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Norm Cates'

THE Club Insider[®] NEWS

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



IHRSA President Joe Cirulli (L) & President-Elect, Geoff Dyer

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IHRSA Club Insider[®]

NEWS

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

SPECIAL IHRSA 20th CONVENTION & TRADE SHOW EDITION

IHRSA Celebrates 20th Year Anniversary In San Francisco! Record Numbers In Attendance

By Norm Cates, Jr.

Joe Cirulli and the IHRSA Board of Directors and John McCarthy and his world class TEAM IHRSA deserve huge congratulations and accolades for their production of the IHRSA 20th Anniversary Convention and Trade Show. A record 3,500 people registered for the Convention's various educational sessions and programs, and total show attendance exceeded 10,000, also a new record for IHRSA's Convention and Trade Show. John McCarthy, 20+ year Executive Director of IHRSA comments, "It is such a pleasure to watch the IHRSA show growth year after year. With the success of this year's show behind us, we are looking forward to another prosperous show in Phoenix in 2002." And John, for the record, this entire 20th Anniversary event could not have been better. Congratulations!

That sentiment was echoed over and over during and after the show and will continue to be heard for years to come. The event will be remembered as an very appropriate cap to an amazing 20 years in an industry that is just in its infancy, the health, racquet and sportsclub business.

Rick Caro, Founder of IHRSA, summarized well exactly why IHRSA has become the

world-wide leader in the health, racquet and sportsclub industry when he said to those attending the IHRSA 2001 Founders Reunion Dinner: "I may have had an idea at one point, but no idea works with one person. It works with hundreds and thousands of people. What we have always said is it is a team effort. It starts with some people that have a vision and it spreads to a lot more people. This is not an "Old-boys network." At this point we have three new Board Members every year and have had 60 Board Members so far. We have a Staff that at the beginning was 2 1/2 full-time equivalents and now is a 57-person staff. The Staff is as dedicated as can be. And, we have these people called Members that really care and want to be part of something that is great. We all should be proud that we have become part of something that has become great. Thank you all and I look forward to seeing you in 5 years at the 25th Anniversary."

A Great Start!

The Convention began one day early this year, on Wednesday, March 21st. The day included a Free Motion Pro-Training Workshop, sponsored by Ground Zero, certifications and exams conducted by various organizations, a Group Fitness Management Training Workshop,

sponsored by Body Training Systems, concurrent workshops, and the Fair Competition Open Forum.

The Fair Competition Open Forum was attended by over 50 IHRSA club members representing ownership and management of hundreds of concerned clubs. Highlights of that meeting included comments by two club owners that have been particularly successful in the Fair Competition Fight, Joe Moore, owner of Moore's Fitness Centers in Ohio and Gary Bright, owner of Kangaroo Courts in Chico, California. Both of these men have led the fight in their respective states for years. For additional information on the Open Forum and/or the Fair Competition Fight, contact Helen Durkin at IHRSA, (800) 228-4772.

Wednesday, March 21st, was capped off with the huge IHRSA 20th Anniversary Opening Reception, attended by over 4,000!

OPENING SESSION ROCKS WITH TOM PETERS

The IHRSA Opening General Session was attended by at least 3,000 people on Thursday morning, March 22nd. Departing Board Members, Ex-officio President, Gale Landers, Herb Lipsman and Rich Mandley were thanked and honored. And, new incoming IHRSA Board Members, Carol Nalevanko, Julie Mann, and Mark Smith were introduced. Three IHRSA Awards were given. The first Award was given to Helen Naples of the Helen Naples Women's Wellness and Fitness

Center and presented by Felipe Duleyrie, President of Polar Electro. (See page #18) The next award was presented to yours truly, Norm Cates, Jr., who was honored by the Association with the first ever DALE DIBBLE Distinguished Service Award presented by Rick Caro. (See page 12.)

Tom Peters was then introduced by Fitlinxx Founder, Keith Camhi, and presented by Keith with the IHRSA Person of the Year Award, an honor given to a person from outside the industry that has influenced and helped the Association and the industry a great deal. Tom Peters then truly electrified the audience with his presentation entitled: "The Circle Of Innovation." Among other things, Tom told us to stop underestimating the power of women in our industry and to look ahead because women will one day rule! To enjoy Tom Peter's awesome presentation, go to: tompeters.com/slides/ppt/ihrsaf.ppt

Life Fitness sponsored the Global Industry Summit which featured comments by Michelle Russo, Burke Koonce, Mike Balfour and Frank Reed.

Thursday was wrapped up with the kick-off of the monster IHRSA Trade Show, which was clearly the greatest Trade Show in the history of the health, racquet and sportsclub industry, the Vanguard Event, sponsored by Star Trac, Inc. and the Planet IHRSA International Reception, sponsored by StairMaster Sports/Medical Products, Inc.

Awards, State of the Industry and Image of the Industry Highlight Friday

Friday, March 23rd was

another big day at the show, kicked off with another General Session in which the Sales Makers, Ray Gordon, Eddie Tock and Lyle Schuler received IHRSA's Associate Member of the Year Award (see page #14), a State-Of-The-Industry Address was given by John McCarthy, Kevin Grodski and Annbeth Eschbach and the IHRSA/ACE Fitness Awards were presented by ACE Executive Director, Ken Germano. The Fitness Director of the Year was presented to Scott Lewandowski of the Union Station Multiplex in Chicago, the Personal Trainer of the Year was presented to Ann Gilbert of Shapes Total Fitness in Brandon, Florida, and the Group Fitness Director of the Year was presented to Donna Brouillard, of the Kingsbury Club of Kingston, Massachusetts. Later that day, the Spa Business Conference kicked off with its General Session, concurrent training sessions were held and the Trade Show continued.

Awards, Herman Cain and Concurrent Sessions Highlight Saturday

The Awards Presentation on Saturday morning included the presentation of the IHRSA/TCA Community Development Award sponsored by Tennis Corporation of America and given to the Windward Lakes Club of Alpharetta, Georgia and received by Ken Harrison from TCA's Michael Mahoney, the IHRSA Racquetball Programming Award, sponsored by the U.S. Racquetball (See IHRSA page 24)

Inside The Insider

- Tim & Liz Rhode - Part II - "MAC" Story
- Brian Homan Of Tools Management Opens Up To The Club Industry
- SalesMakers Named IHRSA's Associate Member Of The Year
- Norm Cates Honored With IHRSA's Dale Dibble Distinguished Service Award
- All Of IHRSA's Award Winners

NETPULSE REVIVED!

Turn to page 10 for text of letter from Tom Proulx

• NORM'S NOTES •

You should find a **SUBSCRIPTION INVOICE** inserted in this issue for your convenience in ordering your **CLUB INSIDER** News subscription. If you have sent in your subscription, just ignore the invoice or better yet, give it to a friend. If you are at an **IHRSA U.S. Member Club**, you have been receiving The **CLUB INSIDER** News for the last 3 months on a complimentary promotional subscription which ends with this issue. To continue to receive The **CLUB INSIDER** each month, just fill out the invoice and send it with your check or American Express Authorization. (AMEX #, Exp. date, name, address, etc.) and mail it to the address on the invoice. Be sure to make a copy for your business records. If you elect not to send it, thanks for reading The **CLUB INSIDER** News anyway. We sincerely hope you enjoyed it and can use the articles to help your club or other businesses prosper!

•BOY OH BOY! I am sitting here on a beautiful **Easter Sunday** just thinking about the past 3 weeks in my life and searching for words to properly thank each of you out there for being **TUNED IN** here with me. I have just got to tell you. I am a very lucky man. I am lucky because I truly have a **PASSION** for doing this **CLUB INSIDER** News each month for you! I went to the **IHRSA 20th Anniversary Convention and Trade Show** with great anticipation and excitement because my **IHRSA friends** had decided to honor me with the **Association's Annual Distinguished Service Award**. This Award is **IHRSA's** top award and represents an honor for continuous achievement and commitment to **IHRSA** and the health, racquet and sportsclub industry overall over an entire career. But, to top that, the **IHRSA Board** decided that this year and from now on, the Award will be called **IHRSA's DALE DIBBLE Distinguished Service Award!** You may

or may not know Dale. If you don't, just read **RICK CARO's** article entitled: **IHRSA Honors Norm Cates** on page #12 of this issue where Rick tells about Dale. Dale's photo is shown below for you also. I received the first ever **Dale Dibble Distinguished Service Award** on the morning of March 22, 2001. Prior to the Convention, I was so busy finishing work on my March edition deadline and preparing for the trip that I never wrote my award acceptance speech until I was on the plane going to San Francisco. After receiving the honor, I gave my speech and I want you to know that I have reprinted it in this edition on page #14 because I want all of you to receive my thanks, just as if you had been there in San Francisco. At the end of my thank you comments, I tried to convey a message to everyone that would be meaningful. And, based upon the feedback I received during and after the Convention, I succeeded. I hope the closing comments in my speech can be of benefit to you. When I was writing my speech, I asked for help and I got it. The response to my comments have been remarkable. I've had an enormous number of people at the four-day event come up to me and congratulate me and tell me how much the speech moved them. I can only say thanks to you all and I hope you can use those words to help your personal club business success.

•The 20th ANNIVERSARY IHRSA CONVENTION AND TRADE SHOW was an amazing event! But, now that the 20th Anniversary **IHRSA Convention and Trade Show** has come and gone, I don't think the industry will ever be the same after this. The reason I say that is that this event marked the ascension of our infant industry to the 'next level.' You may wonder why I describe our in-

dustry as an 'infant industry.' Let me explain. Since I am writing to you on **Easter Sunday**, let me give you some food for thought. Think about the hotel industry and how old it is. Those that believe in Christianity realize that the baby Jesus was born in a manger, because the "Inn [hotel] was full." You all know the story. The evidence shows the hotel industry is over 2000 years old. Compare that industry to ours, which is maybe 60 years old, tops. Think of the progression of our industry that has happened in just the 20 years since **IHRSA** was started in 1981. The health club industry has moved forward toward professionalism more in the past 20 years than had happened in its **ENTIRE** previous 40 year history. If you have never thought of yourself as a pioneer, well, hold onto your hat. **YOU ARE a pioneer!** All of us in our industry at this time are pioneers. Think ahead 100 years. Think of the year 2101. In your mind's eye, just imagine what our industry will be like. Imagine the average life span of Americans being 125! Imagine those people looking into a time capsule from 2001 and finding things like the thigh master and body wraps for weight loss! This is my point. We have the momentum now to take the opportunities before us and to direct our own destinies in our business. In America, we still have 92% of the population of nearly 290 million to reach! That is approximately **230 million member prospects** out there that need or will need what you have to sell! Sure, some of them are getting their fitness needs filled elsewhere. But, it is up to us to improve so much that the American consumer feels compelled to come to us. As **TOM PETERS** said during his electrifying presentation during the opening session at the **IHRSA Convention**, what an opportunity! Each of you can make the decision right now to rededicate yourself to what you do and to make **EXCELLENCE** in your business your **PASSION** everyday. **STAY TUNED!**

•And, speaking of that ter-

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rific gentleman, **DALE DIBBLE**, he is still exercising and walking two miles a day and is doing well. He is determined to stick to his regular exercise regimen and to show his doctors a thing or two. And you know what? I think he will. **DALE** and **OLIVE MAE**, thanks for the terrific visit!

•And, very special CONGRATULATIONS are in order for **EDDIE** and **JENNY TOCK**, as their new son, **JOSEPH ANTHONY TOCK**, was born on April 3, 2001, and weighed in at 8 pounds 6 ounces. Check out the photo of this young 'Sales Maker' on the bottom of this page.

•LATE BREAKING NEWS! Congratulations to **ED WILLIAMS** as I found out just before press time that the **WellBridge Corporation** Board of Directors have decided to remove the term "acting" from his title and he has been named the full **CEO and President** of the **WellBridge Corporation**. **WellBridge** is one of the top upscale club owners and operators in the world. More on this great news next month. The **WellBridge Board** has made an excellent move, because they have now chosen one of America's most experienced and talented leaders for the most important role in the company.

•More LATE BREAKING NEWS! **TOM PROULX** has been able to revive **Netpulse**. Check out the letter received by **Netpulse** customers by fax on April 9, 2001. We will have more on this story next month, as the **Press Release** coming from **Netpulse** did not arrive until just after we went to press on this edition. Good luck Tom as you crank **Netpulse** back up!

•More "exercise entertainment" news. **TONY deLEEDE**, has been spending a majority of his time in Australia for the past 6 months rebuilding the former **Healthland Club** group after the South African owners filed for

Bankruptcy. Tony told me in San Fran that he is now a 15% stake owner of the 12 clubs now called **Fitness First**, named after **MIKE BALFOUR'S** chain of clubs that are kicking butt in the United Kingdom and 5 other European countries. He indicated he is finishing a 6 month agreement with **Balfour**, which required most of his time to be spent in Australia, but would be continuing after that with a split U.S./Australia work schedule. Tony also told me that **DAVID GOULD**, his minority partner in **CardioTheater**, had been bought out and was no longer with the company. Tony has been great to get to know over the years because he is clearly one of the club industry's best entrepreneurs. And, speaking of pioneers, **Tony deLeede** is clearly the world's leading pioneer in what he calls "Exercise Entertainment" with the world market dominance enjoyed by **CardioTheater**. Check out Tony's ad this month on page #11, it says a lot.

•Congratulation to RUDY SMITH, Chairman of the **Las Vegas Athletic Club** group, and **MRS. SMITH**, as they celebrate their 50th Year in the health club industry this spring. **Rudy** began his career with **Vic Tanny's** in Santa Monica, CA. **Rudy Smith** is also the inventor of the famous **Smith Machine**. In 1991, **Smith** and partner, **ANDY PALLUCK** purchased the **Las Vegas Athletic Clubs** and have increased membership by **1000%** since that time! **Smith** plans to add 3 more clubs in the next few years. Congratulations **Rudy** and **Mrs. Smith**. And, thanks for being true pioneers in this great industry.

•We also followed up with KEN LUCAS, one of the individuals also trying to bring a company from the ashes. That company is the **E-Zone Network**. He tells me that "We (e3-zone) are still working with the Trustee on securing the **E-Zone** assets. Our attorneys are in constant contact with the Trustee and our investors are behind our efforts 100%. Good luck with it all **Ken**."

