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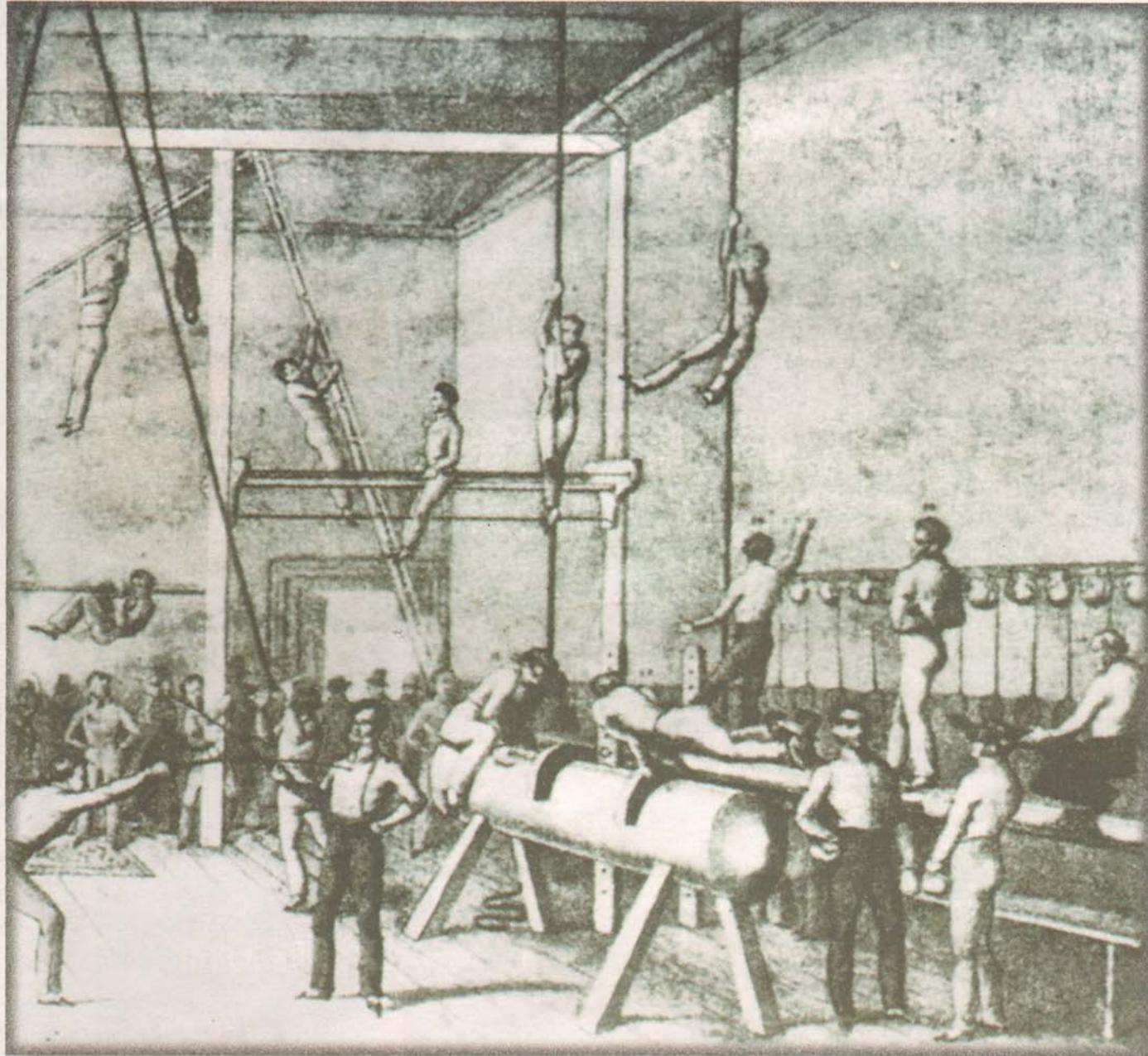
# THE Club Insider

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## NEWS

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

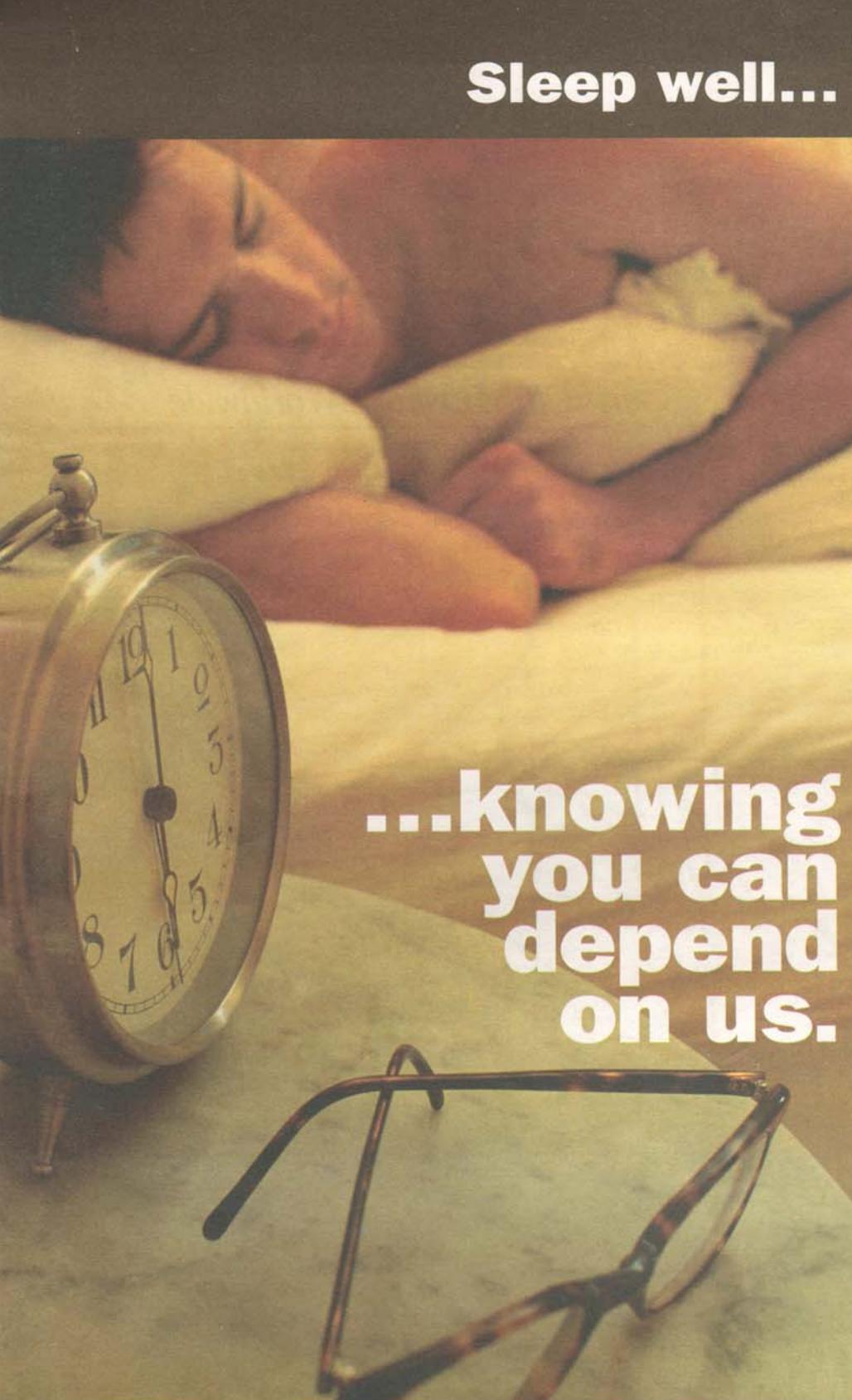


Gotham Health Club - New York City - Circa 1800

## The History of the Health Club Industry

### Part II

AUGUST 2003  
VOLUME 10 NUMBER 8



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# Norm Cates' THE Club Insider NEWS

## The History of the Health Club Industry

By: Norm Cates, Jr.

### Part II

Joe Gold, the Founder of Gold's Gyms said, "The most important thing at Muscle Beach was the friendships that we made." This quote is contained in the Prologue of Harold Zinkin and Bonnie Hearn's wonderful book, "Remembering Muscle Beach." Harold Zinkin artfully brings you back in time to 1934 when "Muscle Beach" in Santa Monica, California began. His book includes a complete history of the "Muscle Beach" years from 1934 to 1958. Yet, as

Zinkin writes, "On a recent trip to Muscle Beach in Santa Monica, I saw only one rather lonely sign. Yes, all that remains of those years between 1934 and 1958 is a pole and a plaque that reads: "The Original Location of Muscle Beach. The Birthplace of the Physical Fitness Boom of the Twentieth Century." In his day, Harold Zinkin was not only the first Mr. California and the 1945 AAU National Weight-lifting Champion, he was the inventor of the Universal Gym Machine as well! He was the first to ever use U.S. Patented plate-loaded weight stacks, and the Universal Gym Machine truly did revolutionize the health club

industry. Zinkin obtained his first U.S. Patent on the Universal Gym Machine in 1960. By 1968, Zinkin had grown the Universal Machine Company to a multi-million dollar business selling one machine per hour. Many of those machines have been and in some cases still are used in health clubs, gyms and fitness centers around the world. Zinkin sold Universal Gym Company in 1968 in a multi-million dollar transaction and stayed on with the company as its CEO. Zinkin comments in his book on his Universal Machine, "If I'm proud of anything, it's that machine and the fact that there probably isn't one professional athlete in the

world who hasn't worked out on a Universal Machine at least once. If that machine turned me into the "Henry Ford of Fitness", keep in mind that I learned to drive, metaphorically speaking, at Muscle Beach

Harold Zinkin closes his book Prologue to "Remembering Muscle Beach" with a prophetic statement that reminds me of this author's constant message to club owners, year in and year out. That is to "Make It Fun!" in your clubs. Zinkin wrote: "So many fitness greats got their starts there. But we were kids, remember? And what kids care about, Muscle Beach delivered in spades. In a word –

FUN. FUN — that's the way it started."

### The Beginning of the Health Club Era

The "Muscle Beach" years were a preview of the soon to follow early boom years of the health club industry. (50's and 60's). And, many of those stars on Muscle Beach went on to become stars in the health club industry's early years. "Muscle Beach" stars that went on to health club fame and fortune were Vic and Armand Tanny, Joe Gold and Jack LaLanne, just to name a few.

(See Health Club History Page 8)

## The "Insider" Speaks

*The CLUB INSIDER News Publisher Norm Cates' Response to Threatening Letter From Royce Pulliam's Attorney Darby Turner*

**Publisher's Note:** On August 1, 2003, I received a letter from Job D. Turner, III, Esquire, the attorney for Royce Pulliam and Global Fitness Holdings, Inc. a/k/a Gold's Gyms. The letter demands an immediate retraction and apology from me for items published in my July, 2003 edition. However, I have no intention of publishing such a retraction and apology, because I have done nothing but my job, and I stand by everything we have published as being appropriate.

Royce Pulliam is well known in the industry for his

business tactics with competitors and his threats to use his lawyers (including his lawyer wife) to put fear and concern into the hearts and minds of his competitors and even vendors. This Publisher will not be bullied nor will we allow threats and fear of Pulliam and his lawyers to stop us from doing this important work on behalf of the industry. The testimony contained in this edition proves several "Bottom-Feeders" allegations contained in our May edition and in the Moore's Fitness World Lawsuit.

For nearly 10 years I have pledged to the health,

racquet and sportsclub industry to "Tell-It-Like-It-Is" in The CLUB INSIDER News and I fully intend to continue to do that. In Turner's two-page letter to me, he complains that I have "violated my own promises, violated the Society of Professional Journalists' Code of Ethics and violated the law. I disagree. And, in this article, I will communicate the reasons why I disagree. In the July, 2003 edition, the publication of the Moore's Fitness World vs Gold's Gyms, et al, lawsuit was also supported with the immediate placement of Counts One and

Two of the lawsuits on our Website, www.clubinsidernews.com. The lawsuit is of public record in the Common Pleas Court of Warren County Ohio.

Since May I have sought an opportunity to interview Royce Pulliam, and once again, on August 8th, I sent a message, via Pulliam's attorney, seeking a private, uncensored meeting and interview with him to be held at his Lexington offices on Friday, August 15th. On August 7 Pulliam's attorney refused my second request for the Comacho interview, writing more

of the same tone of commentary he used in his letter to me in this article. He also informed me that Pulliam would not attend the Aug. 14th Regional Peace Treaty Meeting I had previously set up. Pulliam had originally said yes to that meeting.

