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Presidents-First Lady Health Spas

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When Richard L. Minns officially became a millionaire earlier this year, he celebrated by sending out for a sandwich and diet cottage cheese—then he went to work for thirty-six hours straight.

He spent those thirty-six hours looking around New York City at facilities he might add to his stretching chain of health clubs—known as Presidents-First Lady Spa, Inc.—that this June became the first health club chain to offer its stock to the public.

After his whirlwind inspection tour, Minns knew he would not move his operation into New York—right away.

Minns had concluded in those thirty-six hours that he did not know New York City and was not ready for it.

"It's not that I'm afraid of New York," Minns explained recently. "We can show better earnings by staying with what we know. . . . We intend to spread the gospel in cities of 500,000 and more."

The sandwiches and cheese, the breakneck pace of the New York tour and the decision to stay out of New York—for a while—are characteristic of Minns, who really believes in the gospel of good exercise and food and goes about spreading it with the zeal of a circuit preacher. He feels even the drive to save lives as the preacher saves souls.

The pace of his New York City whirl is not unusual for Minns, who has two packed suitcases beside his circular desk at all times—should someone in one of his clubs

In the men's exercise area, Richard Minns instructs Touche Ross partner in Houston, Lee Pickens, in the use of some of the equipment.

need his personal attention—and twenty-eight telephones in his home.

But above all, Richard Minns has stayed with what he knows—merchandising, public relations and advertising; the health club business; real estate and financing—and it paid off.

Minns, now forty years old, began his studies to be a doctor, but graduated from the University of Texas at the age of twenty with a degree in journalism. He taught English Literature at the university, was a grader in anatomy and worked on the *Houston Chronicle's* Sunday magazine.

After four years with the *Chronicle*, Minns took on a number of the magazine's advertisers as his clients and began his own advertising agency—Richard L. Minns Advertising, Inc.

In 1957 one of the Richard L. Minns clients, American Health Studios—a chain of gymnasiums with emphasis on muscle building—went into receivership owing Minns \$150,000. Hoping to recoup some of his fees, Minns took three of the health clubs and ran them while he looked for a buyer. There was none.

There was nothing else to do but continue to run them himself.

Finally Minns did find a buyer who would repay him his losses. He made all the preparations for a sale; then decided at the last minute to stay with it.

"If the clubs were worth \$150,000 to someone else,

they ought to be worth \$150,000 to me," Minns reasoned. And, he had become involved and concerned that most of the nation's so-called health clubs were actually body building emporiums and were not getting to the businessman who is an asset to his profession and his community and needed to retain—or regain—his good health and do it in the right atmosphere.

In 1961 Minns opened the first of his revitalized health "Spa" clubs in downtown Houston under the name Presidents Health Spa, with members picked from the upper eighth of the Houston business community.

It was at this time that Minns adopted the clubs' Spa symbols: Myron's Discobolus for the men's Presidents Spa, and a trimmer Venus de Milo for the women's First Lady Spas, which followed soon.

The clubs, or Spas, which now number twenty-four, still retain their "snob" appeal—even being referred to in a recent *Business Week* article as "a local gym and bath catering to tycoonery," but have rates anyone can afford. Minns compares the image of his clubs to that of Neiman-Marcus—anyone can afford something from a Neiman-Marcus store; but no matter how low the price, there is the prestige of the Neiman-Marcus label.

Although his chain was continuing to lengthen steadily, Minns began thinking in mid-1968 that he would like to give the Presidents and First Lady Spa clubs a public posture.

Minns says his financial situation did not force him to

go public. He had a cushion of over one million dollars cash in the bank and an increase in net earnings between 1964 and 1968 of \$192,000 to \$521,000; but Minns did have expansion plans, and obviously they would be easier to effect if the Presidents-First Lady Spas were publicly held.

"The extra funds available to a public company would bring capital for immediate and future internal expansion of our own clubs, built to our own plans and specifications on our own land, with no compromise as to market, facility or location," Minns said. "Plus, capital for the external acquisition of privately-owned existing health clubs, with their established management would also be helpful."

However, the deciding factor in Minns' decision to go public was his desire to offer stock options to his key employees who were in their early 20's ten years ago and were now in their early 30's and needed to be cemented into the organization with a proprietary ownership in the company. He also felt the time to be right; he believed that health clubs were on the threshold of a dynamic new era . . . that people were realizing the need to be fit.

The decision to go public made, Minns looked for an accounting firm. He would have no other but one of the "Big Eight" firms, and he interviewed every one. He selected Touche Ross, "especially because of their experience in retail oriented growth businesses," he said.

While a team of accountants went to work on the Presidents-First Lady Spa's accounts in its Houston headquarters, the accountants took Minns to look at—and be looked at by—ten New York-based underwriters of various sizes and specialties in the street.

Within one week after the first joint meeting with Minns and Touche Ross, eight of the underwriters were willing to underwrite the Presidents Clubs issue. Minns chose the New York-based firm C. E. Unterberg, Towbin, particularly noted for its financing of small companies, and which Minns is fond of describing as a "Tiffany" organization.

