. I saw the 'big picture' beyond just ripped abs and sculpted arms. I had such a passion to deliver the message about these benefits, that I moved on to the 'bigger picture' of starting a business to help people discover this for themselves. It didn't take long for me to be on a mission inside the 'biggest picture'. I want to see the overweight and obese of the world fall in love with these benefits, whether they do it through my company or not.

This Part I will provide as much information and education as possible by describing the choices in business models that are available through my company and many others. Next month I'll finish.

I'll tell you bluntly I've been referred to by others as <u>*THE expert in the business of weight loss*</u>, as I've been doing what I do since 1982. While I am very aware that I don't know everything, I have learned that I know more than most on the subject and can answer virtually any question posed. I began working in the weight loss business in March of 1982. In April 1982, I went into the fitness business. I've been involved in both industries since.

Let's get to the bottom line and answer questions.

What choices are available for implementing a weight loss solution in your club and what's it going to take? With the many models available in this field your investment could range from a zero dollar investment to about $50,000, depending upon which model you choose.

Depending on your choice of model you will need as little as 50 square feet up to 2,000. You will need to make a time commitment as small as 2 hours per week from an existing staff member up to 2-4 full time people or more.

Can you truly make more money? Yes, anywhere from a couple hundred dollars per month to quite literally over a quarter of a million dollars per year is being made in weight loss.

Will it take research and work? Yes. I'm providing you with a lot of the research here. The work will be based on what kind of reward you want to see monetarily and what kind of solution you want to be in your community.

Is the inclusion of a weight loss program similar to what you're doing now? Yes. May the same results be obtained using the *same marketing approach we've used in fitness?* Yes. Actually, *BETTER* results may be had. Many club owners have seen their floundering location revive and thrive due to weight loss revenue. The marketing channels have in many cases been the same.

However, marketing success for weight loss programs have NOT been successful using the *same marketing message as fitness.* I've tried that and failed.

Outside of employing a dietician, physician, life coach, psychologist, fitness team, writer and nutritionist in order to create your own program, the 5 models come from 2 sources; franchise and license. A franchised model is typically most expensive.

According to the IFA (International Franchise Association), this is due to a franchise providing you with the most fail-safe approach to succeeding in the business. All systems, processes and procedures should have been tried and proven before they get to the franchisee and support should be intricate.

A licensed business model is best understood by thinking of your driver's license. You don't own it, but it's yours to use and operate with, providing you abide by its guidelines.

A license, by tradition, will have far less 'teeth' in its agreement than a UFOC (Universal Franchise Offering Circular) and require a much smaller initial investment. The systems within a licensed agreement often produce great results and are just as good as a franchise.

Do your homework. Ask relevant questions to your success like: What kind of start-up systems are in place? Is there a pro forma or actual P&L I can review? What marketing tools are ready for use? What kinds of results have been seen with these tools? How many people will be needed? Is training provided for them? How many hours will I need to invest and in what amount of space? If I have a question, how do I get it answered and how soon will that answer come? What types of support systems are in place?

*(See **Donna Krech** page 27)*

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I'm Donna Krech. I've been in the weight loss and fitness business since 1982, and ownership since 1986. Since September '04, we've dedicated ourselves to helping clubs see the income they'd hope to see. IT'S HAPPENING - CLUBS ARE NETTING 100K! THERE IS HOPE! You CAN do this. Let us show you how!

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- Tony Chappie

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Club Industry Chicago

2006

…Will Phillips

continued from page 22

accountable, "Last time you said you would have this done by now with no sweat. What happened?"

• Absolute honesty. Complete confidentiality.

• Always take time to appreciate one another's strengths and accomplishments. Go over the top here!

USE YOUR MASTER MIND GROUP TO EXPLORE THESE ISSUES.

• What would it take to grow membership at 10% a year every year?

• How can I reduce expenses without reducing value by 5% a year?

• What am I learning about me? Integrity? Commitment? Risk taking? Innovation?

• What am I learning about the linkages between My Activities and My Desired Results?