It appears that Royce Pulliam and his lawyer do not like the messages published in our July edition. Pulliam's lawyer has raised the issue of "Ethics" in his letter to me, and I do indeed find that interesting.

For that reason and to fully inform all of our readers a (See "Insider Speaks Page 4)

**Flex Equipment Company, Inc. and Gold's Gym Holding Corporation Hit With Total Of \$23+ Million In Awards!**

Los Angeles, CA. - One major manufacturer in the health club industry and Gold's Gym in

Venice, California, have been hit with a total of over \$23 million in a case where a California man

became a quadriplegic after a faulty exercise machine crushed his spinal cord.

On Friday, July 25, 2003, a Superior Court jury held Flex liable, ruling that the Company acted with malice and oppression and ordered Flex to pay Harold Bostick \$16,274,966. The punitive phase of the trial was scheduled to begin in late July, '03.

Attorney for Bostick, Steven Smith, issued a statement saying that Flex Equipment Co. Inc. had acknowledged removing safety stops on the machine that could have prevented Bostick from being injured. Bostick was a first-year law student at Pepperdine University when he was injured while doing squats on a Flex machine at the Gold's Gym in Venice, California. The Gym

is also known as the "Mecca of Body Building" and has long attracted the likes of upcoming California candidate for Governor, Arnold Schwarzenegger. In 1975, Arnold starred in the world famous movie, "Pumping Iron" a work that energized the body-building world.

Gold's Gym Holding Corporation settled the case out of court for \$7.3 million, before it went to jury.

### Inside The Insider

- **Former Royce Pulliam Employee Chris Norris Shares His Bad Experience!**
- **Julia Wheatley Announces Club Closing**
- **"small is GREAT!"**
- **By Michael Scott Scudder**

**...Insider Speaks**

continued from page 3

about the ongoing activities of Royce Pulliam and Companies, this threatening and accusatory letter from Pulliam's attorney, Darby Turner, appears in its entirety in this article. I have published each paragraph of the letter separately along with my response thereto.

Let me explain why I am carefully investigating, documenting and sharing this entire problem with you all. The health, racquet and sportsclub industry across America has been on a roll for the past few years with new club numbers rising to an excess of 20,800. However, while most health club owners and operators are working hard to professionalize and take the high road in this industry, this author has accumulated significant independent evidence that Royce Pulliam's organization has not only violated the laws of the State of Ohio (as Moore's Fitness World's lawsuit against Pulliam alleges), but he has abused the employer/employee relationship with a number of employees, including former employees, Chris Norris and Jay Zurlinden. (See their comments on pages 6 and 18.) On Tuesday, August 5, 2003 we contacted Pulliam's lawyer, Darby Turner, again requesting an interview with his General Manager, John Camacho. Two days later Turner replied, declining that request and attacking this author with more comments about my ethics for reporting what his client is doing. I have now completed my fact finding on the Chris Norris article, and it is published herein

along with similar comments from another former Pulliam employee, Jay Zurlinden (See page 18).

Royce Pulliam and his attorney wish to stop something that America was founded upon, free speech and free press. They are doing their best to scare me away, but that won't work. If they decide that the best way to try to muzzle this author is to file a lawsuit against me, I will answer that lawsuit with the truth from my investigation.

Royce Pulliam and his lawyer do not comprehend that this industry is on a positive, ethically-based, rise nationwide. They do not understand that the health club industry is not just about building handsome, well-equipped facilities...it is about having employees who have been trained in customer service and understand that ethical, fair and lawful operations of those gyms are far more important than the fancy walls, carpets and equipment line-ups. And, what Royce Pulliam really does not understand is that his organization needs to elevate its standards for the good of the industry.

Pulliam's attorney, Darby Turner, seems to be arguing that I am not allowing them to be heard and that I have unfairly taken sides. In my June edition, I wrote that maybe with more information I might better see their side of the story. Well, I have gotten a lot of new information, including the entire 17-page contents of Joe Moore's lawsuit against Pulliam's companies, testimony from competitors and former employees, and a Gold's member, plus

information gathered during a two-day visit to Ohio and Kentucky shopping 10 different clubs, including three of Pulliam's Gold's Gyms. Believe me folks, in stark contrast to the writing you will read in Pulliam's attorney's letter about my investigation, I have done my homework.

So, to give you all a clear picture of what is going on, I am sharing this letter from Pulliam's attorney with you paragraph by paragraph. And, I am going on record now with this. Royce Pulliam's organizational culture is not just bad for consumers in the Ohio and Kentucky markets. I am totally convinced that Pulliam also does not treat his most loyal employees fairly, and he competes unfairly in ways that date back to industry methods used in 1950's and 60's. Beyond that, Pulliam's employees, are not trained or taught ethical operations nor do they have any ethical guidelines for their operations whatsoever. Check out, for example, the two sidebars on pages 6 & 18. These testimonies by former Pulliam employees have been provided to us by individuals who understand that they may one day be asked to swear under oath that the these statements are true.

*Norm Cates' Response To The Threatening and Accusatory Letter From Darby Turner, Counsel For Royce Pulliam Interests*

Mr. Norm Cates  
August 1, 2003  
The CLUB INSIDER News

Dear Mr. Cates

**Paragraph #1** verbatim quote from Attorney Turner's Letter—"As you know from our previous correspondence, this firm represents Royce Pulliam and Global Fitness Holdings, LLC ("Global Fitness") under which Mr. Pulliam operates a number of Gold's Gyms. I am writing in response to your decision to publish in July 2003 edition of "The Club Insider News" an article where you adopted as fact unproven allegations contained in a Complaint filed against my clients by Moore's Fitness World Cincinnati, Inc. You published this Complaint—which contains multiple, false allegations against Global Fitness and Mr. Pulliam—and your commentary without even attempting to contact my clients to obtain their

response to its allegations and apparently without any independent factual investigation of any kind. This publication (under the appropriately sensational headline "Gym War Rages") violates your own promises, violates the Society of Professional Journalists' Code of Ethics and violates the law."

**RESPONSE From Norm Cates**

**To Paragraph #1** — I work for the people in the health, racquet and sportsclub industry. Not for you. My promise to them and my mission is to expose organizations and/or individuals that are operating their clubs in a manner that is detrimental to consumers and to our industry, in general. Based upon 1 and ½ years of investigation and my almost 30 years in the health club industry as a club owner and publisher, I believe Royce Pulliam and his Gold's Gym group in Ohio and Kentucky operate their clubs in an inappropriate manner. It is now my position that it is time for Royce Pulliam to adopt and operate using ethical standards or leave the industry.

The allegations contained in the first paragraph of Turner's letter to me ARE NOT TRUE! My July 2003 edition contained nothing but the truth in summarization of the Moore's Fitness World lawsuit against Royce Pulliam and his companies. In respect to the complaint by Turner that I failed to provide Royce Pulliam with the opportunity for input on my reports, that ALSO IS NOT TRUE. I did provide Pulliam with such an opportunity and once again, HE failed to communicate with me. On July 14, 2003 at 12:35 p.m., I spoke on the telephone with John Camacho, Pulliam's East Gate Gold's Gym General Manager in Cincinnati. Camacho told me he knew who I was and that he was under strict orders not to talk to the press and to refer all press contacts to Glenn Gordon, President of Global Fitness, Inc. I responded to Camacho by asking him to immediately contact Royce Pulliam and to get permission for the interview. I also asked him that if he could not get that permission from Pulliam, to have Pulliam call me immediately to discuss this opportunity for input. Camacho said he would seek that permission and HE would call me back. Camacho did not call back, nor did I receive the requested phone call from Royce Pulliam.

Yes, I had promised to give Royce Pulliam a chance to have his interests represented when I publish my newspaper, but he again, failed to contact me. I gave our readers the clear benefit of the truth by publishing a summary of the Moore Fitness World vs Global Fitness Holdings, Inc. lawsuit in my July edition and by placement of the entire Count One and Count Two of lawsuit on my Website: [www.clubinsidernews.com](http://www.clubinsidernews.com). At no time did I "adopt as fact unproven allegations contained in a Complaint filed against my clients", as stated by Darby Turner in his letter shown herein. To the contrary, the lawsuit speaks for itself without 'adoption as fact' by this author.

And we will cover Count 3 (against Gold's Gym, Inc. for Breach of Contract and Count #4 (against Gold's Gym Franchising, Inc. for Fraud) at a later date.

**Paragraph #2—Verbatim quote from Turner's letter:** "This is not the first time you have recklessly published false allegations against my clients. The May 2003 issue of "The Club Insider News" contained an article entitle: "An alleged Bottom-Feeders Update." This article was littered with false allegations and misleading commentary. These false allegations were printed without obtaining any comment or rebuttal from Mr. Pulliam."

**Response from Norm Cates to PARAGRAPH #2-** There was nothing "reckless" about the publication of the "Alleged Bottom Feeders Update." The article was purposely written to clearly disclose to our readers that what was contained therein was alleged. The word alleged was repeatedly used many times in an effort to convey the fact that everything written therein about Pulliam's activities was 'alleged'. Without fail, every single statement of any potential wrongdoing by Pulliam's companies that we published was preceded by the clear and bold word "Alleged." We could not have made it clearer than that at that time. However, due to documented and sworn testimony by two former Pulliam employees in this issue, it is fair to drop the word allegation from some of the report published in May.

**Paragraph #3- Verbatim quote from Turner's letter.** "After you (See Insider Speaks Page 7)

Norm Cates' **Club Insider** NEWS

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# •Norm's Notes•

• I am starting this month's **Norm's Notes** with two personal items. One is bad and one is good. I am going to cover the bad one first and that is I recently lost one of my very best friends, a terrific fellow and great friend for over 26 years named "SKINNY" BOBBY HARPER. (The good personal note appears below.) Bobby and I had been extremely good friends, getting together with others for years at least twice a week and on the phone just about everyday, just "checking in." "Skinny" Bobby Harper was a **Disc Jockey**. But, you've never seen a D.J. like this amazing guy. In fact, the hit television sitcom series, "**WKRP In Cincinnati**" and the D.J. character "**Johnny Fever**" in that TV show was written about Bobby and his antics at that station. I met Bobby in 1977 when we had contracted with his radio station for a remote radio broadcast hosted by Bobby at one of our first **Courtsouth** racquetball clubs here in Atlanta. For years Bobby was the #1

**Rated D.J.** in Atlanta, Georgia. I want Bobby's lovely daughter, **KRISSEY BLAKE HARPER**, his wife **KAREN**, his sons **JAMIE** and **JIM** and those 300 people who attended the special "Celebration of Bobby's Life Party", that I was honored to be the **Master of Ceremonies**, (a/k/a the "Officiator") for this mystic and wonderful event. And I think we all accomplished exactly what Bobby had directed us to accomplish. That was to 'HAVE FUN!' Our 7 terrific speakers and the audience did a terrific job of "MAKING IT FUN!" and it was truly a "Celebration of Bobby's Life"! Per Bobby's request, very few tears were shed and everybody enjoyed the one hour "warm-up cocktail party" and the two hours of great stories told by the speakers about Bobby's life. The event started at 12 noon and many of us were there until after 8 o'clock in the evening. **We love you Bobby!**

• Now, the good personal note and we will get back to business. Thanks for

bearing with me. I want to extend my heartfelt thanks to my good friends, **RUSSELL MARCHIONE** and **TOM MYSLINSKI, SR.** in **Rome, New York**, for the role they both played in having me inducted into the **Rome Sports Hall of Fame**! The Hall of Fame has been honoring athletes from **Upstate New York** for 27 years. I would also like to sincerely thank **COACH BOB RYAN** and **BILL FLEET** and the rest of the **Hall of Fame Board of Directors** for voting me into the Hall. This was a most wonderful honor for me because I lived in Rome from the 9<sup>th</sup> to the 12<sup>th</sup> grade and graduated with Russ from **Rome Free Academy** in 1964. Sincere thanks to **MR. DOMINICK MARCHIONE**, Russ's Father, and as he and his wonderful wife, **LORETTA**, (May She Rest In Peace), took me into their home to live with them my senior year of high school. My Dad and family had been transferred to coastal North Carolina right after my junior year in high school, so I was very fortunate to be able to stay in Rome so I could play football my senior year with my teammates. I was very honored when they elected me **Captain of our '63 team**. I made the **Upstate New York All Star Team** and was very fortunate to have earned a full-football scholarship to **North Carolina State University**. At N.C. State I was again honored my Senior year by being named **1<sup>st</sup> Team All Atlantic Coast Conference and Honorable Mention All American** while playing offensive guard on the best team in the history of the school up until that time. Our **1967 Wolfpack Team** went 9-2 and defeated the **University of Georgia** in the **1967 Liberty Bowl**. Congratulations to **TOM MYSLINSKI, JR.**, **JIM PARKER**, **ED O'BRIEN** and **JULIE DIEHL**, as they were also inducted into the Hall. It was a pleasure to be there with everyone in Rome along with my terrific son, **JUSTIN CATES**. Thanks also, to my good buddy, **TOM FICORELLI**, who came from Ithaca, N.Y. to attend the Hall of Fame Induction Ceremony and Banquet on August 27<sup>th</sup>.