(See Norm's Notes page 5)

Norm Cates' **THE Club Insider**
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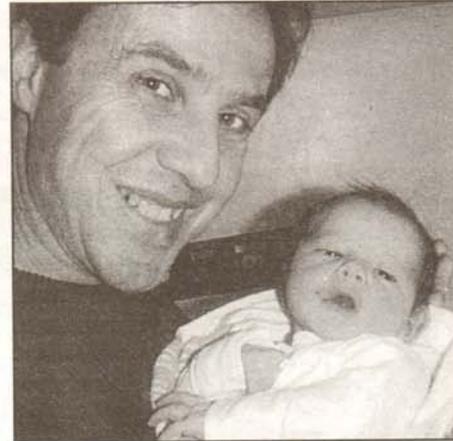
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Dale Dibble



Joseph Anthony Tock

...Norm's Notes

continued from page 4

•**Life Fitness** was very busy at the IHRSA Convention, as usual. They launched a new **Club Series Selectorized Strength Equipment** line, introduced a new pulley system in the **Pro Series Strength** line and unveiled two new seats for its upright **LifeCycle 9500HR** and **9100** bikes. **Hammer Strength** unveiled a new piece of plate loaded equipment called the '**V-Squat**' and an expanded bench and racks line including a new **Power Rack** and **Adjustable Bench**. On April 11th, Life Fitness' **Omni Fitness** named veteran retail executive **RICK GRINER** as **President**. And, last, but not least, Life Fitness has now joined the ranks of the **FORBES 500** list along with another fitness supplier giant, **PRECOR**.

•**JERRY NOYCE** is doing an exceptional job as **President** and **CEO** of **Health Fitness Corporation**, a Minneapolis-based and America's largest provider of corporate fitness centers. He has completed a year-on-year turnaround of almost \$4 million, earning \$930,169 profit after a \$2.8 million loss last year.

•**MIKE MOTTA** was scheduled to open his premier **Merrill Lynch Fitness Center** on the 1st Floor of the **World Financial Center** in lower Manhattan, April 12th. Good luck Mike and nice talking with you in San Fran!

•**Equinox's HARVEY SPEVAK**, CEO, continues to avoid Albuquerque, New Mexico as he announced recently the development of a **10th location** across the street from the **New York Stock Exchange**. That should be great news as some of those stock brokers can come over to Equinox for new jobs!

•Exciting news to see that **Dr. KENNETH COOPER**, the '**Father of Aerobic Training**', is a leading candidate to become the **U.S. Surgeon General** after **DR. DAVID HATCHER** completes his term in February of next year. And, it is even more exciting to see the initiatives that Cooper is cooking up relative to endorsing federal tax breaks to encourage more healthful behavior by Americans.

•**MIKE TALLA**, co-CEO of the **Sports Club Company**, has purchased 336,800 shares of Sports Club Company stock. He now holds 4.9 million shares worth about \$3 each. Must be something good going on there.

•**Ground Zero**, recently acquired by fitness equipment giant, **ICON Health and Fitness**,

has been awarded two utility patents for its **Cable Cross** and **Calf** machines in its **Free Motion** line. **ROY SIMONSON**, founder and chief designer for **Ground Zero Design** says he expects the company will receive 6 additional patents in coming months. **STAY TUNED!**

•**The 14th IHRSA North American Institute for Professional Club Management** will be in Charlottesville, VA., June 1-6. The Institute will take place at the University of Virginia and will feature guest speaker, **JOHN GRISHAM** on June 6th. For information call: (800) 228-4772.

•**GEORGE KONDOS**, President of **New York Health and Racquet Clubs** has announced the company's 8th New York City club, a 40,000 sq.ft. facility to be located at 23rd and 6th Streets.

•It was really great to see **LYNNE BRICK** and her husband **VICTOR BRICK** at the IHRSA Convention. What was amazing is that she showed up there just six short weeks after she had major brain surgery to remove a non-malignant tumor! Now, that is dedication to IHRSA and to our industry.

•I saw my old friend **LEE GUTHRIE** at the IHRSA Trade Show. He is now representing **RAPIDTRON**, a well established company that provides electronic security access systems for clubs. Lee is a great guy that has had an incredible experience in his life time and he is just like that Energizer Bunny. He just keeps going and going and going. If those Investors up in Canada had just listened carefully to Lee when they were making their E-Zone decisions, E-Zone would have never gone down the tubes in the first place. Good luck in the future to you big boy! Great to see you in San Fran!

•**PATRICK PINE**, the President of **NFTA** in Denver, CO. has announced an agreement to combine their efforts and resources in providing quality education and training for professionals in the health, fitness and wellness industries. For information call Pat at: (970) 726-0697.

•Folks, don't forget to make plans to attend **CLUB INDUSTRY East** in New York City, June 18 - 20. Call (800) 927-5007 for information.

•**IDEA's COLIN MILNER** has sent me a sample copy of a terrific new manual for Personal Trainers called: **The Successful Trainer's Guide To Marketing**. The Manual was written by **SHERRI MCMILLAN, MSc, IDEA Personal Trainer of the Year for 1998**. For information on

how to order it call: (800) 999-4332 or go to www.ideafit.com Thanks Colin!

•**PLEASANT LEWIS**, one of the top **Gold's Gym** operators in America, informs me he has had his **Grand Opening** of his second **Gold's Gym** in **Altamonte Springs, Florida**. The new **Gold's Gym** is 40,000 sq.ft. and offers over \$700,000 in equipment, including a full line of **Ground Zero** and a **Rock Climbing wall**.

•**JOHN AGLIALORO**, the Chairman and CEO of **Cybox** announced on March 30th that **Cybox** had absorbed a non-recurring charge of \$25.44 million in FY 2000 to reduce costs and streamline operations. For the year, **Cybox** incurred a loss of \$19.1 million as compared with earnings of \$2.9 million the previous year. **Aglialoro** also announced that **Cybox** would introduce 4 new treadmill models, a new full-body stepper, plus a new strength line in the 4th quarter of 2001. **Cybox** shares increased 6% after **Aglialoro's** announcement. As I mentioned before, it looks like **Cybox** is getting some attention on cost control and customer service that was sorely needed. Good luck John!

•STAY TUNED!

The CLUB INSIDER News WorldView

•**FRED TUROK's LA Fitness, PLC** in the United Kingdom, appears to be right on schedule to reach its 70 clubs goal by July 31, 2003. He has 26 clubs open, 10 more to open by July 31st, 7 more sites contracted and 9 additional sites under negotiation. **LA Fitness** has chosen Spain for its Continental Europe launch of operations.

•**MARCOS ALOCER**, the Executive President of **Organizacion Britania**, the leading club development company in Mexico, has announced the opening of the company's 43rd club, **Club Albotros Guatemala**, in indoor-outdoor facility in the heart of Guatemala City. The club is designed to serve 4,000 families! At the same time, **Alocer** announced the development of the company's 44th club, **Club Albotros Cancun**, a facility designed to serve 5,000 families!

•**IHRSA** has found an ally against **YMCA** expansion in Israel in the organization called "**The Movement for Quality Government**." The Movement claims that the City of Jerusalem acted outside the law in terming the Y project for "the economic good." It claims that the project is not for the "economic good"

as defined by the law. The Movement has asked the courts for a temporary injunction against the \$100 million construction project by the Y and to order the municipality to either explain why it is not levying the full "betterment" tax on the Y project or to cancel the agreement with the YMCA.

•**MIKE BALFOUR**, Managing Director of **Fitness First, PLC**, has effected a 2 for 1 stock split recently. Also, **Balfour** recently announced a "partnership with **Sportscard**," a co-branded credit card program that will reward spending on the card with sports related benefits, such as "hard to find" tickets to sports events, sports merchandise, and overseas tour packages to sports events.

•On March 8, 2001, **Bally Total Fitness** announced its first international franchise agreement with **Doctors Hospital Health System Limited**, in Nassau, the home of 60% of the

Bahama's 300,000 people. The new center is scheduled to open in the 2nd quarter of the year and will provide rehabilitative and general fitness services to patients and customers.

•On April 12th, **STEVE PHILPOTT**, CEO of **Crown Sports PLC**, announced his company had acquired **DAVID COURTEEN's 14 Fitness Express** facilities plus 4 **Axis Health and Fitness Clubs** for a total expense of \$17.5 million. At the same approximate time, **Philpott** announced the acquisition of **Information Australia**, the publisher of a broad range of sports, leisure and fitness publications. The new company will be called **Crown Content**.

•**The People Company**, recently acquired by **Konami Company**, will be called the **Nonami Sports Corporation** as of June 1st. Revenues are up to \$467.3 million U.S.D. Net income was \$20.2 million USD.

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TIM and LIZ RHODE

The 'Club Of The Future' Is Now

Part II

By Norm Cates, Jr.

In the April edition of THE CLUB INSIDER News we published Part I of the amazing success story of the 'Club Of The Future', The Maryland Athletic Club and Wellness Center. In Part I we covered many aspects of the story including how the Rhode's met, the early years of Tim and Liz Rhode's careers, the vision they had for this business, how they went about developing the business, "MAC" innovations, and how they met their partner, Phil Wendel.

In Part II you will hear from "MAC" Partner, Phil Wendel, we will see the "MAC's" amazing numbers, hear of their key managers, the Rhode's benefits from IHRSA and Faust Round Table experience and much more. So, read on.

Q. How many clubs does Phil Wendel have in Charlottesville, VA.?

A. "Phil has three right now, and they are working on several others. They have really developed a terrific operating approach and very talented management team. They have a great model, and they are bringing good things in wellness to a lot of people. We originally worked with Phil as consultants in 1994 per Rick Caro's introduction. When we started shopping our business plan around, we were hoping to raise some key capital from a dozen people or so, and the rest from a public offering. Phil took an increasing interest, eventually deciding to fund the whole thing, and we became partners in the MAC. In addition to being the financial partner, he is also a key member of our management team. He has been successful in other businesses and really understands customer service. He is constantly pushing us to raise the bar on customer service. We have our own strategic planning process which is very stimulating. Phil and his team have helped us advance the concepts of service and wellness and they continue to propel us forward."

Q. Phil Wendel had developed a highly successful student travel company with \$150

million in annual revenues in Charlottesville, VA. He also owned a club in Charlottesville, of which he says, "I owned it for the wrong reasons, I just wanted a nice place to work out." About 8 years ago, he was looking for something else that interested him. In the early '90s, he came to a fork in the road when he realized that he should either do the club business right or get out of the business because it was draining cash. Wendel recalls, "In the late 1980s I decided to join IHRSA and to go to the people whose names were well known in the industry for advice. I began to attend the conventions and began to learn who the key players were. At different times, I would bring somebody in from the outside to come in and do an analysis. In the early '90s, I decided I wanted to take a more substantive position in this industry. At Rick's urging, the very first thing we wanted to do was bring somebody in to help us operationally in terms of staff to handle a lot of members. He had suggested Tim and Liz. My interest in bankrolling them was really twofold: (1) If I wanted to fast track my plans for growth, I felt having access to Tim and Liz would certainly be enhanced if I had considerable equity in their new venture. (2) I was not interested in doing something with other partners involved at all. I thought that on the business side we can share and we can fast track what we are doing here in Charlottesville. And, fast track he has done! Wendel now has three Atlantic Coast Athletic Clubs with 8500 members representing 4500 memberships. Tim, Liz and I share a common vision. As appealing to traditional exercisers, the business doesn't excite me very much, because there are three times as many people in [what John McCarthy calls] the interested de-conditioned market as are in the active market. That's what excites me and I think that is what excites Tim and Liz as well. I've stepped up my level of investment considerably, not only here, but up there. I think it is a huge, untapped market. I think our industry has been talking about it for 10 years, but I think very few, if any, have been successful in attracting that market. I think more than anything else, I think that coming at fitness from a different direction, is entrepreneurial and something that I can get really excited about."

land and the building at the MAC, is that correct?"

A. "Yes, I own about 98% of the land [about 6 acres] and the building that is on an interstate and very busy highway. The building is now 75,000 square-feet with 60,000 dedicated to the MAC and the rest is leased to Johns Hopkins Hospital, a physical therapist and a day spa. I own the building and land outright and the MAC and our tenants up front pay me on a lease relationship."

Q. "Tim & Liz I would like to talk about your club numbers. My recollection from our Faust Roundtable is that they are amazing."

A. Tim- "We opened in September of '96 with 690 memberships. For 1996, we grossed \$319,000 and we were up to 1,213 memberships. By the end of 1997, we were up to 1,856 memberships [53% growth] and we did \$1,556,000 in sales. 1998 was really a break-through year for us. We jumped to 3,467 memberships [87% growth]. That was the year we were applying for the Sales Team of the Year Award at IHRSA. That year revenues climbed to \$2,683,000. 1998 was a break-even year for us. We were flirting with break even already in 1997, but that explosive growth cost a lot of money. We were under construction from April until September with the aquatic center, which was our first [13,000 square-foot] expansion. On September 6th 1998, we opened the aquatics center, two years to the day from when we opened the original MAC. That month we sold 444 memberships. By the end of 1999 we were up to 4,530 memberships (31% growth) with revenues up 65% to \$4,436,000. By the end of 2000 we had gotten to 5,000+ memberships and revenues in excess of \$5.5 million. And, we were pleased when CLUB INDUSTRY Magazine placed the MAC on their Top 100 U. S. Club list."

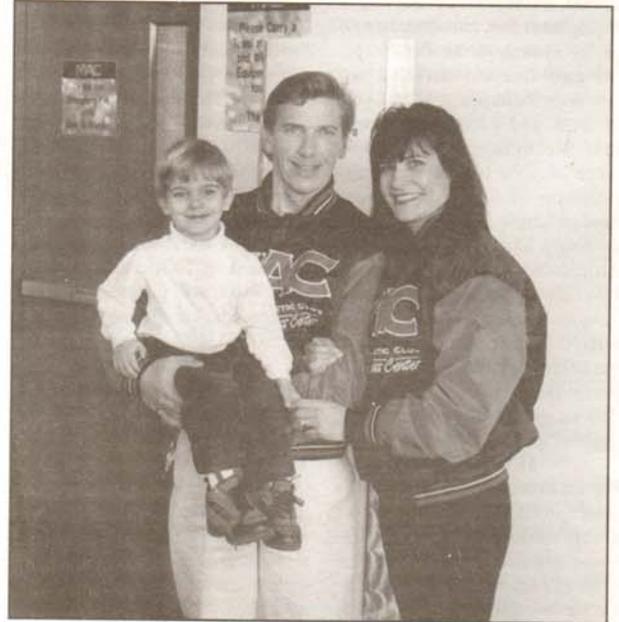
Q. "What percentage of gross revenues did your net revenue end up being?"