• What am I learning about the linkages between My Desired Results and My Goals?

• What will I do differently?

• What are my real talents and passions?

• What kind of support from my Master Mind Group is most helpful?

• What am I learning about my level of responsibility? What do I take responsibility for?

To whom am I responsible? Read Chapter One of ***"Responsible Managers Get Results"*** by Gerald W. Faust, PhD., Richard I. Lyles and Will Phillips.

THE JOURNEY

Launching your Master Mind Group is not easy. It will take effort. It will push you to approach other club owners who may reject or laugh at you. Your confidence may be challenged in asking others whom you see as very successful business people to join your group. Remember the edge you have is your willingness to learn and your courage to form an MMG. You may add a member who is enthusiastic but starts to drive others away because of their behavior. The worst are those who won't shut up, those who do everything perfectly, those who don't show up and those who don't maintain confidentiality.

Once your MMG is functioning however, it can continue indefinitely. It now becomes the improvement machine into which you can feed all your ideas and challenges. Everything you learn from reading Club Insider or CBI or from attending conventions and workshops can now be empowered and improved in your Master Mind Group.

If you have questions or challenges at any time in your MMG email me for a personal response. Will@REXonline.org.

FOR EXECUTIVES AND MANAGERS WHO ARE NON OWNERS

Everything in the above article can apply to you as a manager. Just change a few words around. My first MMG was scheduled every Wednesday night after work. My boss did not even know I was in a MMG. Some 25 years after I moved from Boston, the site of my first MMG, I received a book in the mail from my MMG buddy Kalen Hamman. Kalen's book: **"If at First you Don't Succeed… Change The Rules!"** , describes our MMG on pages 106/107.

(Will Phillips the Author is the Founder and CEO of REX Roundtables for Executives which operates 24 industry roundtables including 10 for club owners and GMs in the US, Canada, Australia and New Zealand. Downloadable copy of this article will be on www.REXonline.org under Management Briefings.)

…Donna Krech

continued from page 24

What are all the fees associated with this model and exactly what are they for? What's the track record of this organization? Who may I speak to that's had both good and bad experiences?

While many franchises will require a percentage of your gross revenue, some won't. A license typically never does. The investment of $200.00 to $50,000.00 includes initial fee for use of the name, programs and business concepts, any branded materials or products needed, optional office equipment or furniture and marketing and build out costs.

There is a vast range in required investment dollars! This is where we need to consider the specific business models themselves. I'll share details next month on each model. In the weight loss business you can profit like you've never profited before! As with any other business, the reward you receive will be directly related to the risk you're willing to take.

Next month we will delve into a further analysis of the variety of weight loss models that are available now. So, stay tuned!

(Donna Krech is a member of "our group" and the Founder and President of Thin&Healthy's Total Solution® and may be reached at: 419.991.1223.)

Body Training Systems = Quality

Part II

By Norm Cates, Jr.

Last month we shared comments from Rich Boggs' 3-day BTS Summit held at the World Congress Center in Atlanta in our September edition. Boggs had convened a 3-hour BTS Leaderhip Panel session that provided responses, straight from the owners of clubs employing Body Training Systems, to this question: ***"What impact has the Body Training Systems programs had on your club?"***

In Part I we heard from **Mike Arteaga,** owner of two All Sport Clubs in Poughkeepsie and Ulster, New York, and ***Mike Silva***, the owner of the Edge Fitness Center in Ramsey, N.J. and ***John Miller***, the General Manager of five Courthouse Athletic Clubs in Salem, Oregon.

Mike Arteaga shared some additional thoughts after Mike Silva: "I want to compliment Mike Silva. He's said exactly what I've experienced as well. By the way, when Rich called me and asked me if I wanted to speak here, my initial reaction was, 'Heck, we're novices at this. What can I tell anybody? But, now that I see the passion we're having right up front and the immediate reaction to the BTS program by our members, I realize why Rich wanted us to share our feelings. If you're in this business to help people as we are, and I am sure all of you are, this is a *no brainer*. This is all about our members. This is about helping people make exercise part of their lives from now on. BTS is just a fantastic tool for helping people do that. When Rich said to me, 'When was the last time you had someone jump off of a treadmill and say, 'WOW… that was great FUN!' it finally got through to me. So, we went to Atlanta , investigated and joined the BTS program."