• While I was sitting here on August 8<sup>th</sup> writing up these **Norm's Notes**, I received a phone call from **MICHELLE**

at the **Attorney General's Office** for the **State of Ohio**. I had called that office earlier to ask her to send me any and all of the complaints about **ROYCE PULLIAM'S Gold's Gyms**. She told me that she was sending copies of the complaints on file. Those complaints will also become part of my investigation. As I indicated to Pulliam and his attorney **DARBY TURNER**, I am just doing my job. And, I want to be sure all of you realize that this situation with Royce Pulliam and his Gold's Gym organization is something that I have been aware of and investigating for a year and a half. This is important work for our industry and believe me, I do not enjoy it. But, when individuals and/or companies reach a point where their activities are detrimental to not just a region, but to the health club industry nationwide, which is the case now with this, I am going to be on it. You can bank on it. I have no ax to grind with the Gold's Gyms corporate organization except somehow, they now have what they call "**Master Franchise**" holders and I hope to learn what is on their minds. I've contacted **DEREK BARTON** at **Gold's Gyms International** to seek one-on-one interviews with both **GENE LAMOTT** and **BEN AMATE**. **STAY TUNED!**

• My "Mate From Down Under", **GEOFF DYER**, the **Founder, CEO** and **President of Tampa's Lifestyles Family Fitness**, continues to lead by making good decisions. Geoffrey has just announced that Lifestyles Family Fitness is installing **AED** (Automatic External Defibrillators) in all 17 of their clubs and in their corporate headquarters. Also, Geoff just announced the construction of and Grand Opening date of their 17<sup>th</sup> location, a 28,000 sq.ft. facility located in the **Old Hyde Park Village** in the site of the former **Jacobsen's** department store.

• Congratulations to **LYNNE** and **VICTOR BRICK** as they recently celebrated their **25<sup>th</sup> Wedding Anniversary** with a renewal of their **Wedding Vows** and a celebration with a number of their industry friends down in Australia. Another "Mate from Down Under", **TONY deLEEDE** hosted the event for Lynne and Victor along

with other members of their round table at his resort in Australia.

• Don't forget to go to the **National Fitness Trade Journal's Conference and Trade Show** at the terrific **Rio Hotel, Casino and Resort** in **Las Vegas**, September 11-13<sup>th</sup>. This will be a fun and busy event and will include both the **Ms. Fitness USA** and **Ms. Fitness World** contests! Additionally, long time club business veteran, **KEN MELBY** will receive the **NFTJ "Lifetime Achievement Award."** For information go to: **msfitness.com**. Please come by to see me at my Exhibit Booth there at **NFTJ Trade Show** to be held at the **Rio Conference Center**!

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

## The Club Insider News Contributing Author Team

The 2003 **CLUB INSIDER** News 2003 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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## Former Royce Pulliam Employee Chris Norris Shares His Bad Experience!

By: Norm Cates, Jr.

Chris Norris, age 31, was hired to work as a membership sales person at the Gold's Gym Western Hills Cincinnati, OH. in February, 2003, by his boss John Camacho.

Norris states outright and without equivocation that his former boss, John Camacho, is not a good man. Read on and you will hear one of the nastiest stories about a health club manager you could ever imagine. This interview was taken by telephone on Friday, July 11<sup>th</sup> at approximately 4:00 p.m. It has been transcribed verbatim and I have a sworn, signed and notarized affidavit from Norris that the statements made by Chris Norris herein are true. Repeated requests on July 14<sup>th</sup> and August 6<sup>th</sup> to interview John Camacho have been rejected by Royce Pulliam and his cohorts. At any time they wish to cooperate and allow John Camacho to be interviewed free of censorship and without fear of retribution, we will be happy to share his comments about Chris Norris allegations with our readers.

### Chris Norris Interview

Q. "Was the Gold's at Western Hills open when you first went to work for them?

A. Yes. It was the first full month it was open, February, 2003.

Q. Was your boss, John Camacho the Sales Manager or General Manager?

A. He was the General Manager and even though they had a Sales Manager, Jay Robee, Camacho was always there, and we always had to report to him. The truth is when Jay was running the show things would go smoothly. When Camacho was around was when we had problems.

Q. How long did you work there?

A. Until April, 2003, about three months.

Q. What was your base pay for that job?

A. What John Camacho agreed to pay me on my hiring interview was \$1,500 per month. What I ended up getting paid was \$900 per month for my base pay.

Q. So, right from the start, they hired you at one agreed upon base pay figure and then bumped you down \$600 per month after you got started. Is that correct?

A. That was actually John Camacho's doing. I was going to work for Primerica and he was telling me I could make \$5,000 or \$6,000 per month at Gold's. He was speaking about one sales person whose name was James Zurlinden (Jay) who had written 287 deals in one month and earned a lot of money. But, what Camacho did not tell me was J.Z. was never paid all of that money. J.Z. is still trying to get his money. (See email text on this page from James Zurlinden, dated August 5, 2003 indicating that as of this date, he still has not been paid \$6,500 that Pulliam's companies owe him.)

Q. When did you discover that they were paying you only \$900 per month, instead of \$1500 per month?

A. I realized it with my first paycheck. And, from then on, none of my paychecks were ever, not even one of them, was ever correct. Even my last paycheck was short as the termination date had been back dated by Camacho from the 11<sup>th</sup> of April to the 8<sup>th</sup> of April, 2003. I was not terminated until April 12<sup>th</sup> which means I should have been paid full salary for the period as it ended on July 11<sup>th</sup>. But, he changed my termination date on the records to July 8<sup>th</sup>.

Q. Why were you terminated?

A. Actually, I never really got a direct answer from anyone about why I was fired. I had gotten into a conflict with a new salesman named Ryan Shaw. The guy had never been in sales before. He had accused me of wrongdoing on a split deal. I told him I would kick his ass if he ever accused me again of being dishonest and telling a lie on any deal. We had done a split deal, and he had gone back into the computer and took my name off of it. The next day John Camacho called me at home and told me, "Hey Chris, you know what?" I said, "What?" He said, "You're fired!" And, here I was, a very loyal Gold's Gym employee who had taken only one day off in three months, getting fired over a problem with a guy who was brand new and only writing 45 deals a month while I was doing 187!

Q. When did you first notice problems with your commissions?

A. On my first commission report. They give what they call a "no-pay." They never informed

me about "no-pays" when I was hired. They would kick back contracts two or three times. I would do what they would ask for/and they would send it back again with something new. I had written a full cash deal for \$679 paid in full and left off the zip code, and they sent it back as a no-pay and would not pay the commission. They stalled and delayed paying commissions for everybody that way.

Q. Chris, tell me about the money you believe they still owe you?

A. They owe me about \$1,000 for unpaid bonus money promised, but not paid by Camacho. On commissions they owe me about \$2,000. And, on unpaid salary they owe me for about 3 days when they backdated my departure date, so that is about \$250. They owe me a total of \$3,250.00.

Q. What other information can you share with us that is pertinent to your experience there?

A. John Camacho wanted us to write a minimum of 15 to 20 new memberships per day. Camacho didn't care if the person was 17 years old or 18 or what. All he wanted us to do was to write up deals whether they were old enough or not. Anyone under 18 required their parent or guardian to sign their membership contract. What Camacho would tell us to do was to go ahead and get the 17 year old child's signature and if they had their own bank account they would find out the name of the bank and actually call the bank and get the banking information from a contact they had there. Once they got the banking information, they are members, whether we got their parent or guardian's signature, or not. Once we put them into the computer and we say that their EFT is savings, checking, credit card or whatever the case may be, they begin getting billed. (Drafted) That happened a lot and they had a lot of problems with that. In the end, they tried to throw us in the grease and say it was the sales people doing it. It was not the sales people doing it. We did what they told us to do. They had an incomplete file that was kept on top of the cabinet and if you had a deal that was incomplete, that is where you put it. If it was somebody that was 17 and they had their own checking account it didn't go into the incomplete file. It was a deal. Then, we

would call their parents and tell them they needed to stop by and sign, but we would still let the kid use the gym.

Q. What if the parent or guardian said, no, they would not sign?

A. That actually happened with a young lady. (We have omitted her name due to her age). They (her parents) were willing to go to bat with us. She knew I didn't do her deal. I signed her up, she gave me her information and I put her in the incomplete file. It just so happened that on one of my only days off there ever, they called me in to work, so I went on in. Her membership file was gone from the incomplete file. It had been entered into the computer as a done deal. So, I was thinking her parents must have come in and signed as it was shown as a done deal. Two weeks later, her Mom and Dad called me up and were cussing me out, saying they had not authorized the membership. I explained that I did not know what happened, I had placed her membership in an incomplete file and that one day it was gone and in the computer. I told them I figured they had come in and signed because their daughter had been using the gym.

They are not supposed to let them use the gym in such cases, but they (the front desk) had been letting them in. All Camacho wanted was new members and he didn't care how we got them.

Let me give you another example of what Camacho has been doing. Camacho would do promotions over the radio where they would advertise that we had 10 memberships without any enrollment fee for the first 10 people to call in. We'd get their credit card numbers and mailing information over the phone and once we got that information, they went into the computer as a deal. They had not signed anything, they may not have even seen the gym. But, if they gave us their credit card number, they became members. I didn't know anything about the 3-day cancellation rule because they never even told us about it. It wasn't until people started raising cane that we learned about it. (See Gold's Member Complaint Page 26) It might have been somebody who signed up on one of those radio promos and they could not cancel it because the three days was past! Without a signature or not. What I got pissed off about is that they would throw it off on the salesmen. We don't make those decisions. We didn't make those rules. They were his (Camacho's) rules. He was the one that was doing the promotions, doing the remotes, (Radio) He was the person that was saying we would waive this and waive that for the first ten people that called and they'd give you their credit card number over the phone, we would waive enrollment fees. Once those people would get signed up and they would decide four days down the road that they can't make it to the gym (and wanted to cancel), it did not matter. They were members. (And, Gold's would not accept any cancellations).

Q. Chris, summarize your feelings about John Camacho and his Management while you were at the Gold's Gym in Western Hills?

A. Management was rotten in the Gold's Gym I worked at in Western Hills, Cincinnati. Camacho is not a good man. I would say something stronger, but I will leave it at that. Any man that will make a promise to someone like me that he will pay me \$1,500 per month base and then it turns out a couple of weeks later that he is paying me only \$900, is a not a good man. Anybody who can take your commission from you, delay your earned pay and in some cases eventually not even pay you on the work that you did is not a good man. Anybody that will sign up a 17-year old kid without the parent's permission (against state law) is not a good man. None of these things I am telling you are made up. I have proof and documentation on everything. Camacho even lied about my termination date. I've got proof. I've got the last sheet that clearly shows my last day was the 11<sup>th</sup>. He put my termination date as the 8<sup>th</sup> so that he would not have to pay me my full salary. You can verify that with Dwight Conder. Ask Dwight what the actual last day I worked and he will say it was the 11<sup>th</sup>. When Camacho fired me, he called me and said, "Guess what Chris?" I said, "What?" He said, "You're fired!" And hung up on me. How mature is that? Anybody that would treat a hard working employee like that is not a good man. And, this guy is the General Manager! He has no management experience. He was a cook before his wife hired him

(See Chris Norris Page 20)

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### ***...Insider Speaks***

continued from page 4

received a detailed rebuttal from Glenn C. Gordon, President of Global Fitness (and after you received letters from officials at IHRSA), you stated in the June 2003 edition of "The Club Insider News" that you agreed with me that "you would not publish further comment without benefit of communications with [Global Fitness]. In an e-mail to me you declared: "I do not go back on my word." Unfortunately, your assurances were merely a prelude to another ambush."