A. "About 16%."

Q. "What percentage of your \$5.5 million revenues was from non-dues items?"

A. Tim- "About 26% or \$1,430,000 of our 2000 gross was from non-dues sales. We

Q. For Wendel - "My understanding is that you bought the



T. J., Tim & Liz Rhode

were pretty inspired by some of the sessions that Rick was hosting at IHRSA a few years ago. We have been brain-storming with our partner about what we can do to double that figure. We have a lot of lines in the water right now and which will take a couple of years to mature. Generating the non-dues income is one thing. Generating it profitably is something else. We found it is easy to churn. You can get people to spend money on programs and not have anything left after you get done delivering. The real challenge out there for club operators is to develop non-dues income that has a better margin than their club dues income. We are trying to be selective with that and devise programs that we can deliver for 20 or 30 cents on the dollar and yet deliver them with a high perception value."

Q. Club Insider- I'll bet your partner, Phil Wendel, was happy.

A. Tim "Phil did a lot more than just fund the original facility. A year after we opened, when we were getting ready to exercise the lease option, we decided to buy the building. Phil stepped in and bought the land and building. A year later, just weeks after we opened the pool, the parcel next to us became available, and Phil stepped in and bought that as well. That has given us the ability to make our most recent expansion, our 18,000 square-foot Lifestyle Center. Anyone (even non-members) can work out there, but we are really programming that

particularly for the deconditioned market. We are still shaping this concept, figuring out what it takes to run a professional operation, attractive to this market. The de-conditioned market is the single largest and untapped segment in the industry. Deconditioned prospects are harder to attract and they are harder to serve, but once you gear up for it and build for it, we believe the momentum will build. They are a good group of people...Loyal and typically affluent. They are in need. So, it is a great market."

Q. Tim and Liz, tell me about your key management team.

A. Liz- "We have a fabulous General Manager, Carol Himes, who will have been here a year in May. She has taken over the day-to-day operations. Tim - "Carol comes to us from Mitch Wald's old organization, Sport and Health. Carol is just delightful. She's professional, thorough, talented AND pleasant. She developed an immediate rapport with our team."

Liz- "Of course, Laurie Cingle has been with us from the beginning. She started here as our Fitness Director and now she is our Wellness Director. Tim- "She has three primary responsibilities: (1) Advancing wellness. (2) She is in charge of program development and (3) Expanding our non-dues revenue. Laurie has been instrumental in the MAC's success (See Rhodes page 8)



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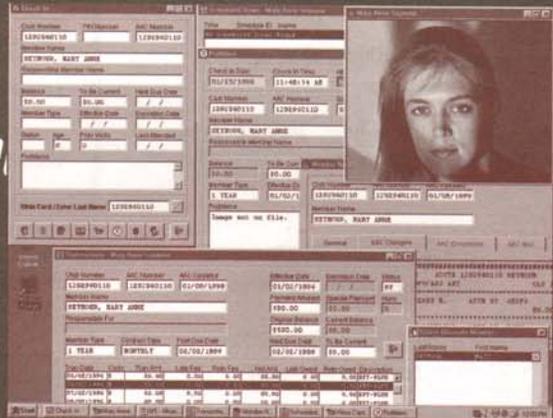
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A F F I L I A T E D A C C E P T A N C E C O R P O R A T I O N

...Rhodes

continued from page 6

with her innovative programming and she has been a champion in creating an awareness of wellness in our community. She is amazing." Tim- "She has also developed a break-through personal training program. When she came to Baltimore, she laid out her plans for her personal training program which she had done previously at the Houstonian in Houston and Gale Lander's Multiplex in Chicago. The people here told her, 'That will never work. You will never get people around here to do that!' This past year alone, we did \$650,000 in personal training with Laurie's Program. We were quickly doing more Personal Training in one month than many area clubs were doing in a year! She arrived with a plan. It was a challenge to get started, but Laurie did it.

Liz- "Our Controller, Donna Diamond, is very important to our team. Donna's been with us

for 3 years. She is very loyal, very trustworthy, very dedicated and very smart." Tim- "Donna has really grown into the job. She came here from a landscaping company and has really learned the business. She has done a beautiful job with our EFT dues collections and other business/accounting functions. She has put a really nice face on our accounting department." Liz- "In fact, her department received the highest marks on our last member survey."

Tim- "We also consider our CPA Sandy Burkett and our Partner Phil Wendel to be members of our extended management team. Although Phil is in Charlottesville and Sandy's in Chicago, we talk and meet regularly to manage the business successfully."

Tim- The most recent addition to our Management Team here is Kevin Sweeney. I used to work with Kevin at Aspen Hill. He left in 1992 with two partners to build their own clubs

- which they did successfully, building four clubs in and around Frederick, Maryland. We were fortunate to learn that Kevin and his partners were selling their clubs, and that Kevin still wanted to stay in the business. He came here and we showed him what we were doing with our modest little operation... Trying to break a lot of molds by innovating in a lot of ways. Lucky for us, he decided to come on board as our Fitness Director. He's also supervising the Success Program, Aquatics, Maintenance, Group Exercise and Senior Programs."

Liz- "We have other Directors on our staff that have been instrumental to our success and we would like to be sure to mention them. They are: Tony Santella, Sales Director, Julianne Carroll, Reception Director, Ann Gisriel, Aquatics Director, Kevin DeShields, Group Exercise Director, Karen Dubs, Marketing Director, Tracy McGuigan, Kids Club Director, Gaby Fishpaw, Human Resource Director, Rosanna Gibbons, Director of Nutrition and Stephen Holt, Technical Director for our Personal Training Team. They are all fabulous and do a terrific job. One of our greatest strengths is that we do function as a team and there is no "I" in team and without each and everyone of these producers, none of us would be where we are today with the MAC."

Q. "You mentioned that you had reached 5,000 memberships by the end of 2000. How many members does that actually represent?"

A. Tim- "About 8,000 actual members."

Q. "When did you first become involved with IHRSA?"

A. "I first became involved as an Associate IHRSA Member in 1984. I became a club member in 1987." Liz-I became involved when I joined Lynne and Victor Brick in 1988."

Q. "Tell me your feelings about what IHRSA has done for each of you?"

A. Tim- "IHRSA has been extremely valuable to me. I think that there are really two ways to learn about this business. One is to get in and do it and learn from your own personal experience. The other way is IHRSA. I have learned at least as much from IHRSA as I have learned from my own personal experience. Every year, year in and year out, IHRSA continues to assemble terrific educational programs and networking opportunities that allow us to advance our ability to succeed in this business. After my time at Aspen Hill, I had an opportunity to serve on the Board of Directors of the Mid-Atlantic Club Man-

agement Association (MACMA). I was on that Board for four years including a year as President. There I met guys like Mitch Wald, Roger Ralph and Charlie McDermott and some of the other great operators in the Mid-Atlantic region. Terrific people. A year or two after that, I was invited to join the IHRSA Board. That was so rewarding, I can't even describe how great that experience was. Working with some of the finest people, to help chart a course for the prosperity and success of our industry. People that you meet and the subjects that you deal with and the things that you learn are incredible. But, no matter how much you try to give, you always wind up getting back as much if not more. That has happened to me over and over in this industry." Liz- "We are blessed and honored to be part of an industry that is always evolving, exhilarating and exciting. I think some others might take it for granted, but every time I go to an IHRSA Convention and Trade Show, it is re-energizing and makes me realize why I chose this profession. I am proud to be part of it. I wouldn't want to be doing anything other than this because I truly love what this industry does and can do for others. It can enhance somebody else's life. What a rewarding field to be in. IHRSA is a fabulous organization to be part of and I would reiterate that I have gotten more than I have been able to give to IHRSA. Hopefully, in the coming years, I will be able to give more."

Q. "Tell me about your experience on the Faust Executive Roundtable #1?"

A. Tim- "I was also with Round Table #2 when I was at Aspen Hill, and they really offer a unique connection with some of the industry's best thinkers and operators. Being a member of the Round Table keeps us thinking and stretching. It would be easy to just go home and sit after the pace that the MAC keeps us moving at. But, when we get together with everyone three times a year, it just serves as another push and reaffirmation for us to keep going."

Q. "What is your business goal for five years? Do you have such a goal and if so, what is it?"

A. Liz- "Well, we've been in such a growth mode that we really want now to fine tune all of our innovations and our core values to make the MAC a well-oiled machine." Tim- "We didn't set out to do multiple clubs. So far, we've been turning down other ventures. We may have had 8 or 10 offers since we've been here, with two alone in the last two weeks. But, in the future, as part of our leadership principles, we would like to be in a position to make those growth or expansion opportunities available to our staff. That's a goal of ours. The growth

of the MAC has been so consuming that the only thing we'd accomplish right now if we went outside the MAC would be to make problems. There's going to come a time, we hope, when the MAC is stable and someone comes along with an expansion opportunity and we can seize it, not for ourselves, but for the next two or three people on our team that want to become club owners. We want to give them the same opportunity that we had."

Q. "Have you shared that vision with your people?"

A. Liz- "Oh yes. It is in our employee manual."

Q. "Have you been approached to have somebody buy your club?"

A. Tim and Liz- "Yes." Tim- "Twice now."

Q. "If the price was right, would you sell it?"

A. Tim and Liz- "No." Tim- "If we sold it, even if it was the right price, we would have to turn around and do it all over again."

Q. "More than that, wouldn't it make your souls empty? I mean, this is clearly such a labor of love."

A. Liz- "Yes." Tim- "I think so."

Q. "What do you think about the consolidation that is going on in the U.S. and in Europe?"

A. Tim- "I think in most cases, it is bringing a great deal of maturity to our industry. At the same time, it is giving a lot of our pioneer operators a nice exit strategy. That is the upside. I do think that there are some risks and some pitfalls. When you get an organization that is just a little too ambitious to grow and consolidate, sometimes they will pay too much. Then they can't grow the business to sustain the debt or provide their stakeholders a satisfactory return. While they might give somebody a good payout, what they could eventually do is give the industry another black eye. If they can't sustain that strategy, it is going to put a lot of people into turmoil. I think right now, the consolidation environment is presenting a lot of opportunities. Overall, it is maturing the industry. Wall Street is starting to take notice of it. And, overall, it is pushing everybody to run more like a "real" business, as opposed to just, "What we think it takes to sell more memberships tomorrow? Overall, I think it is good."

Q. "What do you two think are the 3 biggest challenges facing the industry?"

A. Tim- "#1 - by a long shot - is credibility. We have been giving ourselves a black-eye for 25 years. The most telling statistic, according to IHRSA statistics, is (See Rhodes page 26)



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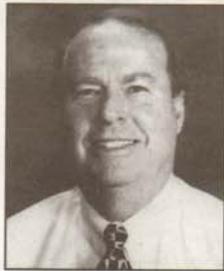
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...Netpulse

continued from page 3

April 9, 2001

Dear Customer,

After many weeks of negotiations, on Friday, April 6, we finally received the court approvals necessary to resume Netpulse's operations. Actually, technically, we won't be resuming Netpulse's operations but instead forming a new company (whose name has yet to be decided) that will own all of Netpulse's operating assets and which will take over all the operations of the old Netpulse. The new company will provide you with service, support, software improvements, etc.

Our first order of business is to get you and your members back up and running fast. We're working hard to reinstate contracts with our former service technicians who are already trained and can therefore hit the ground running. We're setting up a support hot line so there is a number for you to call to report problems. We've been making some software improvements to improve the software reliability and make it easier for us

to support in the future. And there's a ton of other things we're doing that I won't bore you with but are required to restart the company.

The purpose of this fax was to give you what news I had as soon as I had it, even though the information is incomplete. Within the next week I will mail (not fax) you a more detailed description of what you can expect going forward, including how to get service, timing, costs, and, heck, maybe even the new company's name. I also wanted to address some of the questions you might have at this point.

You failed the first time. What makes you think the new company won't fail again? Fair question. There are a number of reasons the old Netpulse failed. Without going into all of them here, suffice it to say that we learned a lot about what we did wrong the first time, and we won't make the same mistakes again. The biggest mistake was relying on advertising as the sole source of revenue for the company and therefore giving away our hardware and service. The new company can't afford to do that. And while I know that ev-

eryone would love it if we could continue giving everything away for free, I'm hoping you'd rather pay a little to know that the new company is covering its costs and therefore not going to go out of business again.

So how much is it going to cost me? In the letter I mail you within the next week, we will have that all figured out so you'll know exactly what your costs going forward will be.

Our Internet service was disconnected. How soon will it be turned back on? We have already started the process of getting your new service through AT&T. In general, AT&T estimates it will take them about 30 days to get you back online. Unfortunately, the fact that you were already wired up with another service provider doesn't gain us anything. For AT&T it's just like a brand new installation. But the good news is that AT&T is giving our installations high priority.

Thank you for your patience. If you have any questions, please send me an email at thomas_proulx@hotmail.com.
Sincerely,
Thomas A. Proulx

Norm Cates' **THE Club Insider**
NEWS

Seeks Contributing Authors

Contact: Norm Cates, Jr.
770/850-8506

New, In-Club Weight Loss Program Projects 200+K Annual Profit With Using Just 750 Sq. Ft. of Space in Your Club

Casey Conrad, long-time industry consultant, has developed a complete turnkey weight loss business that's designed to be installed within health clubs that combines proven weight loss programming with sales, service and marketing systems. It's easy to fit into almost any layout. It can add a valuable service to your existing members and help you attract an additional target group within your local area. Most importantly, it is proving to be a huge profit center. It's called HEALTHY INSPIRATIONS and here are the results from three of the nine existing centers:

HEALTHY INSPIRATIONS at Westerly, RI (Stand-alone facility):	\$110,000 gross	43% cash
HEALTHY INSPIRATIONS at Contours Express for Women, Warrenton, VA:	\$42,000 gross	40% cash
HEALTHY INSPIRATIONS at Bodez by Tasso, Ormond Beach, FL:	\$92,000 gross	51% cash

Call today to receive a FREE 12-page info-pack that gives you an executive summary of how HEALTHY INSPIRATIONS can give you extra profits and a valuable service to your club.

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IHRSA HONORS NORM CATES

By Rick Caro

The IHRSA Board of Directors chose to name its annual Distinguished Service Award after Dale Dibble this year. It is the first time that any IHRSA award has been named after a specific individual. This Award is IHRSA's highest award and represents an honor for continuous achievement and commitment to IHRSA and the club industry overall.

Who is Dale Dibble?

Dale Dibble was one of the early club owners who was a co-owner of the Cedardale Athletic Club in Haverhill, Massachusetts. Today, Cedardale is a huge indoor-outdoor club complex. For health reasons, Dale had to sell his ownership a few years ago to his partner, the Veasey family.