In this Part II we will cover additional responses from the first 3 speakers to the following question:

Question #2- Did you go and talk to your group exercise people when making your decision to utilize Body Training Systems?

Mike Arteaga moved into that question after his additional comments above and added, "They don't like it! The established people in your group exercise program won't like it! We had a battle at first. We came to Atlanta and looked at it and became totally sold on BTS. Frankly, we decided that we don't give a damn who is staying with us and who is leaving. This is a WINNING program and we're going with it.

Arteaga continued, "Did we lose some instructors? A *few*. *Not that many*. *Quite a few made the transition*. But, you're going to have a battle with some of them. One of my instructors, a real sweet gal who is doing terrific with it now, said to me, 'You know Mike, I don't know why you want to bring this program in.' I said, 'Well, because there are a lot of people out there that need help, and we want to see the classes filled again.' She said, 'I think we can do this on our own.' I repeated, 'We want to see the classes filled.' Then, she said, 'It would be nice to teach a full classroom again!'

Arteaga made something else very clear when he said, "This is a *business decision* that should be made by the club owner. If you leave it solely in the hands of your group exercise director or instructors, you're going to face a battle. If you leave it up to your staff you will go nowhere."

Mike Silva added, "For us, a big step was making sure that deviations from the program are kept to a minimum. For me, I did a lot of homework. I wanted my first program delivered the way Group Power® is set up to be delivered. So often, when there is fear of change, you're going to have employees that are going to try to prevent change from occurring by changing a program slightly. We didn't allow that. I wanted to *be sure we delivered it exactly as it is supposed to be delivered*. I wanted to see them in the environment and see to it that it was delivered correctly as taught by BTS."

A discussion took place amongst the panelists when a question was asked with respect to the scheduling of classes. One attendee, not on the panel said, "We have two wellness centers, one has 3,000 members and the other 4,000. We've had BTS programs for many years. We have 3 BTS programs now and we're getting two more. Our biggest problem has been during prime time. We're running all three rooms and they're all full to capacity and have no room for any more. I would suggest running all three rooms during prime times with two hours back to back at 5:30 and 6:30 every single night and then putting a mind-body class and a cardio class in at the same time, because you will fill them too."

Silva added a humorous comment, "I've been in the business for 20 years. And, I can't believe that I'm in a conversation about group exercise in my club all of the time now. I feel like a junkie. You know….my name is Mike. I'm a Group Power® instructor…(Laughter and applause broke out with Mike's comment).

Mike Arteaga added. 'I want to make a comment about instructor selection and avoiding prejudices. That class I mentioned earlier with 50 people jammed into a 40-person room on Monday night is what I am referring to. The gal who taught that class teaches Group Power® and Group Step®™. Here is a young lady who is actually overweight. But, *she packs those classes*. You would not look at this young lady and initially think she is a fitness class instructor. BUT, she just packs those classes! So, don't be judgmental about who comes to your training, who wants to try out, because who packs the classes and who doesn't will shock the hell out of you. It's amazing. *Keep an open mind.*

Another attendee commented on Artega's comment, 'I want to reaffirm what Mike said. Not all of my instructors look like fitness magazine models. I think it is very important to have different sizes and shapes amongst your instructor group. Members get really encouraged when they see 'normal people' teaching and they say, 'If he or she can do that, I can do too!' and it serves as a great member motivator."

One non-panelist attendee also shared his thoughts on diversity in hiring, "We really spent a lot of time to make sure we picked a diverse group of instructors as far as age and gender are concerned. We wanted to make sure that we were developing the program with diversity from all angles: in our group exercise, our sales department, training department and even our front desk are represented. That has helped our operation greatly."