**Response from Norm Cates to PARAGRAPH #3** - Mr. Turner, go back to my comments in #1 above and reread them. When Camacho and Pulliam failed to call me back pursuant to my message PERSONALLY given to Pulliam's East Gate G.M., John Comacho, on the phone I considered my obligation void, since Pulliam, once again, failed to respond to my request for communication. I cannot control his failure to respond. Royce Pulliam has tried to ignore me

and that just doesn't work, never has and never will. And, his failure to communicate with me once again made it clear that I no longer have any obligation to attempt to cooperate with him.

**Paragraph #4- Verbatim quote from Turner's letter** - "As a journalist, you must be aware of the Society of Professional Journalists' Code of Ethics. The first (and most important) provision of the Code is the admonition to "seek truth and report it." According to the Code, a critical aspect of this obligation is the requirement that a journalist "test" the accuracy of information from all sources and exercise care to avoid inadvertent error." Further, a journalist must "diligently seek out subjects of news stories to give them the opportunity to respond to allegations of wrongdoing."

**Response From Norm Cates to PARAGRAPH #4** - The fact is, I am doing all I can to "seek truth and report it." I welcome Pulliam's input and will be glad to interview him if given the opportunity to do so without censorship by any attorney.

Apparently, Pulliam does not want to be interviewed by this Publisher. Pulliam's problem seems to be that the "truth" about him and his organization really hurts, and he doesn't seem to like that. Don't worry, as in everything I publish, I double check for facts. In fact, that is why I pulled from my July edition the most sordid and sizzling story I may have ever heard in this business. That was an interview with a former employee named Chris Norris. I pulled the story because by press time for the July edition I had not adequately completed my fact checking before going to press. But, the Chris Norris interview is now published in this edition on page #22.

**Paragraph #5- Verbatim quote from Turner's letter**: "Your most recent publication is, quite simply, unethical. Had you done the slightest bit of independent research (rather than merely provide a public platform for a competitor's allegations), you would have discovered that Global Fitness's contracts are now fully compliant with all the requirements of Ohio law.

Global Fitness printed and mailed new contracts to each of Global Fitness's Ohio customers (more than 11,000 individuals), and these new contracts complied with all Ohio requirements regarding the right of recession. Additionally, you would have discovered that -as Global Fitness's Counterclaim clearly states - the *Plaintiff's* contracts violate Ohio law. Moore's Fitness is currently distributing contracts that fail to comply with the same provision of Ohio law that Moore's Fitness accuses Global Fitness of violating.

**Response from Norm Cates to PARAGRAPH #5 - NOT TRUE.** My investigation found that your client immediately mailed those 11,000 "revised and compliant" contracts along with a letter that appears to me to have been an attempt to confuse the customer. (See Member Complaint Page 26) In the letter, your client addressed all other contract contents first and then addressed the issue they allegedly had been in violation of for about two years. (They also asked their members to sign and mail back the blank new contract!) (See Insider Speaks Page 18)

That issue? During the pre-sale of Pulliam's Gold's Gyms and for approximately 3 months after opening, Pulliam's contracts did not have the Right of Rescission language published anywhere on them, nor were any supplemental recession documents used. So, to quickly mail out this blank new contract along with that very confusing and ambiguous letter (which I have a copy of and have carefully reviewed) was questionable, at best. It is very interesting because it is quite clear that the lawsuit could end in a Court Order for Pulliam to mail, and I quote from the lawsuit: *a court approved, clear and un-ambiguous notice to each and every member of Defendant's Gold's Franchisees' facilities who has ever signed a Gold's Contract to inform him of his right to cancel the contract and receive a full refund of all of the money he has ever paid to Gold's Franchisees and Gold's Franchisors for treble damages for violating Ohio law, as required by R.C.1345.44 (B), (C) and*". I have read and carefully reviewed the letter sent

**...Health Club History**

continued from page 3

What many do not know, but is shared in Zinkin's book, is that a physical education teacher named Kate Giroux is credited with persuading the City of Santa Monica and the Works Progress Administration (WPA) to install a small tumbling platform, along with children's rings and parallel bars at the playground, which sat several yards from the shore of the Pacific. But, the credit that was due to those who made the installation of the more professional adult equipment that followed was long overdue and is given in this book to Paul Brewer, Jimmy Pfeiffer and Al Niederman. Zinkin and Hearn gave credit to many people who had never received credit for their roles at "Muscle Beach."

And, there were the stars. The one and only Joe Gold was described by Zinkin as follows: "Say Gold's Gym, and you're really talking about Joe Gold, a bodybuilder, stuntman and member of the original Mae West Show before he opened his original Gold's Gym. Body-builders from everywhere, including Arnold Schwarzenegger, trained at Joe's place. But long before his name was emblazoned on T-shirts, Joe was a kid from east Los Angeles and one of my best friends" recalls Zinkin. We were still in junior high when he created a gym in our neighborhood on City Terrace Drive. The Dugout Athletic Club got its name because it was carved into the side of the hill in some property Joe's folks owned," he adds.

Zinkin continues about Gold, "Born and raised in Los

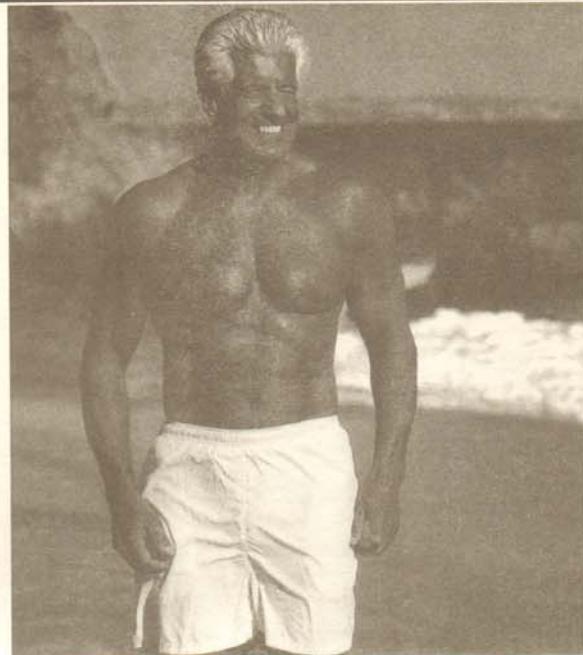
Angeles, by age twelve, Joe had heard one too many insults from his sister's boyfriend who called him "little fat boy." Thinking that exercise might help, Joe made his own weights and started the Dugout Gym in an old garage in front of the family home in east Los Angeles."

Zinkin and Hearn write, "The early days of females in fitness actually started at Muscle Beach." Zinkin continues, "Not only was the public naïve about weightlifters—it was extremely naïve about women who chose to lift weights, work out, or do anything other than pursue marriage or careers. That didn't stop the women of Muscle Beach. On the Beach, skill, not gender, helped level the playing field, and for many of those early women, it provided the chance to prove themselves. Some males liked and admired what they saw. Others chose to ridicule it. They heckled. They jeered. And, of course they challenged the sexual orientation of the women, especially when the women didn't show much interest in them."

"Great legends of fitness ruled Muscle Beach. John Grimek, born in 1909, was dark and broad shouldered and led the way in changing the ideal form for bodybuilders. Steve Reeves and Arnold Schwarzenegger followed his lead. Grimek, had a well proportioned, symmetrical body with leg size to match and his physique was much like the first Mr. America in 1938, Bert Goodrich," writes Zinkin.

Health club industry legend, Vic Tanny, was a high school English teacher in New York. But, it was his brother, Armand, who moved to California in 1939. Vic Tanny moved to California the next year, in 1940 and he and his brother opened Vic Tanny's in Santa Monica that same year. That gym was the first of what became 150 Vic Tanny Gyms across the country. The Tanny Gyms were unique because some of them included bowling alleys, skating rinks and movie theaters!

Harold Zinkin recalls warmly in his book, "Vic was the guilty party who entered me in the first-ever Mr. California contest in 1941, which was held at his gym. A nineteen-year old kid, I didn't like bodybuilding for posing purposes and told Vic so. I also reminded him that at five feet seven inches, I didn't stand a chance of winning against the giants who were competing with me." Zinkin continued, "Your

**Bob DelMonteque At Age 82**

are incredible photos of scenes from all of the "Muscle Beach" years of fame, fun and excitement.

**BOB DELMONTEQUE  
REFLECTS ON 50+ YEARS  
IN THE HEALTH CLUB  
INDUSTRY**

Bob DelMonteque, now age 83, has been in the health club industry for over 50 years. His career has been amazing and he still works in the health and fitness business as a coach, mentor and speaker.

In 1933, at age 14, Bob DelMonteque bought a York barbell set out of a mail order catalogue for \$9.99. The 310# weight set came complete with an instructional book and a 6' barbell. At age 14, DelMonteque began to build his physique, even though he had already become quite strong as a young man bailing and throwing hay on his families ranch in Alvin, Texas.

DelMonteque went to the University of Michigan on a football scholarship in 1939-41 and during World War II served in the U.S. Coast Guard. After leaving the Coast Guard DelMonteque went to work for McFadden Publications in New York, and in 1948 he went to work for Joe Weider's Publications.

Bob DelMonteque met Ray Wilson in New York City when Ray came to DelMonteque's office. DelMonteque recalls, "Ray came to New York and came by my offices at Weider Publications. He told me, 'I'm gonna make you a millionaire. (See *Health Club History* Page 12)



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## ...Norm's Notes

continued from page 5

• Also, if you are a vendor that specializes in products for beautiful women in fitness you will want to know about **GEORGE SNYDER's Ms. Galaxy** contest coming up **November, 19-22<sup>nd</sup>** in Orlando, Florida. George is seeking additional advertising sponsors as well as additional contestants in the Ms. Galaxy contest. I enjoyed attending last year and plan to be there in November as well. So, if you wish to contact George, he may be reached at: [gsnyder01@hotmail.com](mailto:gsnyder01@hotmail.com) or you may call George at: 407.616.5756.

• **Athletic Business Magazine** will hold its **Athletic Business Conference & Expo** in Orlando, Florida, December 3-6. For information go to: [www.athleticbusiness.com/](http://www.athleticbusiness.com/) conference. Also, **COLIN MILNER's International Council On Active Aging (ICAA)** will host its first conference at the same time as the A/B Conference. It is entitled: "Active Aging 2003: Communicating the Message of Physical Activity to the Older

Adult".

• The word I get from Texas is that the **Gold's Gym** in Fort Worth that was **closed** by the State of Texas Comptroller's Office reopened on July 23 at 8:00 a.m. The recording there at: 817.478.5565 says that the other Gold's Gym closed by the state at the same time in North Arlington remains **closed**. STAY TUNED.

• **Nautilus Health and Fitness Group** has announced that **GREGG HAMMANN** has been named by Chairman, **BRIAN COOK**, to be the new President and Chief Executive Officer of the company. Hammann will replace Brian Cook who will remain Chairman. **KEVIN LAMARR** will remain President of the Nautilus Health and Fitness Group and has been named a Senior Officer of the Nautilus Group with overall responsibility for retail, commercial and international operations.

• **BRIAN EVANS**, the owner of six **American Family Fitness Centers** in the Richmond, VA. Area, has announced that **YVONNE NELSON** has been appointed

**Director of Corporate Wellness** for the organization. She will be responsible for developing, implementing and managing wellness programs within corporations and other businesses. Good luck in your new role, Yvonne.

### • Bally Total Fitness,

now under the leadership of the entrepreneurial **PAUL TOBACK**, continues to come up with new and exciting deals to network their 4 million members with leading brand name companies. This time, **Sports Illustrated** has named Bally Total Fitness as its official "search partner" for the first-ever, nationwide **Nissan Presents Sports Illustrated Fresh Faces Swimsuit Model Search!** The goal is to discover a new, fitness-conscious All-American beauty to appear in the 2004 **Sports Illustrated Swimsuit Issue**, the 40<sup>th</sup> Anniversary of the mid-winter edition! The partnership program includes in-club signage and videos at nearly 400 Bally Total Fitness locations across the U.S. Paul Toback, Chairman, CEO and President of Bally Total Fitness remarked, "I am confident that our clubs will serve as a tremendous vehicle for

Sports Illustrated to find a 'fresh face' for its legendary swimsuit issue. We are proud to add **Sports Illustrated**, a truly iconic brand, to our growing list of strategic partners, including **Dove**, **Tylenol** and **Lean Cuisine**, among many others. More and more companies are realizing the power of the Bally brand in reaching healthy, active and fitness-conscious consumers." This note calls for volunteers, I think! Paul, I will keep my eyes open for that fresh face! "STAY TUNED !

### • GARY KLENCHESKI,

the President and CEO of Boston's **Fitcorp**, has announced that they are expanding with three new centers, including the **Prudential Center** at 125 Summer Street (just down the street from IHRSA) and **Fitcorp Golf Fitness**, opening later this year at **Harmon Golf** in Rockland, MA.