Dale was the Co-Founder of the 1st Regional Club Association (the New England Racquet Sports Association), which still flourishes today. He was also a Co-Founder of IHRSA with Norm Cates and me.

When I asked some of the long-time club leaders to describe Dale, they said he was an innovator, a risk taker, an outstanding networker, a tireless worker, unselfish, very analytical, an extremely kind and gentle man, a classic entrepreneur, most personable, a great listener, a dedicated volunteer, the world's best cheerleader of others' achievements, the greater sharer of information and a mentor to us all.

Dale is remembered for a host of accomplishments. He taught us the concept of measuring revenue-per-square-foot like the retailing industry. He created the first real front desk control and computer check-in system. He literally took the lead in developing the first major club computer system. And his Cedardale Club became the market leader.

Dale led Cedardale to become the innovator for the entire club industry in converting indoor tennis space into what we now label a "multi-sport" facility. He studied market changes and became creative. His club converted indoor tennis courts to racquetball

courts, an indoor lap swimming pool, a basketball gymnasium (and then a second one), a huge fitness area (both fitness equipment and aerobics studios) and a social component with a bar and a billiards table.

Dale hired the best and brightest industry consultants right away, as he was unafraid to ask for advice. And then he shared his results, successes, failures, specific numbers and financials with everyone—all day long, everyday. I even visited on a late Sunday afternoon while traveling through the area. The front desk staff bothered him at home. He quickly arrived and spent almost four hours with me until mid-Sunday evening. He just loved to share and help others.

Dale literally represents the concept: we are all a part of a greater whole, and we need to work and share together for our greater success. It is not surprising that IHRSA has chosen to perpetuate his legacy with this award designation.

Norm's History

For many who do not know Norm's 27-year history with the club industry, it started as an owner/operator of a series of clubs in the Atlanta area and then spread to the Southeast U.S. (Alabama, Tennessee, etc.). He and 3 partners created mainly racquetball-oriented clubs and then reconfigured them over the years to multi-sport clubs.

Norm was a Co-Founder of IHRSA in 1981 after serving as President of the National Court Clubs Association (NCCA)—the racquetball owners' trade association. He was elected IHRSA's 1st President. After selling his clubs and looking for ways to stay involved in the industry, Norm founded a new publication 7 1/2 years ago, *The CLUB INSIDER* News. He became its exclusive Editor and Publisher. It was intended to provide a unique perspective on the club industry and be a differentiated publication from the other existing trade journals. And it has become that.

What Is Norm Really Like?

I asked over 25 club

leaders from all across the U.S. to describe Norm. The characterizations ranged from professionally passionate to extremely enthusiastic and charismatic. Many highlighted the fact that he is entirely motivated by his love for this industry and the people in it. He is outspoken and direct, opinionated and never neutral. He was described as a bulldog, relentless, tenacious, fearless and unafraid of any conflict. He is recognized as a most loyal friend, a sensitive and caring guy. Norm is considered a great networker, friendly, gregarious, loud, a real jokester and fun-loving.

The *CLUB INSIDER* has developed into an important publication for the club industry. When these same club leaders were asked to comment on its impact to the industry, they highlighted that it investigates and digs for the real story. "It pulls no punches and tells it like it is." Others cited its candid reporting and timely info. Many said that "it's a quick read." One person said the material is derived from an "in the trenches/grass roots" perspective.

One noted that "it chases down a lead, whether it's a club leader, a vendor, a State Attorney General or a writer from a national newspaper." Its feature stories on individuals make them come alive for the reader. One said it well: "what was initially taken lightly has become a publication that is devoured by its many recipients. We read it cover-to-cover, every issue. Can't say that about the other industry periodicals."

Others commented that the *CLUB INSIDER* "went right after Bally; first I think he had negative feelings about them, but he was not afraid to meet with Lee Hillman (CEO), learn about his role as its leader and publicly changed his opinion." This group listed all of the scoops that the *CLUB INSIDER* got: Bally, Skywalker, E-Zone/Netpulse, the YMCAs, the "Spa Boys" and the IHRSA name change.

John Wineman, a founder of the racquetball association who has followed



Rick Caro (Right) Presents IHRSA's First Ever Dale Dibble Distinguished Service Award To Norm Cates

Norm's career, said:

"Norm is a unique individual who 'follows his dream.' From the earliest days of the racquetball industry, he worked up to become an industry leader. An unusual person who combines business and pleasure, hard work and hard play. My earliest recollections are when he began calling me in 1974 to find out about racquetball clubs. A friendly & persistent 'pest' who was not to be denied. Through the years of frog jokes, convention marriage and numerous escapades, he became an industry leader and legend. His tireless effort and devotion to the industry and Association must be credited with greatly contributing to the success of first NCCA and then IHRSA."

He truly is a Special Guy.

The Real Norm Cates

Norm is "a tireless,

sharing cheerleader for the club industry," one leader offered. Another suggested that "building and developing a valuable industry publication single-handedly is a remarkable accomplishment. Norm is the 'Hugh Hefner' of the club industry." Several volunteered that "he has an undying commitment to service and professional standards for the industry."

"Norm was the original industry watchdog and challenged us to take the high road "said one leader. Another went on to say that "he is an endearing soul. He gives color and life to our small community of club professionals. He epitomizes the passion for our business that we all feel." Finally, one summed up Norm, calling him "a Champion of our industry!"

It was fitting for IHRSA to present this year's Dale Dibble Distinguished Service Award to a man of passion and compassion and to a man who has literally dedicated himself to this industry and especially to IHRSA-Norm Cates.



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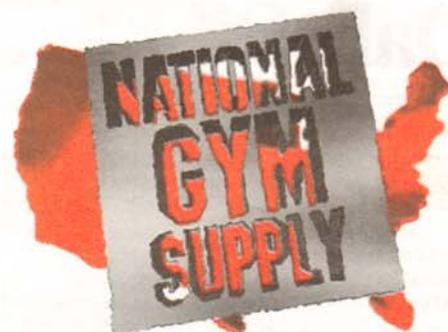
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Sales Makers' Receives The 2001 IHRSA Associate Member Of The Year Award

Announced at IHRSA's 20th Annual International Convention & Trade Show

SAN FRANCISCO, CA - The International Health Racquet & Sportsclub Association (IHRSA) awarded Ray Gordon, Ed Tock & Lyle Schuler, from Sales Makers' in Garrison, New York, the 2001 IHRSA Associate Member of the Year Award. The award was presented on March 23rd at IHRSA's 20th Anniversary International Convention & Trade Show in San Francisco, California.

Sales Makers has been committed to the growth and development of the health and racquet industry since 1981. Gordon, Tock and Schuler have spearheaded the ongoing success of Sales Makers, and are responsible for leading the company in increasing club's annual revenues.

Sales Makers' has contributed greatly to the achievements in the industry. The company has been extremely active within the industry, including speaking at more than 80% of IHRSA conventions and sponsoring the latest IHRSA sales video. Between them, Gordon, Tock and Schuler have 60 years of experience in the health and fitness industry.

Sales Makers' strives to educate their customers on all areas within the industry. They recognize that clubs have different needs and work to create individual programs

so that every club ultimately results in higher profits.

Joe Cirulli, IHRSA President, introduced Sales makers to the IHRSA Convention crowd by saying, "Each year IHRSA recognizes one of the Associate Members to receive the Associate Member of the Year Award. This Award is given annually to the Associate member whose contribution to the health and fitness industry stands above others in our industry. Today, I am honored to present this Award to The Sales Makers from Garrison, New York. This year, along with IHRSA, Sales Makers will celebrate its 20th Anniversary. Over the years, their philosophy has remained the same. To provide solutions, not just advice. In doing so, Sales Makers has worked with over 600 clubs including 109 pre-sales in 42 states and 10 countries. Their commitment to the growth and development of the industry is evident from their many speaking engagements, IHRSA Sales Videos, industry awards, supportive publication articles and an average 25 to 30% increase in sales for each of their clients over the past 5 years. Their uncompromised quality of sales and management training, marketing and proven profit procedures make them deserving of this years award. Please join me in congratulating the Sales Makers."

Ray Gordon, the Founder and President of the Sales Makers, gave the following acknowledgment speech: "After 20

terrific years within the IHRSA family, I owe a big thank you to countless people and there are some who stand out. Dale Dibble, former owner of Cedardale in Massachusetts, constantly impressed on me the importance of "Inspect What You Expect", John McCarthy, whose integrity and values have set an example for an entire industry, Bob Provost of Greenville Racquet and Fitness and Gordon Johnson, of Gold's Gym truly believe that their members are the number one priority and Sandy Coffman, owner of Programming For Profit, whose attitude consistently reminds us that our jobs really are fun. And for standing beside me through years and years of training sessions, traveling and conventions, my wife, Sandy. Thank you. But, most of all, I want to say thank you to the thousands of membership sales staff who believe and continue to practice the Sales Makers proven profit procedures. It is because of their efforts to provide the best customer service possible that I am able to stand here today and say thank you for this honor and recognition. Thank you."

Ed Tock, Vice President of Sales Makers, added, "Thank you Ray. I'd like to thank my partner, Ray Gordon, for the great opportunity of being in this industry. I feel honored and privileged that I've had an opportunity to help many clubs become more successful and make a big difference and impact in our in-



SalesMakers (Left to Right) Eddie Tock, Ray Gordon & Lyle Schuler

dustry to help all of our members be healthier and happier and live better quality lives. For me personally, serving this industry has been an extremely rewarding experience. I would like to personally thank John McCarthy, especially his hard working staff that are out there working 18 hours a day during this conference. I'd like to

thank Lyle Schuler, as part of our team, who has been very diligent and tolerant of the hard work that we do traveling around this country. I'd also like to thank my wife who is not here. She is having a baby in a few days. I know with absolute certainty, that for all of us, the best is yet to come. Thank you very much."

Norm Cates' Acceptance Speech For The Dale Dibble Distinguished Service Award

By Norm Cates, Jr.

The article by Rick Caro on page 12 consists essentially of the comments made by Rick Caro, IHRSA Founder, to the 4,000 IHRSA Members at the Opening Session of the IHRSA Convention, when he presented the first ever DALE DIBBLE Distinguished Service Award to me. On March 22, 2001, at the Opening Session, Rick was the Award presenter for the Association as it gave me its highest honor and at the same time, honored the terrific fellow I will

forever call "MR. ENTHUSIASM", DALE DIBBLE.

My family and a lot of my IHRSA friends were not able to attend this IHRSA Convention for school or business reasons, so I thought it would be appropriate here to publish the text of my acceptance speech. The transcript of that speech follows:

"Good mornin' everybody, how are ya' feelin' out there? Got any hangovers? I've been allocated 3 minutes to speak today. [One sole in the audiences yells yeah!] Thank you Mitch. And, because of that, I'm going to start off this speech today with my famous

"Wide-Mouth-Frog" joke. [Multiple screams of despair come from audience] No, I'm just kidding. If you want to hear the Wide-Mouth-Frog joke, you are going to have to come to the party Saturday night. I've been given 3 minutes to speak today, which I think is pretty good, since it is the highest honor of my life time. So, I am going to use the first 3 minutes to thank those that have been very important in my life and then I am going to use the last 3 minutes to give a message to you all. I even brought a stop watch to be sure that I don't go over 3 minutes. So, I am starting the time now. [As I punch the stop watch start

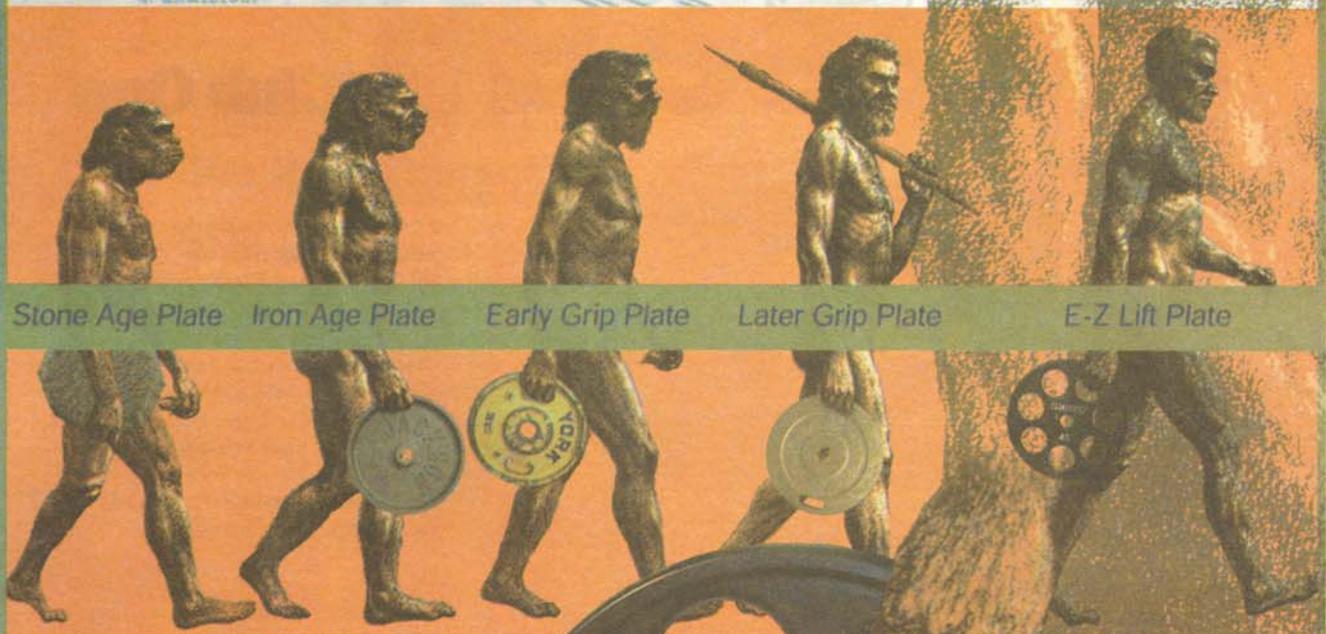
button a huge laugh comes from the audience.] Donna back there is having a cow, I am sure. Tom [upcoming IHRSA Person of the Year Honoree and Keynote Speaker], told me his flight was not leaving until tomorrow. (I'm joking)

I want to start off by doing a little survey with everybody out there. I would like to ask everybody that has been an IHRSA Member since we founded the Association in 1981, to please stand up and remain standing until I tell you to sit down. [Only about 20 people of 4,000 stand and audience applauds.] I want to make sure that you realize that this does include staff too, so where is

CHUCK LEVE. I want to be sure that Chuck is standing up. The second thing I'd like to do with this survey is to ask those in this group that is standing to have anybody that has been to every single IHRSA Convention for 20 years without missing one, to please raise your hand. How many do we have. One, two, three? I can't see, these damn lights are too bright! I'd like to have a round of applause for these real pioneers. [Audience applauds loudly]. I am very humbled (and a lot of you might say, 'Hmm. That's a new wrinkle for Norm, being humbled) and honored to have been chosen to receive this first ever

(See Norm Cates page 26)

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Later Grip Plate

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To be continued.