A follow-up question

*(See **BTS** page 29)*

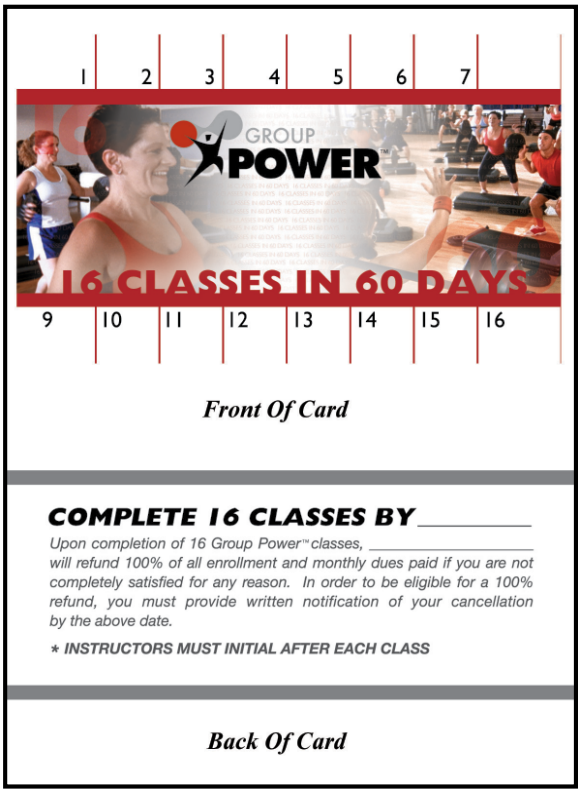
...BTS

continued from page 28

was asked by an attendee of ***Mike Silva***. The question was: "Did you change the layout of your club since you've discovered the value of group fitness?" Silva replied, "We've had the program since July when we launched. So, we've not had much time and haven't changed the layout yet. But, we're in a thought process for a second location and will focus on creating the space in our second location. I do have some spots that are fixed and can't be changed, such as our Physical Therapy Department. We've dealt with our needs by adding more classes to our schedule, but we do need to make some changes for more spots because BTS has been so explosive in our club already. I'd like to blow up my cardio room. I've got a half million dollars over there sitting quietly while we're all in the Group Power® room. In my club the free weight room still has tremendous value for personal training and is definitely the right size for our club. When I went out to IHRSA25 in Las Vegas and met these BTS guys for the first time, I was really nervous about maybe losing my personal training dollars. We've really worked hard to build our personal training and I did not want to substitute my revenues and have a high flying group exercise program at the cost of my personal training. Our group exercise success has not hurt our PT revenues at all."

Veteran Body Training Systems Club Owners Weigh In

Rich Boggs introduced James and Susan Viar, owners of 3 large Gold's Gyms south of Atlanta . Their clubs have an 80%+ retention rate. They have no sales staff. None. Nada. Zero. They do *month-to-month memberships only*. They use the Body Training Systems 16/60 guarantee. They have 3 group exercise rooms in each club servicing 50-60% of their total daily visits. They have one room that will hold 120 people, which they have had for Group Power® and Group Groove®. They are veteran BTS providers.



Boggs then introduced ***Gordon Johnson,*** veteran owner of 3 Gold's Gyms in Douglasville and Marietta, Georgia. Johnson installed Body Training Systems in his clubs 1999. One of his Gold's Gyms has over 70% of its daily traffic attending group exercise programs. He is also a BTS Platinum Elite club offering all six (soon to be seven) BTS programs.

For introduction Rich Boggs explained, "These people have gone through the setup, the integration and the refinement process which is how they reached these numbers. We're going to start with *James Viars.*

"James Viar began, *"I think the key to success is to stabilize your total visitation numbers*. You have to understand that your total visitations drive every other aspect of your company. The *key,* I have learned, is to stabilize that total visitation number. That is going to drive new member sales, referrals, your retail… everything. When I look at all of my numbers, there is only one line that really affects your total visitations.. That is group exercise. It impacts everything else. It is a work horse. It keeps your total visitations high. Over the years by studying my numbers I've determined that once you get over 30% of your daily traffic coming in for group exercise you have reached a point where it will just begin to drive your business forward. Once you get to that 30%+ number everything else just takes off. If you take group fitness away, you have sporadic numbers in all areas. It impacts all of the rest of your club revenues. So, what does that mean in terms of money? It means the better your group fitness programs the more your revenues in all departments. New membership sales do follow your group exercise numbers. If you want to streamline all of your business and raise all of your other revenue streams you can do that by raising your group exercise numbers to 30% or above."