### • Closing a health club

is one of the **toughest** things you may ever have to do in this industry and I take my hat off to **JULIA WHEATLEY** for how she has handled her decision to close her club in Harrisburg, PA. Check out my **Publisher's Note**

and Julia's letter to her members on page #14 in this edition. Julia wishes to continue her excellent career in the health club business and will one day be a terrific asset for some organization in this industry. She may be contacted at: [Jrhwheat@aol.com](mailto:Jrhwheat@aol.com) or by calling: 540.578.0164. And folks, **STAY TUNED** because Julia has agreed to write an article for publication next month on this important subject. I know there are some of you out there that are "just hanging on" and are probably wondering what the hell to do next. If you are, don't be afraid to consider the club closing option and whatever you do, if you do decide to close your club business, plan the closing carefully and execute that plan well, so someday when the years have passed, you don't look back with any regrets. I know it is tough out there for some clubs and if you are in this situation, I personally will be happy to talk it over with you by phone. Just call me at: 770.850.8506 and we can talk and I will give you, at no cost, the benefit of my experience. I may not know all the answers you will need, but I feel confident that I will be able (See Norm's Notes Page 26)

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**...Health Club History**

continued from page 8

I'm gonna change the health club business and revolutionize it." I asked Ray, "How are you gonna do that?" and he replied, "I'm gonna take the smell out of the places. I'm gonna air condition it. I'm putting red carpet on the floor, mirrors on the walls and indirect lighting on the ceilings. I'm gonna make selectorized equipment." I asked him how he was going to do that. He said he was going to build his own plant and manufacture the selectorized weight equipment. He said, "My dream is to be the biggest guy ever in the health club business." I looked at him and said, "Ray, you're nuts!" He said, "Bob, I'd like to have you join me. You've got a good background. You're strong and are a role model for people. We'd just make a good team." I said, "I don't think I'm interested." But, Ray was there to close the deal with me. He said, "I'm gonna give you an hour. I'll be sitting in the lobby outside and waiting for you. If you're interested, I'll be here for an hour." Then he said, "You're really not going to go anywhere here with Joe. (Weider) There is no where for you to climb. You'll never make a million dollars with him. With me, we're gonna have 500 clubs. And we're gonna be the biggest in the world." And Norm, I started thinking during that hour. I'm thinking and I'm thinking. I said to myself, "Life's a gamble. Why not give it a chance?" I called my secretary and said, "Send Ray Wilson back in here." I said, "Ray, I'm gonna join you!" And, you know what? He did make me a millionaire!"

Q. Bob, you've been involved in the health club industry for over 50 years now. Let us tap into that vast experience for a historical review of the industry. **Delmonteque.** "Let me take you back to the 1930's. There was a gym in New York City at the corner of 40<sup>th</sup> and Broadway. It was called Stillman's Gym. They had a boxing ring, light and heavy bags, and they had a gymnastic section with rings, ponies (pummel horses), fixed bars against the wall for ab work and of course dumbbells and barbells. There was no air conditioning. The place smelled like a slaughter house in the summer time.

There were a couple of early health club chains for businessmen. One was called "The Young System" and the

other was called "Sydney Hills." They had swimming pools, saunas and steam rooms. Membership was expensive in those places, costing \$250 to join. That was a lot of money in those days.

There was a famous body builder named Sid Klein who opened up a gym at 49<sup>th</sup> Street and 7<sup>th</sup> Avenue in New York City. When you'd walk into Sid Klein's place he'd be sitting at his desk smoking a cigar and he'd make you take your shoes off. He had a red carpet in his gym and tried to keep it clean. He used to charge \$5 per workout.

There was another chain that came out at that time called McLeavey's which grew to 350 locations. And, there was another company that came out with those tables and it was called "Slenderella." They had a chain of 500 or so locations."

**Delmonteque continues:** "Back in 1952 Ray Wilson got started. He air conditioned the places. Put in red carpet. Provided locker rooms with showers, etc. He offered the Martin selectorized equipment. And, away we went! We called the chain American Health Silhouette. We used to alternate days for men and women with 3 1/2 days for men and 3 1/2 days for women. Ray was the first one to come out with the sophisticated marketing. Last 5 days, last 4 days, last 3 days, last 2 days, FINAL Day! Held over by popular demand! The old countdown. Boy, I'll tell you, it worked. Ray had 250 locations. We would sell a one-year membership for \$60, a two-year membership for \$72 and a Lifetime Membership for an additional \$50. In those days we would use the "Turn-over system." We'd sell the one-year in one office, then we'd move the guy over to another office and upgrade him/her to the two-year plan and then after that, we'd move them to a third office and sell them the Lifetime Membership.

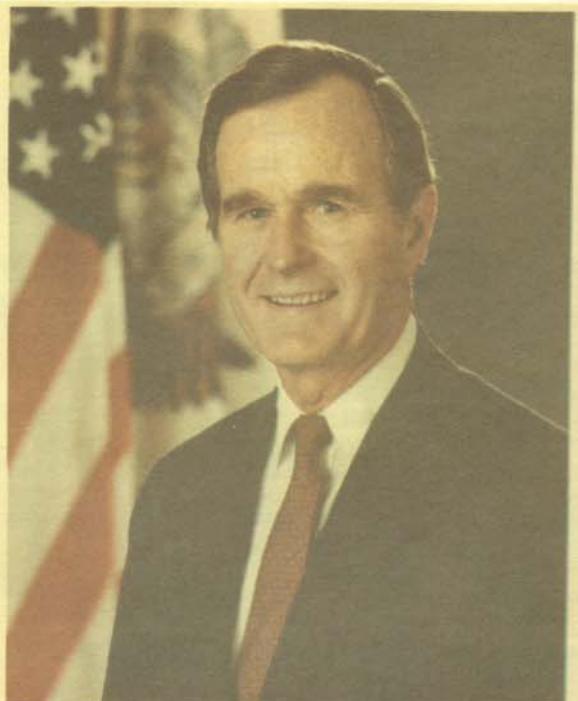
By 1959, we had grown the American Silhouette chain to 250 locations in many of the major cities in America. and Ray sold those clubs to his Regional Directors. Our biggest competitor was Vic Tanny and he had about 150 locations. But, Tanny did something pretty unique. He put bowling alley's and movie theaters in some of his clubs. After Ray sold out to his Regional Managers, he and I had moved to Mexico and established

four clubs to test out a new idea I had discovered. I had been in Palm Springs on vacation and had used a whirlpool there for the first time. I found it in a little place out in the desert near Palm Springs called "The Palm Springs Spa." The guy that had built it was named Joe Everett. I called Ray and told him he had to see this system. Ray came down and he really liked the whirlpool. Ray was a visionary. He could always see the future. Ray said he wanted to develop what he was going to call "Spas." He said he wanted to develop the 'spa' idea in a place where it could be kept secret. Ray found an engineer and he copied the pumps and systems in the spa. We tested the "spa" concept in Mexico first and then we opened up our first of three "Swim and Trim" Spas in San Antonio, Texas. Right after that, we opened up the President's First Lady and we built 38 President's First Lady locations in Houston, Dallas, Corpus Christi, El Paso, Phoenix and St. Louis. In 1960, Ray founded European Health Spas and it grew to 160 locations. He sold European in 1970 for \$46 Million.

**DONAHUE WILDMAN  
MAJOR HEALTH CLUB  
PLAYER**

We asked Bob DelMonteque to tell us about some of the other people in the health club industry that he'd gotten to know really well. DelMonteque replied, "Norm, Don Wildman is without a doubt one of the most outstanding individuals I've ever known. There is nobody comparable to Wildman. He is 70 now, but he is still very active, training for triathlons and playing golf. I've known Don for over 50 years and there is nobody that can touch him. I don't care what age they are. Don's motto is: "When you lose, they don't call you champ. There is no second place in life." Don Wildman is an amazing guy and he and Ray Wilson have probably made more millionaires in the health club industry than anybody I know."

Donahue Wildman and his partners, Jack Clark and Roy Zurkowski influenced the health club industry hugely with their Chicago Health and Tennis Corporation. During the 1970's Wildman took this 30+ club Chicago-based chain, Chicago Health and Tennis, to a new level with the acquisition of regional club chains across the country.



*To Ray Wilson  
With thanks and with  
appreciation for keeping me in shape  
Aug. 2003*

Wildman and his partners had been in the business since the 1950's and this new chain assemblage represented a first in the health club history under one national name, Chicago Health and Tennis Corporation. Wildman and his partners eventually sold Chicago Health and Tennis Corporation to the giant Bally Entertainment Corporation. Wildman's baby became known as the Bally Health Clubs and ultimately Bally Total Fitness.

**BALLY HEALTH CLUBS  
NEEDED NEW LEADERSHIP**

The acquisition of Chicago Health and Tennis Corporation by Bally Entertainment was a benchmark happening in the health club industry. Never before had a company of the size and magnitude of Bally Entertainment been involved in ownership in the health club industry. But, the mix of Bally's casino/hotels and gambling equipment manufacturing enterprises did not necessarily cause stellar performance in the Bally health clubs. By the early 90's, the company began what would become a tough period under the leadership of Mike Lucci, CEO. As the company grew and added new clubs, the thing that did not grow was management control of what was happening in those clubs. While Mike Lucci made his very best and an honest attempt to change the culture within the former Chicago Health and Tennis organization, he was not successful. That lack of control and discipline of the front line Bally employees resulted in Bally Health Clubs landing in courts time and again year after year. Take, for example, Boston, Massachusetts where the Bally club chain had gotten into major trouble even during their pre-sale period there for their five clubs. The Massachusetts Attorney General, Scott Harshbarger, had sought and obtained Bally's agreement and compliance with legal consent decrees stating that they would cease violation of Massachusetts laws immediately. Within a year of when the Bally Health Clubs were opened in Boston and doing business, the Attorney General's office had tracked and recorded another 1500 consumer complaints. Then, it got serious. Attorney General Harshbarger, at the time a candidate for Governor of Massachusetts, set in motion a process of taking the Bally Club chain to court to shut them down. Had this happened, the health club industry would have received a black-eye the likes of which had never been seen before. The Bally Health Clubs were able, through some difficult negotiations, to stop the effort by (See Health Club History Page 14)

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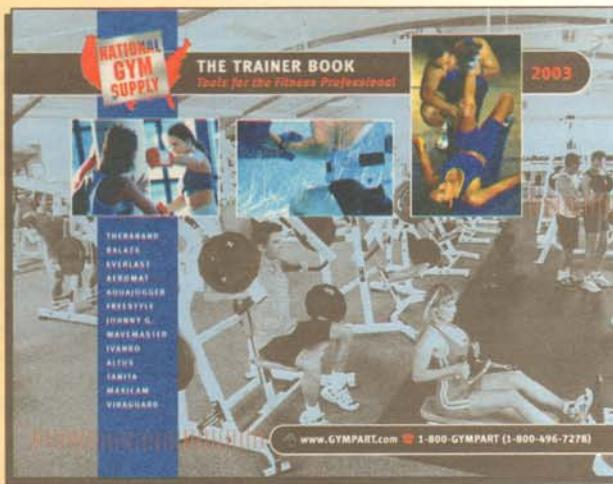
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**...Health Club History**

continued from page 12

Harshbarger by once again pledging to correct the ongoing offenses. In effect, the legal problems and resulting publicity in cities like Boston were not only giving the Bally Health Club chain a bad reputation, that reputation was also hurting the industry at large. So, what was happening was that the fortunes of 12,000 commercial clubs at the time (1992-1996) was being negatively influenced by just 300 Bally clubs.

**Enter**  
**The CLUB INSIDER News**

By the Mid 90's the Bally Health Club chain had changed its name to Bally Total Fitness and for the first time was attempting to truly market the entire club group under one national brand name, Bally Total Fitness. However, this did not help stop the ongoing violations of laws and BTF continued to end up in court. Beginning in 1994, The **CLUB INSIDER** News published, month after month, reports about these violations along with editorial opinions about what could and should be done to change and improve the giant club group.

**Bally Clubs Spun Off**

In 1995, in The **CLUB INSIDER** News, this author published a letter that I had sent to Bally Total Fitness Chairman, the late Arthur Goldberg. In that letter, I wrote to Goldberg urging him to clean up the Bally Total Fitness organization's operations because their 300 clubs were damaging the reputation and good public relations for the other 12,000 clubs in America. Six weeks later Arthur Goldberg announced that he was in fact, "Spinning Off" the Bally Health Club group from Bally Entertainment, creating an entirely new public company. This 'spin off' was the beginning of a renaissance for Bally Total Fitness that has brought America's giant health club chain into a new realm of successful operations.