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“Clubs are finding that we are in the information business. It is critical that we know what our members want, and how they use the clubs, so we can develop targeted services that will increase member loyalty. RCM allows us to ‘interrogate’ the system to determine the answers. It provides the necessary tools for our clubs’ strategic planning.”

**John and Jill Kinney, CEO and COO, co-founders
Club One, California**

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Today, Club One manages 65 commercial clubs and corporate fitness centers with nearly 100,000 members across California. And throughout their phenomenal growth, CheckFree’s RCM Solutions has provided the club management system, EFT services, support and professional services they require.

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- **EFT** – Complete electronic billing services transfer member fees into your business account every month
- **Professional Services** – Club management and operations consulting, technology strategies, and growth development and management

For more information about CheckFree’s RCM Solutions, visit checkfree.com/healthclub or call 800-242-9522.

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At the 2000 show, Ground Zero started a **revolution** with the **Free Motion System**, an engineering marvel that makes true functional training possible, practical and simple. This year at IHRSA, the industry witnessed The Evolution of the Revolution—the next wave of big things from the rock solid industry innovator, including:

Group Free Motion—A trend-setting group workout that takes **FUN**ctional training to the next dimension.

NordicTrack Cardiovascular—Rugged, reliable cardio products that take your breath away with innovative design and technology, including interchangeable consoles with cable TV and **iFit.com** (the patented, interactive Internet system you've got to see to believe).

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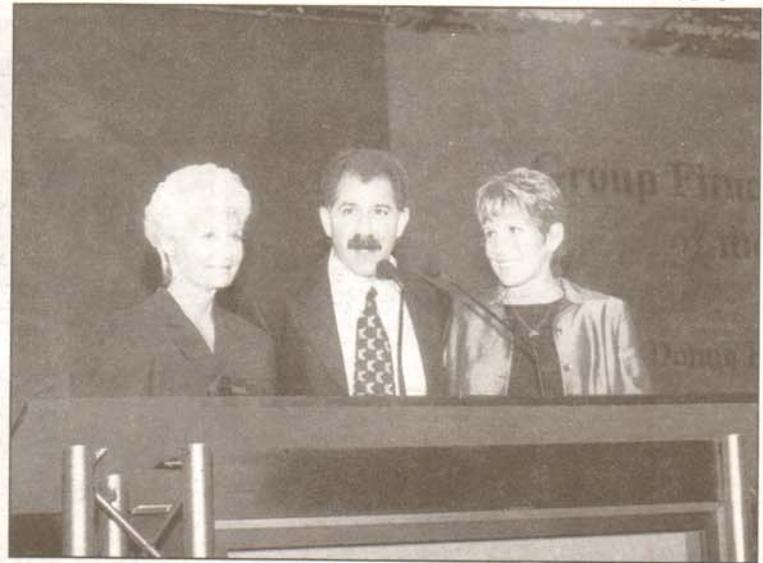
**The Evolution of
The Revolution**



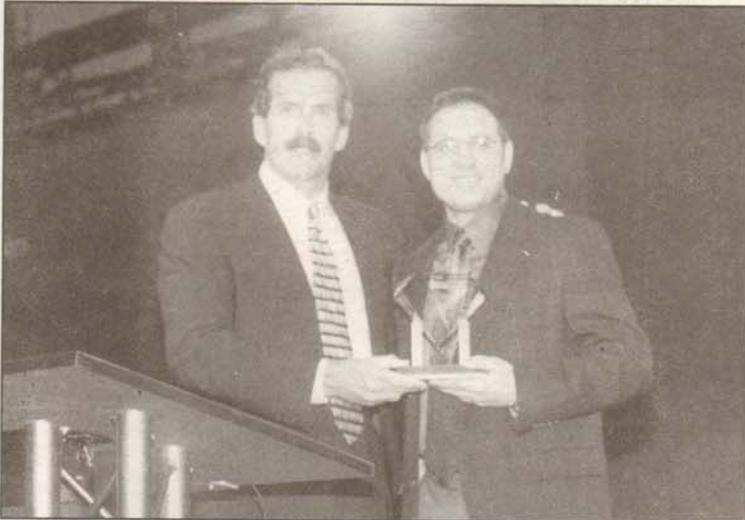
IHRSA'S 20th ANNIVERSARY AWARD WINNERS!



*Community Service Award Winners (L to R)
Bob & Katherine Shoulders, Philippe Duleyrie, Pres. Polar Electro,
presenter, Winner, Helen Naples & Linda Cirulli Burton (3rd)*



*Group Fitness Instructor Of The Year Winner Donna Brouillard (L),
Ken Germano, ACE Executive Director & presenter,
Personal Trainer of the Year Winner, Ann Gilbert*



*Fitness Director of the Year Winner, Scott Lewandowski (L) receives
Award from Star Trac President, Jim McPartland*



*Raquetball Programming Award Winners (L to R)
Marianne Alonzi, Lakewood AC, John Marchetti, 1st place,
Alaska Clubs and Margaret Pederson, ClubSport, 2nd*



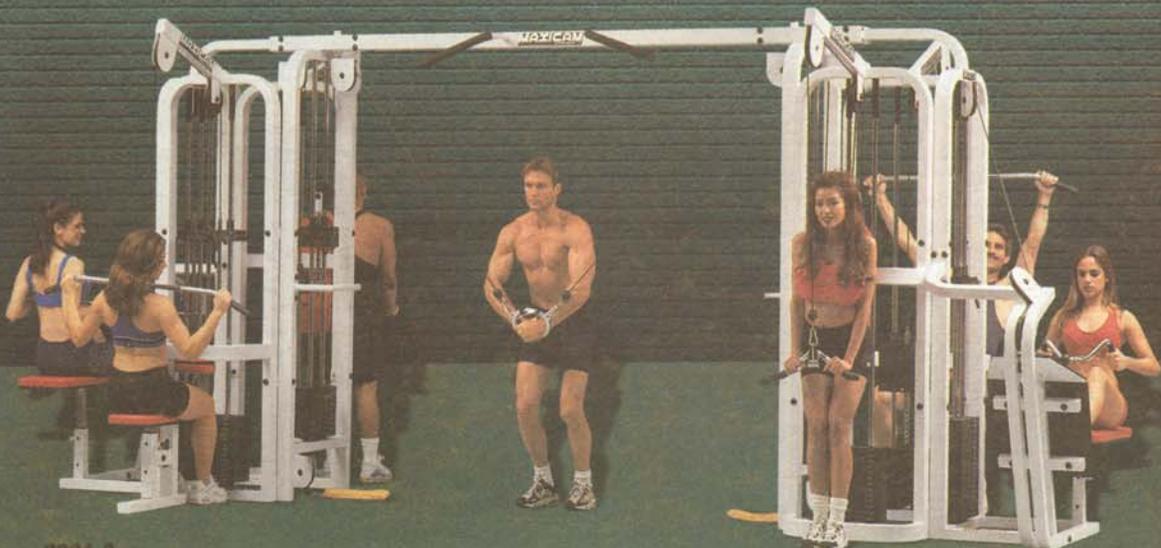
*IHRSA/Keiser 50+ Programming Award Winners (L to R)
Rachelle Young, 3rd, Sarah Kennedy, 2nd, Dennis Keiser,
Founder Keiser Institute and Pat Weir, Atlantic Club, Winner*



*Community Tennis Development Award Winner, Windward Lake Club,
(L) TCA's Michael Mahoney presents to Ken Harrison*

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Tools Management, Inc. President, Brian Homan Speaks To The Club Industry

By Norm Cates, Jr.

Anasty mess. Those are the best words this writer can think of to describe the mess that Brian Homan, President of Tools Management, Inc., has created for himself. The sordid tale that we are uncovering in our 4+ month ongoing investigation of Tools Management, Inc. is one of mismanagement and some bad choices. But, based upon what we have learned to date, this writer believes that Homan's situation falls short of any criminal behavior. Others disagree with my opinion and what happens to Homan as a result of his own actions will surely be determined by the actions the damaged parties decide to take. It is the unsolicited opinion of this writer that Homan has every intention to make full reparations to the damaged parties and he is hard at work on a plan to accomplish that.

Last month, The **CLUB INSIDER** News published a brief report stating the facts that we had uncovered in our investigation up until that point. That was our first and only report, until now. In summary, we stated that we had been in contact with six different club owners around the country that had club membership dues collected by Tools Management, Inc. that were not sent to the clubs. We stated that we were aware of over \$120,000 in missing funds at that time. The amount that we are now aware of is approximately \$175,000. During and since the IHRSA Convention, March 22-25th, we have been informed by management of two other clubs, one in California and one in South Florida, that they too, were missing club dues money collected by Homan's company. Missing amounts range from \$70,000 for one club to \$53,000 for another to \$40,000 for yet another. 4 or 5 clubs are missing funds ranging from \$2,000 to \$7,000. We also stated that Jeffrey Kahn, Attorney for Tools Management, Inc. and its President, Brian Homan, declined comment in a letter to this writer, which we published on page #5 of our March, 2001 edition. Their rejection of our requests for information came after numerous broken promises by Homan in which he had stated that he would provide written responses to our questions. Homan's hesitancy to comment at

that time stemmed from the simultaneous wrap-up of negotiations for the acquisition to Tools Management, Inc. software and licenses, etc. by Frank Anderson, President of Computer Outfitters, a Tucson, Arizona-based software company.

This writer traveled to Tools Management, Inc. offices in Coral Springs, Florida, and on Saturday afternoon, April 7, 2001, at 1:30 p.m., we found Brian Homan. Upon my arrival, Homan was found going through some papers in his almost vacant office at 3300 University Blvd., Suite 510., Coral Springs, Florida.

I told Homan that although his attorney had faxed me a letter last month stating no comment, the club industry still wanted and needed answers to many questions. In contrast to his previous refusal to comment, this time he decided to talk. I turned on my handheld voice recorder and obtained an interview that revealed a bizarre and unfortunate series of events.

The verbatim transcript taken from my unconcealed voice recorder follows. Also, after Homan's comments, I have comments from Frank Anderson, 22-year veteran club business software professional. Frank explains the arrangement he has entered into with Homan to acquire the accounts of and to provide service to Tools Management, Inc. software product customers. Anderson's comments will also explain his plans for the continuation of marketing of Tools Management, Inc. products under his ownership.

It is important to note that Brian Homan and Frank Anderson were provided with a complete pre-publication copy of this article for review and were asked to inform us of any errors of fact or truth. None were noted.

BRIAN HOMAN, President of Tools Management, Inc. Talks

Q. "Brian, you had your attorney send me a letter stating 'no-comment' last month. But, I still have many unanswered questions if you would be willing to talk with me now."

A. Homan- "What questions do you have?"

Q. I talked to Frank Anderson of Computer Outfitters at the IHRSA Trade Show and he informs me that he has entered into an agreement to take over the Tools Management, Inc. software accounts.

A. Yes, he is flying in on Tuesday, so we haven't concluded anything. So, I don't know how much I have to say until next Friday.

Q. It is still up in the air?

A. Well, its not 'up in the air.' It is just that we have a lot of details to work out relating to how we deal with the billing situation. [the missing money]. I have my attorney working on it. There is some money reserved in an account, but it won't be enough to cover everybody. I think I have talked to everybody now. The one we had the poorest communication with was probably Lane Garrett in California. I don't know what happened there, but there was a different guy there originally who we dealt with. The club was originally named after him. Initially, I didn't know who Lane was. He got the club through some family trust. The original and a part-owner, left the club. We had already moved them over to BankDirect at that stage. We had some pretty poor communications with Lane, but I think I've always tried to communicate with everyone and have been pretty open about what is going on with Daron [Allen], Jim Dees, Bob Napolo and have talked with Lane a little bit. And, we have one client that just won't communicate with us. He knows only one thing: 'pay me all the money [\$53,000] in one lump sum and we are done.' That's nice, but the real world does not allow for these kinds of things when you have problems.

Q. Is that the fellow from LaJolla, CA.?

A. Yes.

CLUB INSIDER- I received a call from that club's attorney the other day.

HOMAN- Who did you get the call from, Mark Stern?

CLUB INSIDER- Yes. He wanted information on the other clubs that have also lost money.

HOMAN- What Mark

wants to do is hurt me personally. The whole thing is that somebody is going to have to prove that I got financial benefit from this at the end of the day. Right now, somebody is going to have to show that that money went to Brian Homan for it to be other than a 'horrible situation.'

Q. Why did you have your attorney, Jeffrey Kahn, send me that letter stating 'no-comment'? [If there is nothing involved but what you describe as this 'horrible situation']

A. It is very tough because we are in the middle of this and it affects my dealings with Frank's company [Computer Outfitters] and other arrangements that we are trying to make. I was hoping that it would not get out when it did. [referencing The **CLUB INSIDER** News article about Tools in March]. If it had been a month or so before it got out, then it could have gotten out in just one statement saying, 'this is what happened and this is what's happening. It just doesn't move that fast. We had to do everything very quickly to protect the existing clients first. It had to happen or I was going to get 'put-down.'

I had a computer programmer make a \$128,000 mistake!