Gordon Johnson said, "Let me add a couple of things. We've seen the exact same thing with our numbers. Across the course of the year our group exercise class attendance remains stable, when during our Spring/Summer months the free weight users and other workout numbers drop off. The group fitness attendance remains the same. That's an amazing thing. The higher you get percentage wise, the more consistent your attendance gets.

A couple of important things amongst many that impact your profits are: retention and cost control. When we started years ago, I am not sure what our retention rate was. Now, it is about 70%. We can't rest on our laurels and we don't. We've continued to drive up our group exercise numbers where we now have group exercise participation nearing 70% and 60% in our two locations with more than one studio. The other thing from a profitability point of view and one of the things you may save on due to increased group exercise attendance is the purchase of additional equipment. Your profit margin will improve over the long haul by capital expenditure savings on equipment."

CLUB INSIDER – This BTS Summit event contained a whole lot more than we've had space to share here in our Part I and Part II coverage.

I would suggest that you contact Body Training Systems as soon as possible to get much more information. Remember this too: ***Body Training Systems = Quality.*** You may reach ***BTS at: 800.729.7827 X 230*** for more information.

…Bally

continued from page 20

operational cash flow monthly, and they still have a class action suit outstanding, the settlement of which could require a lot of cash.

3. Competition in once-dominant *Bally* regions has become intense in recent years, and *BFT* has lost sales and market share to low-price players and better independent operators in the same relative membership price ranges. This syndrome will not reverse itself in the near future.

4. Even if the company can stave off what seems nearly inevitable…and manage to stay afloat…an estimated $250 million or more of fresh capital is needed to renovate many tired clubs and replace aging equipment. Where will these funds come from? Certainly not from operations.

As many of you know, in years past I worked in the equities industry and was a part of teams that handled private placements. In other words, I understand the game. So now here's where I go out on a limb!

After considering as many options as I can think of…after crunching number after number after number…after dissecting all of the possible scenarios that I can dream up…I predict that *Bally* will finally declare re-organizational bankruptcy by early next year. I think they will attempt to get as much value as possible to the bondholders (including the possibility of offering some stock options for a reorganized company)…then they will announce a "downsized structure" by closing unprofitable clubs and/or entire regions…they will eliminate a third or more of employees…they will introduce a totally new marketing scheme…they will attempt to re-brand *Bally* (possibly with another name)…and they will return to low-price selling, which has been their forte over the years. It is also very possible that they will "de-list" the company from the *New York Stock Exchange* and "take it private."

The only big worry I have for our industry if *Bally* goes under is that it may precipitate some legislator in one of the major consumer-protective states introducing an act banning "contract memberships" as we know them today. If such a law were passed in a key state, it is reasonable to assume that other states would follow suit in short order. This could be extremely detrimental to thousands of health clubs.

In summary, it's kind of like the second half of the popular movie *Titanic*. At the same time that passengers in one part of the boat were being told that everything was under control and to stay on board, the life boats were being lowered on the other side! I'll take an unpopular contrarian view and say that *Bally* is in the early stages of abandoning ship. Expect the seas to get rougher.

'Til next time - MICHAEL

(Michael Scott Scudder, a contributing author for "Club Insider News," owns and operates "MSS FitBiz Connection" – an online-based club consulting and training service. He offers online training workshops and conferencing that present solutions to health club problems Michael can be contacted at 505-751-4248 or by email at mss@michaelscottscudder.com.)

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THE Norm Cates' Club Insider NEWS

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Very sincerely, Norm Cates, Jr.

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Mike Arteaga
Owner, All Sport

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