**Lee Hillman Steps In As New Bally Total Fitness Leader**

In 1995, Mike Lucci was dismissed from his post as CEO of Bally Total Fitness and Lee Hillman was named to that position. Hillman, a CPA and

long-time protégé of Arthur Goldberg's, hit the ground running. The first thing he did was to inform all of his Executive Management Team and everybody else in the company that he was not going to tolerate violations of any laws of the land or rules and policies of the company. Then, he made that pledge public through statements quoted in an interview published in The **CLUB INSIDER** News. Hillman said, "Norm, I pledge to you that I will not allow or tolerate any further violations of State laws and/or our company rules and policies and that I will make ongoing attempts to improve Bally Total Fitness in the eyes of consumers every-where." And, I think history has shown that Lee Hillman has done just that. He did not hesitate to fire and/or discipline employees that strayed outside the bounds of state laws or major company rules and policies.

About a year ago, it was announced that Lee Hillman was retiring from his job as Bally Total Fitness as Chairman, CEO and President of the Board of Directors. Paul Toback, a Hillman protégé, was named to become the new Bally Total Fitness CEO. Toback had been one of Hillman's top members of his Executive Management Team and is blessed with a terrific entrepreneurial flair that is showing very strongly in Bally's financial statements. So far, Paul Toback has shown that he was ready for this important role and Bally Total Fitness continues to be one of the leaders in the industry in innovative developments. It was reported at our press time that Bally Total Fitness revenues for the first six months of 2003 had exceeded \$505 million and total revenues had increased by 4%. Importantly, Bally Total Fitness generated an amazing \$149 million for the six month period from ancillary sales to its nearly 4 million members worldwide. That represents 29.4% of the revenue for the six month period and a whopping 41% increase in ancillary revenues for the same six months. This very significant ancillary income growth can be easily be traced to initiatives set in motion by Paul Toback and the Bally Total Fitness Executive Management Team four or five years ago. Part III coming in September.

That's Part II of The History of the Health Club Industry. Next month, in Part III, we will hear from more veterans

of the business as they recount the history of our industry in our September issue in Part III.

(Norm Cates, Jr. is the Publisher of The **CLUB INSIDER** News.

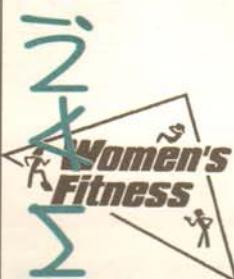
Cates is a 29-year veteran of the health, racquet and sportsclub industry and the 1<sup>st</sup> President and a Co-founder of IHRSA in 1980/81. Cates was honored by IHRSA in March 2001 with its

DALE DIBBLE Distinguished Service Award, the Association's highest honor for club people. Cates may be reached at: clubinsidernews@mindspring.com or by calling: 770.850.8506.

**Publisher's Note:** Julia Wheatley has been the owner/operator of Women's Fitness in Harrisburg, PA. for the past 9 years. She recently made a very painful and soul searching decision to close her club and I want to congratulate her on the excellent manner in which she has done this. Julia has been kind to agree to write an article for our September edition on the subject of how to professionally go about closing a club, a subject rarely discussed or written about. Julia used significant advanced notice in writing to her members, pro-rated dues refunds checks, cooperation with her former competitors and timely communication with the Virginia Dept of Consumer Affairs Office on June 4, 2003 indicating she was closing and would be providing refunds. She sent a second letter dated August 4, 2003, with copies of the refund checks provided to her members. In short, Julia Wheatley has been a true credit to our industry, an excellent speaker and was even honored by Club Industry Magazine a few years back. So, I want to congratulate Julia on a terrific career to date and for providing us with this excellent example of how the toughest thing in the business, closing a club, should be done. STAY TUNED for our September, 2003 edition for Julia's article. Julia is seeking a new club employment opportunity and she may be reached at 540.578.0164



**Julia Wheatley**



971 Evelyn Blvd Avenue • Harrisonburg, VA 22801  
Phone: 540.434.3692 • Fax: 540.432.9271  
E-mail: phewfit@aol.com

Dear Industry Friend, Mentor, Peer, Speaker, Author, Vendor, Owner, Leader,

I wanted to let each of you know the news that I am closing my club, Women's Fitness Center, in Harrisonburg, Virginia, after the end of the business day on July 31<sup>st</sup>. I spoke with many of you about this possibility at the IHRSA conference in San Francisco this past February. I have had a glorious nine years as club owner, and my passion for the industry has not dimmed. I simply have not been able to consistently establish the level of financial stability that I need, and I am eager to pursue other employment opportunities that provide me with a new challenge in my life. I am proud of my accomplishments and have enjoyed providing women of my community with a personalized place to exercise.

I want to thank each and every one of you for touching my life in some way during my time as club owner. Whether you offered creative insight through an educational seminar you presented or wrote an article that inspired me to try a new program, you made a difference. If you presented a particular piece of equipment to me in an honest and straightforward manner and geared to my clientele's specific needs, you helped me in an important way. If you worked to advance the ever important missions of our industry through service in one of our associations, you impressed me. If you gave me "tough love" answers when I asked first-time club operator questions, you gave me a tremendous wakeup call. I have been stimulated by knowing and working with you. I deeply value all of my relationships!

Please know how very much I have appreciated your kindness towards me. Your guidance has been influential, and I will cherish my memories of this time together. I have been incredibly fortunate to have so many invaluable resources at my fingertips through my friendships and connections. THANK YOU!

I am confident that our paths will cross again, because I intend to always stay connected to the fitness industry! We have many more people to reach than we currently do, and we cannot let up on our quest to lead everyone to the joy and empowerment of personal wellness. We must remain energized and continually keep a keen focus on customer service and inclusiveness!

Have a SPECTACULAR remainder of your summer season, and know that I'll be thinking of you.

With my warmest and best regards,

*Julia Wheatley*



## FACT:

64.5% of Americans are Overweight and that number keeps rising.

## QUESTION:

So, why is it that only 12% of ALL Americans are health club members?

## ANSWER:

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# “small is GREAT!”

(a new exclusive column featured only in “Norm Cates’ *The Club Insider News*” –written primarily for the small club sector of the health and fitness industry)

By: Michael Scott Scudder

**“THE INAUGURAL ‘small is GREAT!’ COLUMN”**  
(August 2003)

The *Club Insider* News publisher – editor – guru Norm Cates and I had a recent conversation about doing something for the “small club sector” of our wonderful business...something that would be exclusively for the “little guys who make such a difference” in our health and fitness industry...and Norm asked me if I would write a column

particularly for this segment.

Ask me if I would write a column? Thank you for the privilege, Norm! So, with that in mind, I launch “small is GREAT!”...dedicated to you hard-working folks in all the clubs around the country that are: under 20,000 square feet in size; and/or under 2,000 members; and/or under \$1,000,000 in total annual revenues; and/or independently owned and operated (even though you may have a license [not a franchise] agreement with a “chain” gym).

Let me start by telling you why I’m qualified to write about, and to, small clubs: of the

eleven (11) clubs I’ve managed, run and/or owned, eight (8) of them have been “small” clubs; of the 350+ clubs I have consulted to and/or advised in my 13-year consulting practice, over 300 have been “small” clubs; when I began my consulting practice in 1991, every consultant I talked to about it told me “...there’s no money in small clubs...no future...not a big enough market...you’ll never make a living”...to the point that I realized that the small club market was (and IS) EXACTLY where the future of the fitness resides!

By my estimate, over 75% of the 20,000+ organized health clubs in the modern member-driven fitness industry qualify as “small clubs.” It appears to me that there are likely more than 16,000 small operators in the fitness industry.

It also occurs to me that, as I look at the IHRSA statistics, there is cause to believe that the small club operator has the innate capability of the highest profit margins in our industry!

It also chagrins me, that, in my opinion, the small club operator also has the least-paid-attention-to voice in the entire fitness industry!

So, Norm...you asked for it...you got it!! “small is GREAT!”

I think the place to start is to look at the challenges faced by the small club sector, and to concentrate each future column on one challenge per column. Here’s what I see as some of the more immediate, and some of the less-immediate-but-to-be-reckoned-with, challenges inherent in small club operation: Though largest in percentage of operation, the small club sector controls the least percentage of membership (“big-box,” “chain/franchise,” and “not for profit” operators, though less than one-third of the physical-plant market, account for nearly three-quarters of the membership market!); Small club operators are generally the lowest-capitalized, highest-leveraged businesses in the marketplace; Small club owners are frequently the least sophisticated advertiser-marketers in the business, with the lowest available advertising budgets; Small clubs are

frequently understaffed; Small club owners and managers are often the least business-educated, having precious little time to get to conferences, trade shows, regional events (it was estimated by a major trade magazine that less than 20% of the entire small club sector attends club-educational events); Small clubs generally carry the lowest membership prices in a region; Small clubs often have the lowest ancillary-revenue-to-overall-revenue ratio, causing them to be dependent on membership dues for the success of the business; Small clubs usually offer the lowest pay scales, least employee benefits and reasons for seeking employment in the fitness marketplace. Small clubs, in metropolitan, urban, suburban and even ex-urban locations face the greatest competitive challenges in the entire club marketplace.

All that said...then why a column devoted to small clubs?

Because:

I believe in the little guys of this world! (I just witnessed a nobody named Ben Curtis win the most coveted title in golf – The British Open – and I cheered as he did it!)

I think that the small operator has the greatest opportunity to affect the health and fitness marketplace – because the small club is the place for member intimacy and responsiveness. (What I have observed in this business over 28 years is that the larger the club, the greater the number of members – the harder it is to really deliver true customer service. The small club is the ideal physical setup to reverse the trend of poor member service that creates still-too-high attrition which plagues our businesses.)

The small club has the biggest potential to cash in on the emerging movements of Personal



**Michael Scott Scudder**

Training and Group Fitness.

The small operator has the unique opportunity to actually benefit from selling less memberships, getting more business from less people, and turning around the current industry operating paradigm of get-more-members-at-any-cost.

And because...I’m a little guy...and again - I believe in the little guys of this world!

Next month’s column will discuss several ways in which small clubs can compete with, and actually win market share from, the bigger-box players in their marketplaces.

Until next time –  
**MICHAEL SCOTT SCUDDER**

(Michael Scott Scudder, a contributing author for “*The Club Insider News*,” is a three-decade veteran of the fitness industry. He heads Southwest Club Services, a club management training company based in Taos, New Mexico and Fort Worth, Texas. SCS offers regional-city one-day seminars on marketing and training profit centers, and an intensive two-day workshop in home headquarters of the Fit For Life Centers in Texas, of which he is a partner. He can be reached at 505-690-5974, by email at [scuddertour@direcway.com](mailto:scuddertour@direcway.com) or at his web site, [www.scuddertour.com](http://www.scuddertour.com). Comments and questions are welcomed and encouraged.)

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**...Insider Speaks**

continued from page 7

prematurely by Pulliam to his 11,000 members along with the new contract and I have a right to my opinion. My opinion is that this was a pre-emptive mailing, intended to confuse the 11,000 Gold's members and to dilute the potential damage of a possible future court order as stated in bold above. And, for them to have mailed a blank contract with the letter asking the member to sign it as stated on Page 26 is bizarre.

And, once again, Pulliam's attorney has misstated the facts. Turner has accused the Plaintiff's, Moore's Fitness World with its contract NOT being in compliance because of the omission of appropriate membership cancellation/rescission language. I have in my possession a contract for Moore's Fitness Centers and the document contains the rescission language in large bold type on both sides.

**PARAGRAPH #6- Verbatim Quote From Turner's Letter**  
"From the tone and content of your article, it is clear that you have dropped even the pretense of independent journalism. By labeling the lead individual of one side of the dispute the "Gladiator" and – without any factual justification – calling into question Global Fitness's ability to survive as a going concern, you have apparently decided to abandon the truth and use your newspaper as a weapon in your so-called "gym war" against my clients.

**Response by Norm Cates to Paragraph #6** Mr. Turner, you are objecting to my use of a nickname for Joe Moore that I have been using since 2000 and which was used on my January 2001 cover when I published a cover story on Joe Moore and his Fitness Center chain. I nicknamed Joe "The Gladiator"

Dear Norm, I previously worked for Gold's Gym for five to six months including time in the trailer, which was our presale. I personally broke the Gold's Gym sales record reporting 247 sales in one month which can be attested by Chris Norris as well with the previous record being 243. On top of that the

in tribute to his excellent and diligent work fighting not-for-profit, tax-funded public recreation fitness centers in Ohio.