Q. What happened?

A. What happened was I had a computer programmer who was doing a new version of our software. We use a product called IC Verify, which is the [almost] worldwide standard [87% of the world's computer credit card processing is done with this product]. I use it. Club Runner and Alphonie use it. So, you get a developer's license where you can use the software within your point of sale and your billing so that you meet all the banking standards. My programmer, without anyone else's knowledge, was testing a run on credit cards using 7 club's information that we were not billing for. He didn't follow the IC Verify protocol. He says that he put in odd amounts. If he had just put in club dues, it would have been nice. But, unfortunately, he actually changed the billing amounts to all types of strange billing amounts. One guy had his card hit for \$10,000 and it went through! If he had billed everybody for what they normally paid, it wouldn't have been a problem. There were 312 accounts that

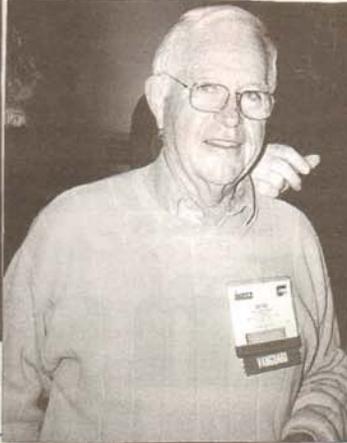
went through processing in various dollar amounts, with the total of \$128,000! You can do the math, but the average was pretty high. [\$410 average] We didn't know he had sent the batch. He submitted it and all of a sudden, we found out because we don't process those kinds of numbers and there is a little trigger in the computer that these are not normal chages for Tools [Management, Inc.] Especially for those dollar amounts. We would do a \$5,000 computer system, but we would not be doing 312 transactions. That would be abnormal. So, I thought O.K. We'll just reverse it. [the charge transmittal] But, Merchant Services refused to help us. They said, 'You've got to go in one by one and credit the accounts. Well, technology today makes everybody stupid because the money went to security. It didn't come to us because there was something out of whack. [and the security system kicked in.] Now, with the money in security, we can't do the credits. We didn't have access. [to the money] I have correspondence and e-mails from the President of Merchant Services, for God's sake! We finally got the credits through after 30 days. But, what happens is you, as the card holder, file a dispute. On Visa/Martermcard, they don't cross reference the disputes against credits. They give another credit and they deduct it from my bank account. So, they started hitting my bank account for as much as \$10,000 per day! It was mind blowing! So, a lot of that was money we owed [for dues collected] other people. We ended up having to close our bank accounts. I am now being sued by American Express, Discover and Visa/Mastercard. Even though we did all of the credits, they said we have to go after each individual card holder ourselves to get our money back. So, they double credited about \$75,000. We gave some people checks because they were so upset. That was a mistake because there was no record of credit. That little push of a button in August, 2001, by December 18th, had ruined my business. And, I am black listed for card services for the rest of my life. I can't have a credit card [merchant] account. And, I am being sued for a quarter of a million dollars by card services, even though they are not out any money.

Q. What happened to that
(See *Homan* page 28)

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FOR FREE INFORMATION

...IHRSA

continued from page 3

Association and the Racquet Sports Committee of the SGMA, given to Renee Arturo of the Alaska Clubs and the IHRSA/Keiser 50+ Programming Award, sponsored by Keiser Institute On Aging, was given to Pat Weir of the Atlantic Club and presented by Keiser Institute Founder, Dennis Keiser.

The General Session featured a terrific Keynote Presentation by Herman Cain entitled: "Leadership Just Got Tougher."

The Convention and Trade Show were capped off by concurrent sessions, Trade Show hours and the IHRSA Grand Finale Party, attended by thousands.

Since the IHRSA Convention and Trade Show, we contacted some folks to see what

they had to say about the event:

IHRSA SAN FRANCISCO COMMENTS

John McCarthy, Executive Director- IHRSA. "The Trade Show, with over 9,600 attendees, was the best ever, and Tom Peters summed up the entire convention with one word: opportunity. 'The opportunity before us,' said Tom Peters, 'surpasses that of every other industry he has ever seen.'

Steven Schwartz, President Tennis Corporation of America. "When it comes to trade shows and conventions, bigger really is better. IHRSA has now achieved a scale that makes it a must attend function for any serious player in the industry. This year's gathering was the biggest and best ever."

Ben Midgley, 24 Hour Fitness and past IHRSA Sales Director of the Year Award Winner. "This year's convention has topped all others that I have seen. I was especially

impressed with the international presence. I met so many talented operators and enthusiastic IHRSA members from around the globe that it really made the convention for me. I am looking forward to next year. As well, it was very good to see that one person in particular finally got the recognition they deserve.

Michael Hoffman, President- Heart Communications. "I was gratified to see a fellow journalist, Norm Cates, receive IHRSA's Dale Dibble Distinguished Service Award at the San Francisco IHRSA Convention. This industry needs all the candid, honest commentary it can get... that is, factual print information not directly or indirectly controlled by the influence of advertisers.

Sandy Coffman, President- Programming For Profits. "Congratulations! and Thank You IHRSA! for 20 years of promotion, growth, and education in our wonderful industry. The Dale

Dibble Distinguished Service Award was appropriately named, and Norm Cates is the most deserving and perfect recipient of it. Sales Makers was indeed an incredible choice for the Associate of Year award. The show was truly a celebration and a valuable experience.

Jill Stevens Kinney, Chief Operating Officer- Club One, Inc. "I was so proud of our industry when I saw a half dozen people who had left the industry years ago show up in San Francisco for the 20th Anniversary of IHRSA. What other business would spark that kind of comradery and passion? I can't think of any."

Tom Lynels, former IHRSA President and co-founder of Club Sports International commented, "The best ever!"

Karen Woodard, President- Premium Performance Training. "The 20th Annual IHRSA show was an interesting mix. From an industry pulse perspective, the range of prosperity was wide depending on who I

spoke with. Some club operators are doing extremely well. Some are cautious. Some are not experiencing the success that others are enjoying. From a show perspective, the business opportunities for both the operator side and the vendor side were abundant. One of the best business shows I've experienced in my history as an IHRSA member."

Chuck Leve, IHRSA Director of Business Development. "As has become customary, IHRSA's Annual Convention & Trade Show was an exciting, uplifting and energizing event. It being our 20th Anniversary gave many of us the opportunity to reflect on how far the industry has come - and how great our future opportunity is. I also sense a growing alliance between clubs and suppliers that bodes well for the future."

Colin Milner, IDEA President. "After 20 years of making a difference in the lives of many individuals it was great to see that IHRSA and the industry are still experiencing growth."

SALES • RETENTION • REFERRALS

By Ray Gordon

Sales, retention and referrals are a continuous 'Circle of Membership Success' when done properly.

We start the 'Circle of Membership Success' very naturally with the opening.

What is the opening? The proper greeting of the non-member is one of the most overlooked and undertrained segments in the membership sales process. Your personalized opening is your overture.

You set the tone.

You make an impression.

You begin building rapport.

You position the tour agenda.

An effective opening paves the way for asking questions and identifying needs (this will be covered in future publications of the **CLUB INSIDER** News).

In my 20 years of training membership sales staff, it still surprises me how many fail to take advantage of the window of opportunity that most prospects give them to open a dialogue. While it is not essential to have the perfect opening it is essential to prepare and practice your opening. For 20 years, Sales Makers has used the prompt word SWELL to remind member-

ship staff of the importance of the proper opening.

S Smile

The easiest way to make someone feel comfortable is to give them a genuine smile. Sandy Coffman has for years correctly encouraged 'teeth and eyes' when meeting people. I know this sounds very basic, but stand unobserved and grade the next 20 non-members who are greeted by the membership staff in your club. Did you see 20 friendly, sparking smiles? If the answer is yes, good job.

W Welcome

Every guest must be greeted with warmth and professionalism.

Remember that our industry is different than most, in that we see our customers two, three or more times per week. Membership sales people should have a 'mission statement' prepared. A short, precise message emphasizing some areas that your club excels in. Inform and excite them about what they can expect as a member of your club.

Remember: A peacock that sits on its tail feathers is just another turkey!

E Enthusiasm

Be excited about showing them how you and your club can help them. Be enthused with the opportunity to work with them as they strive to improve their health and fitness. Sales Makers monitors the current exercise habits of health club guests across the U.S.. Statistically, 72% of all non-members who visit our clubs are non-regular exercisers.

Don't think your attitude is important? Recently we analyzed an erratic pattern of an experienced membership sales person. At the time in question, she was also taking some college courses. She always gave a complete and professional tour and was able to tell us many things about the needs of the prospect. Why then, were there unusual downward spikes in her membership-joining ratio? It turns out that the graphs matched perfectly to exams or disappointing grades on quizzes. So what changed? The quality of the prospective member or her attitude? A professional attitude is important.

L Learn Their Names

The most comfortable sound to everyone is his own name.

Use discretion, Charles is not automatically Chuck for example. Pay attention to the introduction, when they offer their first name, it is usually okay to use it in conversation. When in doubt, it is better to err on the side of a proper full name. When you do your job properly there is a very high probability that the person you are touring will become a member. So you might as well memorize his or her name now.

Make it easy for him to remember your name with prominent name badges that are a mandatory part of your uniform.

L Listen

God gave us two ears and one mouth. On the tour it is proper to listen twice as much as you talk. Questioning and listening carefully to the answer will guide you as the tour progresses. In the past three years the "informed level" of our non-exercising guests has increased dramatically. Just because they don't currently exercise does not mean they are not informed.

An adult consumer in America would have to have an I.Q. of about room temperature not to know that proper exercise would be beneficial to them. That is why they walked into your club today.

One purpose of a proper opening is to lay the groundwork for identifying the customer's needs. (Next issue of **CLUB INSIDER** News). The small amount of time which is spent on the professional opening is disproportionate to the large impact it can have on the membership sale and future referrals. It is a critical opportunity to guide the questioning process.

The mistake most membership people make is assuming we know their needs because we are experienced in the industry. Many clubs still use a profile question sheet to ask the basic fitness (sales) questions. In the hands of an experienced professional, the profile questionnaire can be an effective tool. My experience has shown that most membership staff use it incorrectly and miss an ideal opportunity to uncover many of the prospects' needs.

Example: Last week in Memphis, Tennessee I shopped a competitor of an organization I was consulting with. Yes, I know what you're thinking, Ray was one of



Sandy (L) & Ray Gordon

those difficult people who were unnecessarily wasting the time of the membership staff. Well, it was necessary that I gather some information in order to give my client the correct advice. What I do in situations like this is simple. I make up one specific need for the sales person to uncover during their tour. This time I didn't have to make one up. After a lengthy flight my back was really bothering me. Like always, I fold a \$20 bill in my pocket and if they uncover my needs or pick up on any clues I have given, I then reveal my identity. They in turn get the \$20 for their efforts and don't waste valuable time following up with me.

True to my past experience, the sales person (who was nice) took the information from the questionnaire and started selling. Many membership sales people think that after the greeting they should immediately begin selling.

Important - don't jump to the product until you find out some specifics about the needs. This is 2001. Exercise means MUCH more than just a way to lose weight and inches. Exercise is an efficient way of correcting or avoiding many health situations.

We have started the 'Circle of Membership Success' with the 'opening.' In the coming months we will discuss the rest of the membership circle and discover how every part, large and small, becomes important as we do more than just sell memberships. The information that is gathered will be predominantly used to encourage club usage, membership retention, and member referrals.

Have a great day and remember; today you CAN make a difference.

(Ray Gordon is the Founder and President of Sales Makers, a 20+ year old club membership sales consulting and training firm. In March, Sales Makers was awarded the 2001 IHRSA Associate Member Of The Year honor. To reach Ray see the ad on page 2 of this issue.)

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...Rhodes

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that 93% of the American population list their own health and the health of people they love as the single most important factor in their life. Only about 10 to 11% of those people now are actually members of a commercial health club. That's a very low vote of confidence. Yet, we know that we have what those people need. We know that while we may be somewhat biased, we think that we offer the best chance for them to realize their goals for good health and well-being. Certainly better than a thigh-master or a vitamin pill or something like that. And yet, nearly 9/10ths of the market is turning to other sources. They are not turning toward to us. That spells a lack of confidence in capital letters. That, in my book, is the 800-pound gorilla of a challenge that is facing our industry. You now know why the MAC's Mission is what it is. It is all tied together. Your interview has brought us full-circle."

Tim—"Item #2, is tied to Challenge #1, and that is our ability to charge a fair price. I would put that ahead of all of the remaining things on the list. Now, if I had a YMCA opening up next door, I might feel differently. But, I think the fact that our industry is still struggling to charge a fair price is our 2nd greater challenge. By the time we get done paying a reasonable rent, our taxes, our utilities, marketing and paying our staff a wage or salary that will attract someone that we could, without hesitation, put in front of the most savvy member and would reliably help him or her get healthy and fit; by the time we get done paying all of that, the margins are incredibly narrow. What if instead of being in the \$30 to \$50 to \$70 range, all

clubs were in the \$100 to \$200 per month range or the \$200 to \$300 range? When you compare what we offer, hour to hour, day to day, week to week, to going to a movie, going to a baseball or hockey game, or going to a chiropractor, we are at the bottom of the list. We must reposition our clubs and reframe the market's perception of the value of our services. Success with this means we will be able to serve an even greater segment of the population."

Tim- "My opinion is that challenge #3 is the diversity of competition. That encompasses hospital clubs, YMCAs, other clubs. We are competing with a plethora of opportunities: magazines, vitamins, things they are hawking on TV and informercials. But if we nailed Challenge #1 and #2, #3 would go away. In fact, if we overcame challenge #1, then #2 would go away. So in our book, the place to start is with our credibility - Make sure everyone gets what they came for."

Q. "Have you ever found that talking about business at home, has ever been problematic?"

A. Tim & Liz- "Yes."

Q. "With that question answered, has there been any discussion about leaving business at work and not talking about it at home?"

A. Liz- "Yes."

Q. "How far are you from making that decision?"

A. Tim- "It is not a question of making that decision, Norm. It is a question of sticking with it." Liz- "It depends. We share an office. The responsibilities are split differently. Some-

times we haven't had time to catch up with each other until we are actually looking across from each other at night at the dinner table or in bed. We haven't had quality time together alone, so sometimes the environment is not conducive to discuss things at work, so it is easier to discuss it at home. We are trying separate work and play." Tim- "When you are starting a new business, any entrepreneur will tell you, anytime your eyes are open, you are fair game. When your livelihood, your family, your mortgage, your car and everything else depends upon your success, you don't reach for the off button. We have learned over time to take breaks. In fact, that is one thing our partner, Phil, has taught us. There have been times when he dragged us out of town kicking but we've come back refreshed. He has taught us a lot of good lessons about that. Now that the business has some altitude and we're not worrying about driving back into the ground any minute, we can give ourselves some time to relax. We are beginning to enjoy a little more freedom."

Liz- "And, we're each other's best friends, so when you work together and live together, there is comfort sharing things with your friend and mentor. There is comfort in sharing that valuable time. That quality time is so valuable, it doesn't matter where you are."

Q. "I would like to close this terrific interview with you, Liz. How do you go about balancing your life as a Mother and a business person like you are?"