Then Minns selected prominent Houston attorneys Fullbright, Crooker, Freeman, Bates & Jaworski. Attorneys for Unterberg, Towbin were Cravath, Swaine & Moore of New York.

Deep into the Presidents club's books, the accountants discovered that they were faced with a unique situation—there had been no precedent set for accounting for an organization that took in cash (in the form of initiation fees and dues) in lump sums to cover extended periods of usage of facilities.

The accountants found they had to differentiate between accounting for other similar organizations, such as correspondence schools and dance schools, which take in lump sums of cash and sell a *service* over an extended period and the Presidents-First Lady clubs, which take in lump sums of cash and sell *the use of*

The whirlpool
in a First Lady Spa.
This is usually followed
by a COLD plunge.

facilities over an extended period.

After in-depth research and discussion of the question within its own house, the accountants recommended adoption of accounting procedures which provided for the immediate recognition of profit, with deferral of facilities operating expenses over the membership term. The company adopted accounting procedures consistent with this recommendation, and accordingly, the company's financial statements included in its registration statement filed with the SEC were presented on that basis.

On June 24, three hundred and fifty thousand shares of both Minns' private stock and the Presidents-First Lady corporation were offered over the counter.

It was that day that Minns received the check that officially put him in the exclusive club of millionaires.

Settled down now to life as a president and chairman of the board of a public company, Minns says he moves forward "with a belt and suspenders." He is much more conscious of risk-taking than he was before the clubs were public.

"I want to show a steady growth in operations," he said recently. "Why take risks . . . a lot of people invested because they have faith in us. I don't believe in taking risks with their money."

But suspenders or no, Minns is moving forward.

At this writing he had land with plans to build six more clubs and a \$2 million headquarters building in

Houston. Minns was quoted recently as saying he plans to have in operation some forty clubs within the next three years.

Not all will be new clubs. Minns occasionally expands through acquiring existing clubs when the existing management shares the President-First Lady Spas' philosophy and its facilities are up to par.

With those forty clubs, Minns will probably expand outside the southern central region of the United States which now houses all of the clubs. But Minns says definitely those clubs will not be in New York City or Los Angeles.

Obviously anxious to dispel any image of himself as a conglomerate builder, Minns adds quickly . . . "and I'm not going to acquire any unrelated businesses."

All of the new clubs will have the same Greco-Roman motif, freely using the Venus and discus thrower.

The Presidents-First Lady Spas are of two types, hub clubs and satellite clubs. The hub clubs are principally in metropolitan areas and the satellite clubs in the suburbs. Each hub spa includes a restaurant that serves natural foods, and, Minns emphasizes, "they have never had a tin can in them."

The hub clubs also contain a sleep room, card, ping-pong and billiard rooms, private air-conditioned solariums and a running track. These are in addition to the standard equipment in both the hub and satellite clubs: exercise room or gymnasium, lockers, showers, whirlpool bath, inhalation vapor room, ultraviolet sun area and sauna, steam or dry heat room.

Twelve clubs have swimming pools, fourteen provide care for children, fifteen have cold plunges (it's exactly what it sounds like) and facial make-up rooms, and eighteen provide massage service and oxygen therapy.

Aside from the extra facilities, the hub spas are larger and more plush. These differences are reflected in the initiation and membership fees among the clubs.

The clubs are open at varied hours to accommodate the members. The men's downtown clubs, for example, open at six a.m. to allow executives—the astronauts, Lawrence and Stanley Marcus and merger king James Ling are often among them—to stop for a morning workout and breakfast on perhaps a "he-man breakfast" of Vita-C-Cool drink (made with fresh squeezed grapefruit or orange juice with high protein honey and lemon); broiled bacon, sausage, ham or ground sirloin pattie; two soft boiled organic eggs, whole wheat toast and coffee—sweetened, if they must, with honey.

The ladies' clubs are usually located in the area's best shopping center—"one acre at the outside corner is the best," says Minns. They open later, but are open evenings and weekends.

First Lady Clubs offer a beauty and figure analysis to new members and the same basic facilities as do the men's clubs. The First Lady Clubs do have a special Grecian bath and facial treatments, using First Lady's own cosmetics.

Every member or visitor to a Presidents or First Lady club is guided through his program by instructors trained in the club's own training school.

The pool in a typical Presidents club hub spa, where men can swim or relax with a health drink.

Minns likes his instructors to be young people who have had at least a few years of college, preferably graduates. He prefers no experience because the school trains the instructors in all phases of the club's services. The instructors are trained for at least sixty days before they are allowed contact with the members. It is a year before anyone is qualified for instructing exercise and gymnasium activities.

"Most of our people are not businessmen," Minns says. "They know *only* our business . . . they are health club *specialists*. It is like a religion with them.

"Their first love is the business; the second is to make it profitable."

And the instructors must love the business. They must work out twice a week on company time and once a week on their own time. It's an employment requirement; and they do it—a short tour of the clubs makes that obvious. Minns believes that three times a week is necessary to keep fit.

"We believe," Minns said, "that if a person works out and eats here three times a week he can go out and eat and do almost anything.

"The body is like a bank account, you have to put something in once in a while or there will be nothing left."