In respect to my comments about Pulliam's organization's survival, you do the math Mr. Turner. Joe Moore has asked that his complaint be heard before a jury. If that jury trial is granted and ultimately finds in favor of Moore's Fitness World, and if, in fact, the Court **DOES** order Pulliam to mail a "**Court Approved**" letter as described in bold in #5 above, that Court Ordered and Approved letter will go to all 11,000 of Pulliam's Gold's membership holders in Ohio and it **MUST STATE** that their contract may be cancelled and a refund may be received due to the fact that it was unlawful in the first place. At that time, in my opinion, Royce Pulliam will in fact, have trouble surviving this possible Court Order in Ohio. The statement was my opinion when I wrote it, and it remains my opinion now.

**Paragraph #7 Verbatim Quote From Turner's Letter** – "By printing (without investigation) the baseless allegations contained in your May 2003 story, by misleading Global Fitness through a false promise to allow it an opportunity to respond to any future allegations and by providing a public platform for another entity's unproven and false complaints, you have conclusively demonstrated that you have no interest in the first canon in the Code of Ethics – the obligation to "seek truth and report it." You have exhibited a malicious intent to injure the business and reputation of Global Fitness and Royce Pulliam, and a reckless disregard for the truth."

**Response by Norm Cates to Paragraph #7 NOT TRUE.** To the contrary. It is YOUR client that is demonstrating a **reckless**

**disregard** for the truth. First with the consumers of Ohio, then with his very own dedicated employees and last, but importantly, with his competitors, where he uses untruths to damage their businesses. I do seek the truth and as I previously stated in this response to your threatening and accusatory letter, in the case of your client, "**The TRUTH HURTS!**" Therefore, you and your client don't want to hear it, nor do you want it shared with the health club industry. In short, Mr. Turner, you through your letter contained herein, are threatening to "shoot the messenger." And, no, I in no way have or bear a "malicious intent" to hurt your client. He and his cohorts are doing that very well enough themselves. I, as I said above, simply am the messenger. I am speaking on behalf of ethical, respectable club owner/operators of your client's region. Your client is in deep trouble in our industry. We in the industry do not sanction, appreciate or tolerate people who behave in this manner. And I, as the Publisher of The CLUB INSIDER News, have pledged to this industry and to my readers to speak out against individuals and/or organizations that are hurting our industry. In my opinion, after investigating Pulliam's organization's activities for one and one half years, Royce Pulliam and his organization qualify magnificently for the exact mission that The CLUB INSIDER News was created for. In my expert opinion, they are modern day health club bad guys and their behaviors and actions cannot and will not be tolerated by the laws of the land or those in our industry that seek to provide consumers with ethical and professional services through reputable club organizations. Your client has enormous problems in Ohio at a minimum and my guess is in Kentucky too. The **truth will prevail**. So, you might as well accept that. (See the

comments from two of Pulliam's former employees, two of his competitors shown below and on pages 20 & 24., and a current member on page 26).

**Paragraph #8 Verbatim Quote From Turner's Letter**

"Consequently, Royce Pulliam and Global Fitness demand that you immediately print a retraction and apology in the same format and prominence as the original article. Further, Royce Pulliam and Global Fitness are informing you by this letter that they intend to pursue all appropriate legal options to protect their reputation and business from your malicious and reckless disregard for the truth.

"The Club Insider News" promises to "Tell It-Like-It-Is." It is time for you — and for your publication — to live up to that promise."

Sincerely,  
Job D. Turner, III.

**Paragraph #8 - Response from Norm Cates** - I hereby fully and completely, without equivocation totally reject your request for a retraction and an apology. And, I hereby state for the record the following:

1. I refuse to retract and apologize for anything published in my May, June, July editions and this August, 2003 edition about this matter, because what I have published in all four editions, is the truth and the whole truth. I will not allow your client to violate my constitutional rights to speak my mind and publish my opinions about matters important to our health club industry. Your client is the bad guy here, not this publisher.

2. I provided your client, as I promised I would, the **opportunity** to have input by simply returning my phone calls. Again, your client, Royce Pulliam, failed to respond to me personally and has now failed twice to grant me permission to

interview John Camacho, thereby voiding my offer of the opportunity for input on this important work.

3. As to your client's intention to and I quote: "pursue all appropriate legal options to protect their reputation and business from your malicious and reckless disregard of the truth", I can only respond with this: Your client's reputation was already bad in this industry and in the community where he does business long before I started publishing anything about him and his organization's activities. For you, Mr. Turner, to suggest that your client has 'legal options' is, in and of itself, just more of the same with your client...more bullying in an attempt to scare me into silence. Ain't gonna happen. Trying to take away my constitutional rights by silencing me and my publication, still leaves your client with no solution because of one simple basic and excellent premise of the laws of our land. And, that is: **The Truth Is An Absolute Defense.** So, I say to you and your client, there will be more to come as my investigation into the wrongdoing of your client and his minions continues and it will **ALL BE THE TRUTH ! STAY TUNED!**

Very Sincerely,  
Norm Cates, Jr.

*(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News. Cates is a 29-year veteran of the health, racquet and sportsclub industry. Cates was the 1<sup>st</sup> President of IHRSA and a Co-founder of the Association in 1981. In March, 2001, Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award, the highest honor given by IHRSA to health club individuals. Cates may be reached at: clubinsidernews@mindspring.com or by calling: (770) 850-8506.)*

**James Zurlinden's Complaint About Pulliam's Gold's Gyms**

which are important due to the fact that I have a family of my own. I would get to work every day by 8a.m. and most of the time not leave until 2-3 a.m. the next day. And, for what, but to be used up and spit out like trash! I have copies of all my commission reports which state amounts owed and after countless times of

trying to reach the payroll Department or Regional Director (John Camacho), I still have yet to receive a dime. I have more information and contacts of other previous Gold's employees as well as members that I'm sure you would like to hear from. I could use all the help I can in finding a way to get my money that I deserve

that has effected my family. I am now currently employed with Fitworks Fitness Center, which you can reach me at 513-851-3400 or even reach me at home. I would appreciate if you could contact me a.s.a.p.

Thanks,  
James Zurlinden (ask for jay)

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RUEZ-45

DESIGN NO. 43  
OMEZH-45

DESIGN NO. 55  
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DESIGN NO. 71  
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**...Chris Norris**

continued from page 6

for this job. I don't know Royce Pulliam. I know John Camacho. And, when you have people representing your business like John Camacho, the business is going to fail some day. John Camacho's way of doing everything was to blame it on the salesman and fire the salesman. That way he didn't have to pay us the hard earned bonus money he promised us. He made a lot of money on us. We broke every record every month. Every month we hit our goal. I bet you his paycheck was always right. Camacho got me kicked out of my home. I couldn't pay my own rent. Here I was waiting on a paycheck that was wrong every month. And then Camacho would say to me, 'Chris, I'll loan you this money.' When it came time for him to loan the money he promised, he would say, 'Chris, give me a few weeks. Let me talk to corporate. Let me do this, let me do that.' It never happened. I lost all respect for him. He is not a good man. I don't know the others, but I know John Camacho is not a good man."

**Lack Of The Three Day Cancellation Notice For Virtually All of Pulliam's Members Could and Most Likely Will Become A Monster Problem!**

The **CLUB INSIDER** - The Moore's Fitness World lawsuit that Pulliam is dealing with is significant and Pulliam now has some real monstrous problems. One part of Moore's lawsuit deals with Pulliam's Ohio Gym's failure to provide the required by law 3-day-right-to cancel notice form for signature as a part of their contract. Allegedly, they have been selling membership contracts in Ohio for over a year without this all

important 3-day-right-to-cancel notification being given to people. This problem is going to be a monster for Pulliam. If the Court agrees with Moore's Fitness World, Pulliam's gyms will have to give every member that has ever joined without being given this State law required 3-day cancellation form, written notice that clearly states that they now have a right to cancel their contract AND get a refund!

**Q.** Chris, you worked there at the Western Hills Golds. When did you see and use the first 3-day cancellation form there?

**A.** They didn't come with those 3-day cancellation forms until 3 weeks before I left in April, 2003. That means they must have been selling them for a year or so, if you include the extra long pre-sales period they had.

**Q.** Let me be clear on this. Are you alleging Pulliam's Gold's Gyms have been selling illegal memberships during the 6+ month presale and after opening up until April, 2003, when they finally installed the 3-day notification form as part of their contract required by State law?

**A.** They didn't come with those 3-day cancellation forms until 3 weeks before I left in April. They opened the gym in mid-January, 2003, and I was hired in early February. By opening, they had sold a bunch of memberships, so you can imagine all the people they signed up without that 3-day form as part of the contract. That's management. That's not ownership; that's management.

**Club Insider**- Not really. The owner is ultimately responsible for making sure those contracts comply with all laws.

**Q.** Chris, let's talk about what you were taught to say to prospective members. Specifically, I want to know, were you taught and instructed by

management to tell prospective members that competing clubs were closing down?

**A.** Yes, we were instructed to tell prospective members that our competitors were closing down. They did downplay a lot of our competitors. They even told people that Bally's was closing down! Not only that. They used to run off a printout from the Internet and give it to us showing how much Bally's debt was and they would use that as a tool to try to take Bally's members. Also, if you had a membership at Powerhouse or even the YMCA, they would give you up to six months paying only \$10 per month. They would give you the first month free and then give you 3 to 6 months at the rate of \$10 per month."

**Publisher's Note: Sounds like "Bottom-Feeders" to me!**

*Now, the 'other side of the story!' From John Comacho At Gold's Western Hills*

In a previous conversation with Gold's Gyms' Royce Pulliam, we agreed not to publish further commentary without first obtaining comments from them. In respect to the Chris Norris interview and as far as I am concerned, comments from their General Manager, John Comacho and only John Comacho will satisfy my needs from "them" at this time. On Monday, July 14, 2003 at 12:30 pm. EDT, I called the Western Hills Gold's Gym in Cincinnati, Ohio to speak with John Comacho and here is the exact conversation content:

**Cates**- "Hello, I am trying to reach John Comacho."

**Comacho**- Response- "This is John Comacho."

**Cates**- "Hi John, how are you today? My name is Norm Cates."

**Comacho**- "Yes sir."

**Cates**- "I publish The **CLUB INSIDER** News based in

Atlanta."

**Comacho**- "Yes sir. I am aware of that."

**Cates**- "I have some questions I would like to ask you if you have a few minutes."

**Comacho**- "Actually, I would probably be more comfortable referring you to Glenn Gordon or Royce Pulliam. Glenn is the President of our company if you don't know him already."

**Cates**- "I have spoken with him."

**Comacho**- "Usually, what we have, what we do, what I would do before answering, I mean, I just don't know anything else about the questions except for the company about what I am running here for them."

**Cates**- "Well, the questions are specifically related to the things that have allegedly gone on there and you are the person I need to talk to, as opposed to either Pulliam or Gordon."

**Comacho**- "With all due respect sir, that would still be for any media, whether it is TV or newsprint, Glenn Gordon would be the one to talk to. I would be happy to give you his number."

**Cates**- "I've got his number. O.K. What I would appreciate, if you don't mind, is that if you would contact Glenn and/or Royce to find out if you can get permission to talk to me."

**Comacho**- "Sure. I can do that sir. It is just a matter, that is what I would do normally is refer you to the person that handles all of our news releases and that is Glenn Gordon."

**Cates**- "Alright, let me give you my number and if you would talk to them and see. It is area code 770.850.8506."

**Comacho**- "O.K. That's 770.850.8506. And that last name is Cates. Alright sir. I'll give you a call back. Thank you sir."

So, I here are the questions I intended to ask John Comacho if and when he called back, which he has not done:

**Q. 1-** Is it true that Gold's Gym did not begin to provide the 3-day cancellation form for new members to sign until April, 2003?

**Q. 2-** How many memberships did you enroll before your club began to use the State Law mandated 3-day cancellation form?

**Q. 3-** Is it true that your club signed up a 17-year old, whose name will not be disclosed, to membership without the consent or knowledge of her parents?

**Q. 4-** Is it true that in February, 2003, you hired and agreed to pay a man named Chris Norris \$1500 per month for base pay, but when he received his first paycheck, you only paid him at the rate of \$900 per month for base pay?

**Q. 5-** Is it true that your company has contacts and/or a contact at local banks where you obtain pertinent banking numbers and information in order to complete the collection portion of illegal contracts sold to 17-year old individuals?