A. Liz- "Like the Nike slogan says: 'Just Do It!' I just do! I don't think that what I do is any different than what a lot of other women are doing in today's world. Plus, what has kept me sane dur-



A Very Tuckered Out T. J. Rhode At The IHRSA Trade Show

ing some of the most challenging moments of imbalance between home and work has been exercise. To this day, I teach a couple of land and water classes a week as well as work out with a personal trainer. Exercise enables me to be a better mother, a better wife and a better business woman. Anytime I feel like my workload or life is getting too heavy to carry, I adjust my attitude and focus on the many blessings I have in front of me... A healthy and happy son, a loving and dedicated husband, and a growing and thriving business. I'd like to end this interview by saying... As an immigrant, my parents instilled some core values that have enriched my life. They taught me that the greatest riches in the world are the ones money can't

buy. So when you have your health, you have everything. When you have unconditional love and support from your family, life has passion and reason. And when you are free to pursue your dreams, nothing in life is impossible to achieve."

(Norm Cates, Jr. is the Publisher and Editor of *The CLUB INSIDER News*. Cates is a 27-year veteran of the health, racquet and sportsclub business. Cates was the 1st President of IHRSA in 1981 and a Co-founder of the Association. In March, 2001, Cates was honored by IHRSA with the first ever Dale Dibble Distinguished Service Award, the highest honor given by the Association to lifetime club business professionals.)

...Norm Cates

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Dale Dibble Distinguished Service Award. I've been very fortunate to have worked with many of you in this room to create IHRSA and to help move it forward for 20 years. I want to thank outgoing President, **JOE CIRULLI** and the Board of Directors for deciding to honor me in this manner and at this time. I want to thank **JOHN MCCARTHY** and his awesome team for all they do for us. They are TOTALLY GREAT at what they do. John, Joe, Board of Directors and all IHRSA Staff Members, please stand up and have a round of applause. Special thanks to the NCCA Board of Directors who in 1980 elected me to be their President. And thanks to founding IHRSA

BOARD OF DIRECTORS, a combination of the NTA and the NCCA Boards, for electing me as President of the 'Baby' IHRSA in 1981. It was really his fault. [I point to Rick Caro who is standing on stage to my right.] **RICK CARO** had the idea of bringing these two groups together. I am not sure he had the idea that it was going to turn out like this. Rick and I are very proud parents of IHRSA.

Many thanks are due to **The CLUB INSIDER News ADVERTISERS** for their support and encouragement of this mission of **The CLUB INSIDER** for over 7 1/2 years now. Also, thanks to all of you that have served as **CONTRIBUTING AUTHORS** over the last 7 1/2 years for providing excellent educational articles for us to publish every month. Thanks to "Uncle Rick",

Dr. Rick Caro, Dr. Gerry Faust and the Faust Executive Roundtable #1 members that in 1993 helped me dream up a new business called **The CLUB INSIDER News**. Thanks to my **DAD** and his wife, **LOUISE**, for their support and to my terrific son, **JUSTIN CATES**, for all of his help and guidance for his computer illiterate Dad. [Audience laughs]. Thanks also to **CATHY BROWN** and **RON HUDSPETH** of Atlanta's Hudspeth Report and to all the folks at **WALTON PRESS** in Monroe, Georgia for the great job they do printing **The CLUB INSIDER** every month. I want to thank my former partners, **RICH BOGGS** and **RAY IRWIN**, my original partners in the club industry, for their friendship and mentorship over the years. I know Rich is here and Ray is not. Rich, would you please stand up. I want

everybody here to hear a little story about Rich Boggs and Ray Irwin. They are the guys that invented **The STEP** and brought **The STEP** to us. Let's hear it for Rich Boggs out there. Finally, I want to say thanks to **MR. RAY WILSON**, **MR. BOB DELMONTEQUE** and **MR. JACK LALANNE** for their inspiration and encouragement to me over the years as I had, in the early days, struggled to keep **The CLUB INSIDER** going."

A SPECIAL MESSAGE TO YOU ALL

"Let me close by saying this to you all. Conduct your business with a Passion For Excellence. Be like the Super Star (Tom Peters) behind the stage here who will be up here with us

in a minute and will also be honored today. Be obsessed with excellence and do it with passion. Take the time every day to stop and think about how important what you do is to the lives and well being of the members and guests that you serve. You should always and I mean, always, feel good about your work and what you do. And, never ever forget, your work, if done with passion and excellence, enhances and improves the quality of life for your members immeasurably. Smile at your members. Say their first names everyday. Give them the gift of happiness. And, MAKE IT FUN in your club everyday. Thanks for reading **The CLUB INSIDER News** and subscribing to the publication. And, for honoring me with this great honor today. God bless you all."

IHRSA's Capitol Report

Capitol Report Reprinted Courtesy Of IHRSA

STATE LEGISLATIVE UPDATE-March 28, 2001

For more information on these bills, and to find out who to contact about them, visit <http://www.ihrsa.org/publicpolicy/state/index.html>.

CALIFORNIA: SCR 5 and SCR 6 both passed the Assembly and the Senate and have been sent to Governor Gray Davis who is expected to sign them into law. SCR 5 would proclaim the month of April 2001 to be California Fitness Month, and would encourage all Californians to enrich their lives through proper diet and exercise. SCR 6 would proclaim May 1 to May 7, 2001, to be Physical Education and Sports Week and May to be Physical Fitness and Sports Month.

FLORIDA: House Bill 1449 would require health club contract refunds to be issued within 30 days of receipt of notice of cancellation.

NEW YORK: Assembly Bill 4792 would extend the health club cooling-off period from 3 to 7 days. It would also prohibit automatic renewal clauses and require the provision of not less than 30 days nor more than 60 days notice of time for renewal and requires an affirmative response of intention of the buyer to renew.

Assembly Bill 4665 and Senate Bill 2486 would nearly double the amount of the surety bonds required of health club operators.

Senate Bill 635 would allow health club patrons to terminate memberships within 14 days and members to cancel automatic renewal within 60 days of the date thereof.

MANZULLO TO DEMAND OVERDUE REPORT ON UNFAIR COMPETITION

Representative Donald Manzullo (R-IL), Chairman of the House Committee on Small Business, has a message for the Department of Treasury: report to Congress about unfair competition in the fitness industry or a hearing will be held on why the report is two years overdue.

You may recall that in October of 1998, Congress asked the Treasury to report by April 1, 1999, on the "statutory and regulatory changes that may be needed to as-

sure that the health and fitness activities of these organizations substantially further the purposes for which the organization was granted tax exemption and do not constitute unfair competition with private sector, taxable organizations."

In a letter to Paul O'Neill, Secretary of the Department of Treasury, Manzullo requests that the report be submitted to the Committee within 30 days. "The Small Business Committee is looking forward to reviewing this report as it considers issues relating to unfair competition," he writes.

Since becoming chairman of the Small Business Committee, Manzullo has met with Tom Scanlon, IHRSA's Washington representative, and with IHRSA members, and has demonstrated a strong interest in the fair competition issue. In addition, the National Federation of Independent Business (NFIB) has given Manzullo a perfect score for his lifetime small business voting record.

CRUSADE FOR CLUBS: LET CONGRESS HEAR FROM YOU

During IHRSA's 20th Annual International Convention & Trade Show, club operators from all over the country participated in "Crusade for Clubs." IHRSA developed this write-to-Congress program to make it easy to have your voice heard in Washington. This year's letters focus on two important topics: corporate deduction for employee health club memberships and fair competition. If you haven't already done so, please take a minute to send pre-written e-mail messages to your lawmakers. Just visit <http://www.ihrsa.org> and click on the "Crusade for Clubs" logo.

YMCA SEEKS INCREASE IN CHARITABLE GIVING

The YMCA of the USA asked Congress last week to support the tax incentives President Bush has proposed to encourage charitable giving by Americans. The organization's National Executive Director, Kenneth

Gladish, Ph.D., testified on Wednesday before the House Committee on Ways and Means in favor of Bush's proposal to extend the charitable contributions deduction to all taxpayers (instead of only those who itemize their deductions). Gladish cited a recent report by PricewaterhouseCoopers which concluded that had the non-itemizer deduction been in effect in 2000, total charitable giving would have increased by \$14.6 billion. He also advocated Bush's proposal that would make it easier for individuals to donate funds from their Individual Retirement Accounts to charities.

"PAC" YOUR BAGS...FOR A FREE TRIP TO ANYWHERE IN THE WORLD

In an effort to spread the word about IHRSA PAC, the fitness industry's only political action committee, IHRSA is giving you a chance to win plane tickets to virtually anywhere in the world! For an entry form and official rules, visit <http://www.ihrsa.org/publicpolicy/win.html>.

STATE LEGISLATIVE UPDATE-April 4, 2001

ARKANSAS: House Bill 2514 would require every kindergarten through grade 12 school to require at least 20 minutes of physical education training and instruction at least 3 times per week.

FLORIDA: House Bill 1725 would remove the registration requirement for health clubs and the regulation of such health clubs by the Agriculture and Consumer Services Department.

NEVADA: Assembly Bill 627 would increase the amount of the bond for health clubs with more than 25,000 (twenty-five thousand) members from \$50,000 to \$250,000.

NEW HAMPSHIRE: The Healthy New Hampshire 2010 Leadership Council and the New Hampshire Department of Health and Human Services have announced the State's health promotion and disease prevention agenda for this decade. The plan outlines 61 specific, measurable objectives, including increasing the percentage of people who engage in physical activity five times per week from the current 24% to at least 50%. The full plan can be accessed through <http://www.healthynh2010.org>.

www.healthynh2010.org.

UTAH: Senate Bill 425 would make a change to the health club bonding requirement. Currently, the bond amount is based on the number of contracts a club has with an unexpired term exceeding 90 days. This bill would make the bond based on the total number of contracts a club has, regardless of how many days are left on them.

In other Utah news, a bill may soon be introduced that would repeal the state sales tax on health club dues. Utah is home to several huge government fitness centers, and this measure would be an important step towards leveling the playing field.

AKRADI PREVAILS IN REFERENDUM TO BUILD \$14 MILLION FITNESS CENTER

Voters in Dundee Township, Illinois defeated a referendum yesterday that called for a \$14 million, 43,000 sq. ft. recreation center. The vote was 3,419 to 3,037.

In a textbook campaign led by Life Time Fitness CEO Bahram Akradi (and modeled in part on a similar victory in Naperville, Illinois last year), voters asked instead that the town build more playgrounds, open spaces, and bike trails.

This marks the 11th victory over park and recreation developments that IHRSA members have led in the past 18 months.

STATE LEGISLATIVE UPDATE-April 11, 2001

FLORIDA: House Bill 547 would exempt dues and fees paid to private health clubs from the state's sales tax. The bill was introduced last week and has been referred to the House Committee on Business Regulation.

MONTANA: Another hearing was held yesterday on Senate Bill 151, which would prohibit university fitness centers from selling services to the general public when there is a for-profit fitness center operating in the community. According to Ron Muri, owner of Billings Athletic Club, there is little opposition to this legislation. "I am confident that the bill will pass in its current form," he said.

NEW YORK: Assembly Bill 5272 would prohibit a health

club membership contract from being renewed or extended except upon the written consent of the member, executed not more than 60 days before the effective date of the renewal or extension. Since IHRSA's legislative alert, the office of the sponsor, Assemblyman John McEneny, has been "barraged" with calls from club operators. That office contacted IHRSA today about possible modifications to the bill.

TEXAS: House Bill 3332 would make changes to the procedure that must be followed when a health club goes out of business.

CALIFORNIA CLUBS DEFEAT UNIVERSITY'S REC CENTER PROPOSAL

A coalition of eight Chico, California health clubs has defeated a proposed \$65 million recreation center on the Chico State University campus.

Two years ago, the university announced a need for a recreation center to compete with other campuses for the "best students." At that time, Chico clubs met with the administration and expressed concerns, which fell on deaf ears.

The university then surveyed its students, who were willing to pay through increased fees for a center as long as it included state-of-the-art fitness equipment.

In January of this year, the university announced plans for a 125,000 square-foot recreation center (with 16,000 of those dedicated to cardiovascular and weight training) and a 45,000 square-foot aquatics center.

In February, as a coalition, the clubs ran a multifaceted, \$10,000 advertising campaign to educate students about why the proposal was unfair to students (rather than why it was unfair to businesses). The coalition also made several presentations on campus to student groups.

The coalition also asked the Chico Chamber of Commerce to publicly take a position in favor of small business. Initially, the Chamber was in favor of supporting the clubs' position, but as the university applied political pressure, it voted to take a "neutral" position. The entire coalition of clubs has since resigned from the Chamber. A letter has been sent to all Chamber members to inform them of its board's action (or inaction).

...Homan

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programmer?

A. He's gone. The stress. It affected our payroll. It affected our ability to deliver product. I expect not just the loss of all of that money, I expect to actually have to pay another \$57,000 to Card Services so that I am not destroyed personally for life.

CLUB INSIDER - I've had people contact me since the IHRSA Convention. The lawyer, Mark Stern contacted me and is clearly intending to pursue you for criminal charges.

HOMAN- I tried to work with Gregg [one of the owners of Personalized Fitness in LaJolla, CA.] and he just refuses to take any kind of monthly payment. Mark is looking to uncover something that is not there. The manager of that club at the time liked our software well enough where he did a couple of installations for me. He had no knowledge of any of this, but Mark [Sterns] is trying to link him into this whole thing, which is a shame, because he is a nice guy and he didn't know what was going on here. He was 3,000 miles away! Mark has made it totally personal with me. He doesn't want to keep it just business.

Q. So, Mark Sterns is not talking with you or anyone else about all of this?

A. He did try to speak to my attorney, Jeff Kahn, but my attorney doesn't know what to say to him. He doesn't want to be part of any type of recover. I'll communicate with anybody that wants to talk and know what is going on.

CLUB INSIDER - Brian Homan may be reached through leaving a message at the Computer Outfitters phone # (800) 811-8665.

HOMAN- Although I've talked to all of the people involved in this situation, I want to make it clear so they understand. They are going to recover their money, but it is not going to be a lump sum payment.

Q. Are they going to recover their money from the money that is being held right now by the bank?

A. No. That's not going to be enough.

Q. How much short will you be after the funds being held by the bank are released?

A. Quite a bit.

Q. How much? \$50, \$75-\$100,000?

A. I don't know until we reconcile it. We've tried to make some payments. We've done some free work. I gave Daron [Allen] a second club system. I gave Denise a second club system. We need to

reconcile that work. We've offered some free technical support worth a couple of thousand dollars. That will be in addition to the money, more for compensation to the customers for the horrible situation that's been going on. But, people need to realize that this kind of problem can happen to anybody and does happen all the time in clubs. One fellow is still screaming, even though the 13 people accidentally charged have all received full credits and have lost no money. 13 people does not make or break a health club. It it were 1300, he'd have a legitimate gripe, but not 13.

Q. How long were his member's cards tied up with those charges?

A. 30 days. Credit Card Services didn't think it was a very big deal at the time, but they weren't very helpful. We made some mistakes because we weren't very concerned about it either. [thinking that we could simply solve it by crediting all of the 312 accounts.] I just thought we'd just do the credit to the accounts and boom, it would all be taken care of!

Q. How does Merrill Lynch tie into all of this?

A. At one time, the EFT dues funds went into our Merrill Lynch account. But we had to close that account because it was being attacked by the Card Services people. That was where the billing money used to go and we lost that account. Then, after that, it was going into Union Planters bank which was our General Operating account.

Q. Why did you use the Merrill Lynch for the billing deposits?

A. We were looking, after 5 years, to establish ourselves for lines of credit with Merrill Lynch. Banks, or even the SBA, won't loan money to small software companies. Was it a good idea? Probably not. But, it seemed like a logical thing to do at the time. We found it was really slow and cumbersome moving the money.

Q. It looks like you are almost finished packing here. Where are you moving to?

A. I am working out of my home. I have all of my support systems, etc. in a small office there. When we get this thing [EFT fund problem] all tied down and cleaned up by the end of the month, I'll probably get some new offices. We were attacked so badly from every direction, that I just couldn't continue to operate here in these offices.

Q. They were coming at you from every direction, it looks like.

A. Yes. And, you know,

it is very unforgiving. If you have more than one problem nowadays, you have big trouble. We were just getting ready to launch the new version of the software out last December. I could not imagine what I would go through from that little push of the button last August! We did already have the EFT billing problem. I don't want your readers to think that the credit card charge mistake caused the EFT billing problem. But, we were managing it up to that point. We were dealing with folks. We were getting them their money. Club by club, we were exiting the billing process and paying them off. At one time, we were handling EFT billing for 57 clubs. So, we were handling it one club at a time as they switched to BankDirect or other processors. We reconciled that and cleaned it up. But, when the charge mistake happened, along with some of our own financial issues at that point, we just got too far behind and couldn't catch up. We were 'upside down.'

Q. I've been told by several club owners that before the programmer's 'big-mistake', you were getting slower and slower in delivering their EFT dues to them after they were collected. Why was that?

A. What were doing at that time was that we were exiting the [EFT billing] relationships. We were trying to deal with one club at a time, get them to BankDirect or other processors. They would get slow, but they were getting their funds. But, whoever did the switch over last were the ones who got stuck.

Q. So basically, there was a 'float' carrying forward, so to speak?

A. Right. You know, in looking back now, I may have been better off going to another company and making a deal with them on EFTs and working off the commission flow, instead of letting it all go bad.

Q. Brian, we're still talking about a lot of unaccounted for money, even after taking into consideration the money still on reserve at the bank and double charge-backs by the banks on the credit card credits. Where did the rest go?

A. Well, as I said, we've have yet to reconcile the exact amount that we will be short. But, as all of this went on, we tried to continue the Tools Management, Inc. operations while we tried to resolve the bank credit card issues, the EFT billing issues and the sale of Tools Management, Inc. to Computer Outfitter's Frank Anderson."

End of Brian Homan in-

terview.

We contacted Frank Anderson, the 22-year club software veteran and President of Tucson, Arizona-based Computer Outfitters, at the IHRSA Trade Show for his comments.

Q. "I understand you have made an arrangement to acquire Tool Management, Inc. Is that correct?"

A. We have acquired the source code as well as the marketing and distribution rights to the Tools software program from Tools Management, Inc. We did not acquire any assets or liabilities related to the Tools billing and EFT program. Our arrangement provides that we will provide a royalty back to the Tools Company for the next few years based on the performance of the product. So, there is some revenue going back into Tools. There are about 190 Tools software clients [either sales and marketing or club management clients] and we have contacted all of them and there has been a good response from them. Most of the people are just thankful that we are able to continue to support them. They have been very cordial. There is a little bit of stress because of the last 3 months with Tools were pretty awkward. Some of them didn't get the support they deserved. Most of the clients have responded pretty well. We haven't found anymore folks that were due money from the EFT billing problem.

Q. Frank, you are a 22-year club industry veteran in the software and computer world. What is your assessment of what happened here?

A. There were two things that killed him [Brian Homan] off. He was running behind and not paying them when he was supposed to initially. And then he had the computer programmer who screwed the thing up and basically did a disaster run against the credit cards. Even though they gave all of that credit card money back, it cost him over \$40,000 in reverse charges had to be paid to the credit card company. Plus, the computer programmer did not want to accept any responsibility for it. He just said he was sorry and then he sued Brian for his last pay check! Oh well. The sad thing was that when we all found out about it here, all of us looked at each other and said, 'We could have done that. It is just one of those things that on a computer test, you could do that. It could happen. The problem was that he was running too tight before that. If he had been managing his business well, so that when that happened he got hit, but he was covered, he would have been

fine. I don't think it is criminal. But, it will be interesting to find out in the long term whether or not it is. I try to figure out if being a stupid manager is criminal. I don't think there was any criminal intent. He never took that money and put it in his pocket. It was always a matter of he needing to pay one guy, so he pulled the money out to pay that one. He was running a couple of days short and it just caught up with him. [when the credit card mistake hit him].

Q. What do you think those that have lost money can do to get their money back?

A. The end result is that there is no money there to get from Brian. It is not going to do you a lot of good to spend a lot of money with a lawyer to try to go get money, because there isn't any to get.

Q. What do you think the future will bring for Brian personally?

A. I am struggling with this because I feel bad for the guy. I am letting him sell for us. I am willing to try that. I just don't know if his reputation is going to get in the way or if people will be willing to accept the fact he had a business that failed, but he is still a good guy. I don't know how that is going to work out."

LATE BREAKING NEWS

At press time, we were contacted by telephone by Brian Homan who indicated to us that he and Frank Anderson were together in Florida working on a resolution to all issues that were outstanding and that he should be able to share their plan within a week.

The Tools Management situation has been a tough one on those customers who relied on him to process their EFT dues billing. We hope that somehow Homan is able to continue and successfully complete his efforts to build a plan to repay those people and that everyone ultimately comes out in one piece, including Brian Homan. We wish all parties the best of luck in that effort. STAY TUNED.

(Norm Cates, Jr. is the Publisher and Editor of The CLUB INSIDER News. Cates, a 27-year club industry veteran, was the 1st President and a Co-founder of the Association. In March, 2001, Cates was honored by IHRSA with the DALE DIBBLE Distinguished Service Award, the highest honor given in the Association to individuals who have served IHRSA and the club industry well, over the entire span of their careers.)



**BRENDA AND PLEASANT LEWIS BUILT
THEIR BUSINESS FROM THE GROUND UP.
THE GOLD'S GYM NAME HELPED
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The 2000 CLUB INSIDER News 2000 Contributing Author Team is listed below. Our thanks to all of our authors for sharing their expertise and taking the time to write for The CLUB INSIDER News.

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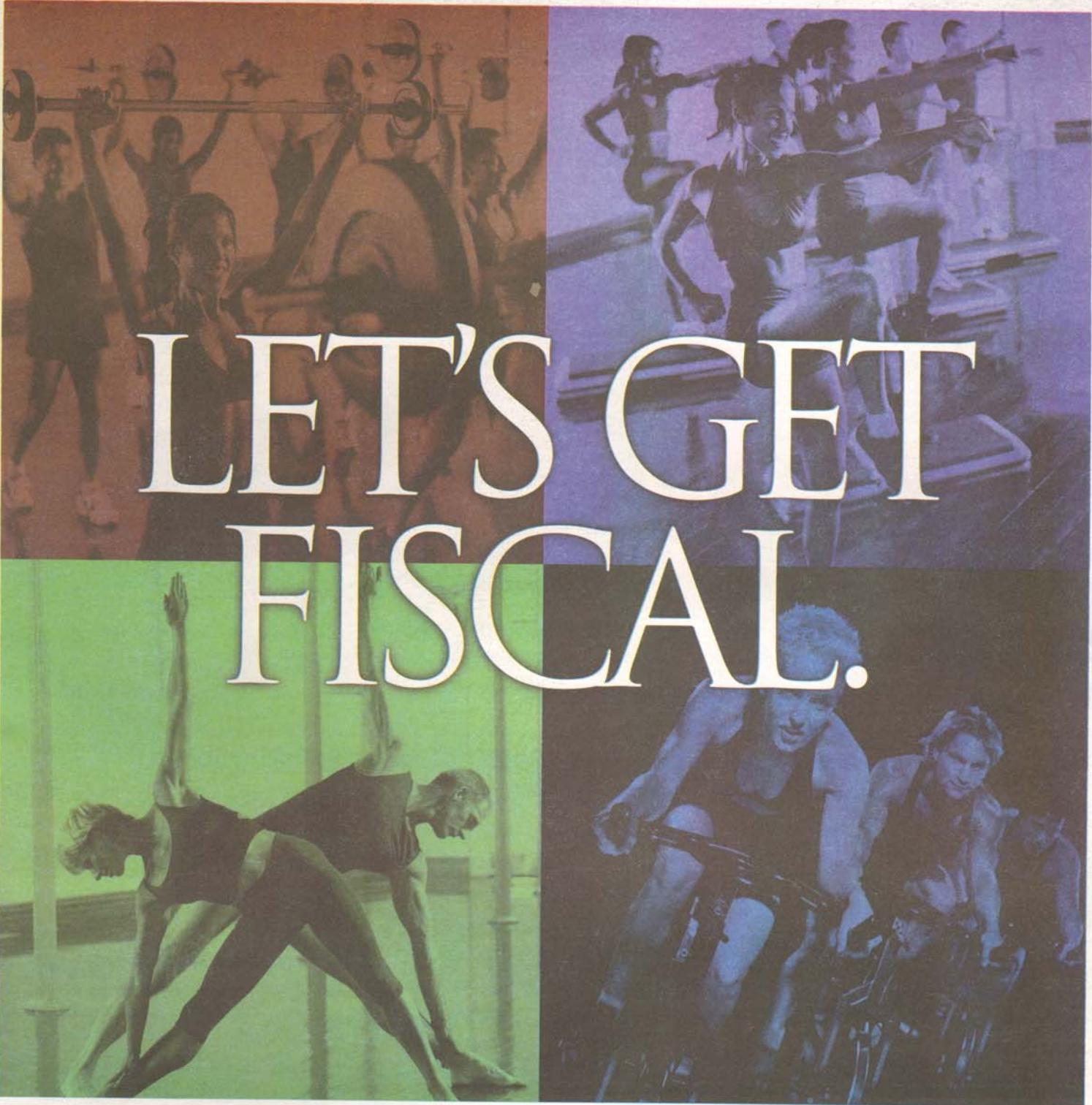
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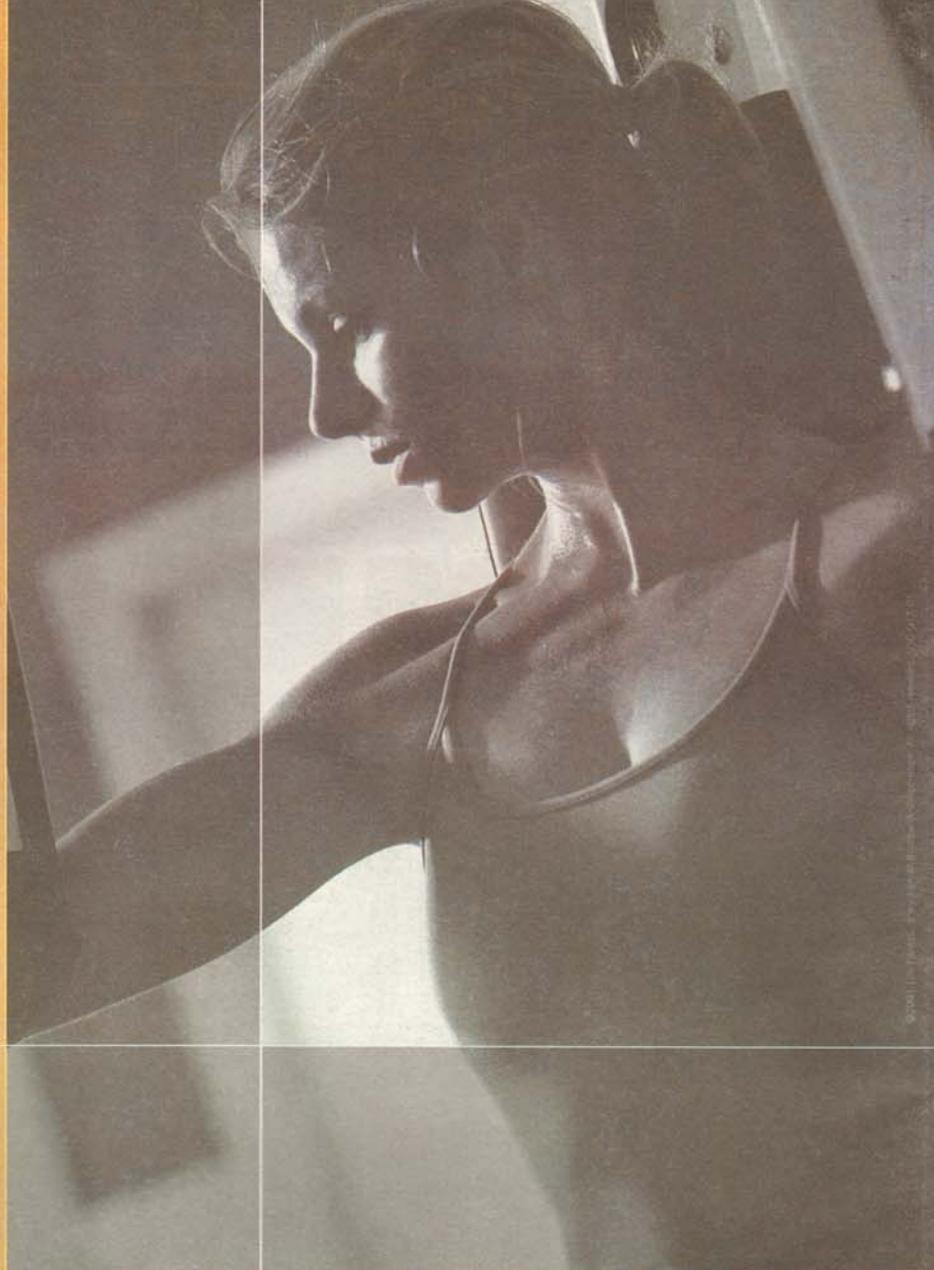
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