Ladies and gentlemen, we invite you to **STAY TUNED** as this story develops. We intend to stay very close to this story and you will hear more next month.

*(Norm Cates, Jr. is the Publisher of The **CLUB INSIDER** News. Cates is a 29-year veteran of the health, racquet and sportsclub industry and in 1981 was the 1<sup>st</sup> President of IHRSA and a Co-founder of the Association. In March, 2001, Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award. Cates may be reached at: clubinsidernews@mindspring.com)*

**Complaint By Competitors Against Pulliam's Gold's Gyms**

I, Brandon Rayl, ran the Florence, Kentucky Fitworks from 1/1/02 to 1/31/03. During that time Gold's Gym had just opened a new facility just a few miles away. After hearing about and seeing some of the things they did to try to get business I must say that some of their business practices were

very unethical. For example, on several occasions some of their employees would drive the Gold's Gym hummer vehicle painted all over with Gold's logo through Fitworks parking lot. Then, they would either stop for a few seconds or drive real slow in front of our windows in plain view of our members.

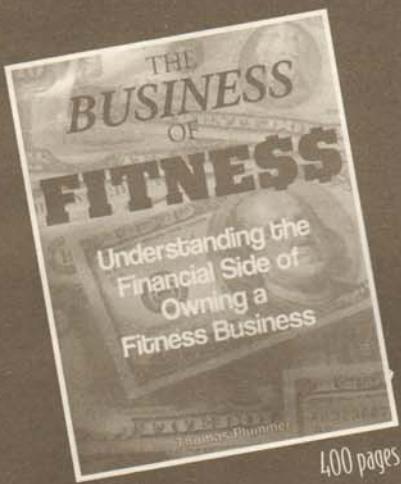
On one occasion they stopped in front of the window and flipped us off. When I walked outside they sped off. A few of our members went to check Gold's out and said that Gold's offered them either \$10 down and \$1 a month or \$1 down and \$10 a month until their contract with us was up. I can't remember

which one it was but I am trying to dig up some of the names of those members. One of Gold's employees whom I have known for a few years told me that they have had spiffs for who can go out and collect the most of their competitors' contest lead boxes. The winner of those spiffs would get a bottle of Crown Royal and

a Cuban cigar. I feel that such actions give a bad name to the fitness industry and need to be stopped.

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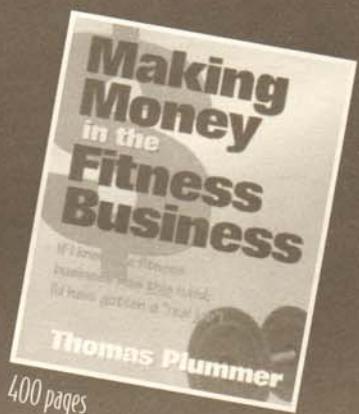
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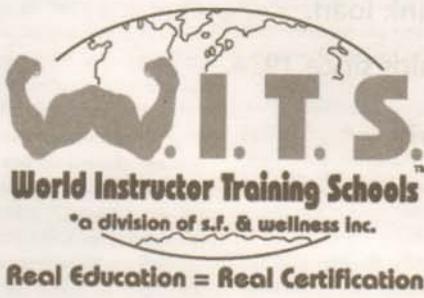
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## Complaint By Competitors Against Pulliam's Gold's Gyms

Comments From An Area

General Manager of a  
 Competing Club  
 Cincinnati, Ohio

Dear Norm,

Competition is good until it is unethical and destroys the image of our industry. Our club has experienced a new competitor in our direct target market. The competition was a good thing for our organization. We took a hard look at our company, which has been in business for 13 years and made several good changes to fortify our company from this competitor. We did not know that we were going to face an industry image destroying competitor.

The first thing that started happening was phone calls to our members soliciting them with price market killing offers:

\$15.00 per month. Then it went to the owner, Royce Pulliam, ghost shopping our club, which was fine, until he started offering jobs to our sales staff. The staff stayed at our club, until an offer that they could not refuse came up. Then, they started to copy our clubs database and got caught. The staff informed us that they had jobs the next day at the competitor and were escorted out of the club and without any data. They were not employed there long though.

Finally, it is the endless prospects that we have to deal with. They shop both clubs, which are very comparable, and get two different approaches.

Ours is according to the IHRSA practices and to produce a professional industry image. Our membership structure is a high value at a moderate

price range that does not change. The competitor's image is just above the "Used car lot": Nothing wrong with that if it is ethical, but the price changes daily based on your negotiation skills and how good looking you are. The customer service leaves a bad taste when the managers are cursing at members. Finally, the new prospects will not join our club, because they can not get their memberships cancelled after they have served notice to the corporate office of the competitor. I wish I had a penny for each of the prospects that have told me this. I would be a rich man!

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**Dear Club Insider,**

I recently read your article on the club wars happening in the Cincinnati/Northern Kentucky Area. I was pleased to see that my employer, a local competing club, was not mentioned. I however, feel that Gold's is getting what has been coming to them. I joined the Eastgate "Super" Club club during pre - sales in or around April of last year. At that time, we were told that the club would be open in June, 2002. Being in the health club industry, because I didn't see anything about it on the contract, I asked our sales representative about my cancellation rights. Upon being asked, I was informed of the medical cancellation and relocation cancellation policies. No three day cancellation form was given and nothing was

mentioned about this. During this time, we were supposed to receive 3 months free, as that was the special that was running when we joined. We had to keep calling the club to inquire about its opening date, as it kept being changed every other day. The club finally opened in the end of November, 6 months after I had originally signed my contract. At this time, with no warning, they began debiting my monthly payment from my checking account. I had authorized Gold's Gym to do this at the time of signing, and my first payment was scheduled for September, three months after the club was scheduled to open. With no warning, the first week in December, my first payment was deducted. Because I had authorized them to do this, I wasn't upset, I was shocked that

they would start doing it with out any type of letter or phone call letting me know that this was going to be happening. I also never received my free 3 months. I've been in to the gym a few times, as I can have an uninterrupted work out there. A few weeks ago, my boyfriend, who joined the same time as me, received a blank contract in the mail from Gold's Gym. There was a letter enclosed in the envelope stating that the "Rules and Regulations" had changed and they needed to him to sign this blank contract. Working in the health club industry for 3 years and seeing some of the scams out there, I advised him that he discard the blank contract, which he did. Gold's Gym has never contacted him about this contract, and I never received a new one in the mail with the new

"Rules and Regulations" on it. After reading your article in the July 2003 Volume 10 Number 7 Club Insider, I was made aware that Gold's Gym had a time restraint on the club opening and the pre - sale period. I fall into somebody who is covered in this violation. Does Gold's Gym plan on canceling any memberships to rectify this situation? I have not been into the club in months. I regret that I even thought about joining.

Thank you for allowing me to share my experience with you. I am sure, that I am not the only person in the Cincinnati / Northern Kentucky area who has had these problems with Gold's Gym. Once again, thank you for your time.

Sincerely,  
Danielle

**...Norm's Notes**

continued from page 10

to point you in the right direction to get those answers.

• **The Spectrum Clubs** owned by private equity company, **Brentwood Associates** of Los Angeles, has 10 clubs in the San Antonio, Texas area and 9 in Southern California. On July 23, **RICK RIVAS**, Regional V.P. for the company, announced that they plan to **double** their club numbers in the next three years!

• **JERRY NOYCE**, the **CEO** and **President of the Health Fitness Corporation** based in Minneapolis, MN., announced that HFIT income rose by 14% to \$15.25 million in the last quarter with earnings before income taxes up 49.7%. TSI in New York City announced a 9.5% increase in revenues for the last reporting period, rising to \$169.8 million.

• It is with some sadness, but mostly excitement, that I write this last Norm's Note today. I just want to take a moment to again thank my fine son, **JUSTIN CATES**, for the terrific job he has done on the Computer Layout work for The **CLUB INSIDER** News each month for the past 20 months, the fine work on our Website: [www.clubinsidernews.com](http://www.clubinsidernews.com) and for keeping his Dad headed in the right direction in the computer world. I also want to congratulate him on his admission to the highly competitive **University of Georgia**, as his Mom and I will go with him tomorrow to help him move into his dorm room. Justin will major in **business** at UGA, but he will also continue to serve as our Computer Layout Director and Webmaster. And, yes, he will pursue his single greatest **PASSION** and his **VISION**...his guitar music and his goal of one day being on **MTV** as a recording artist. And I, must somehow, figure out how to go on without his almost daily computer assistance. (Thank God for his cell phone!) In closing, let me just say to Justin that I **love you son** and I will really miss being "**Mr. Mom**" for you. You have been and will continue to be a joy for your Mom and Dad and we wish you **all the best of health, happiness and good luck** as you move forward with this exciting new chapter in your life. This "**empty nest**" here will never be the same without you. **We Love You Dude!**

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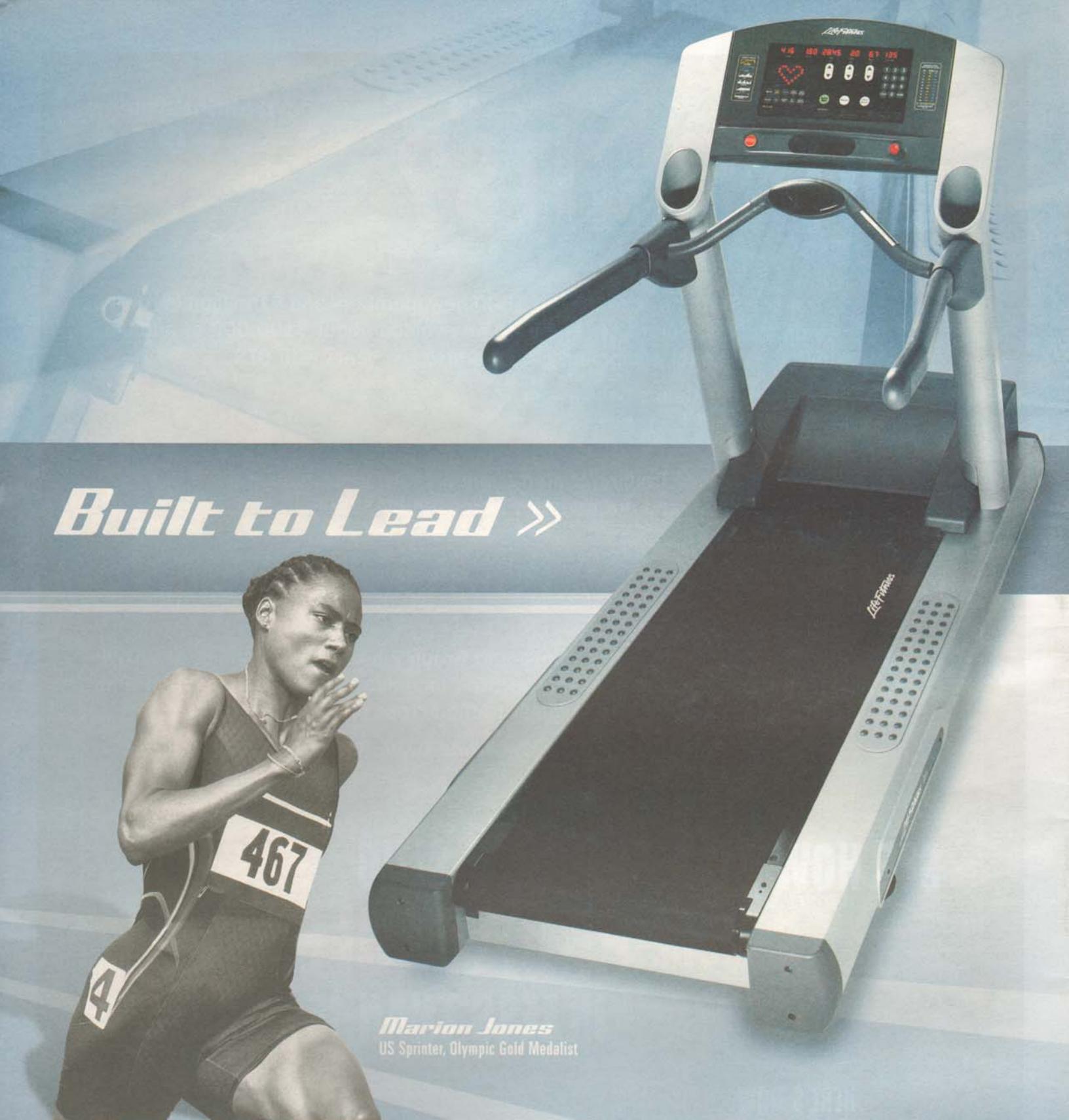
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