

STATE OF THE CLUB 2020

Each year from 1990-2012, Pat Riley, Jr. produced a report outlining the year in review for the Little Rock Racquet Club which he called State of the Club. From 2013 to date, I have continued that tradition. I hope you enjoy the following message.

As we made the turn from 2019 to 2020, we were so excited about the year ahead. The Club was healthy, huge numbers of new members had just joined as part of our “Best Offer of the Year,” attrition was at an all-time low, our member reviews were great and all of our departments were thriving.

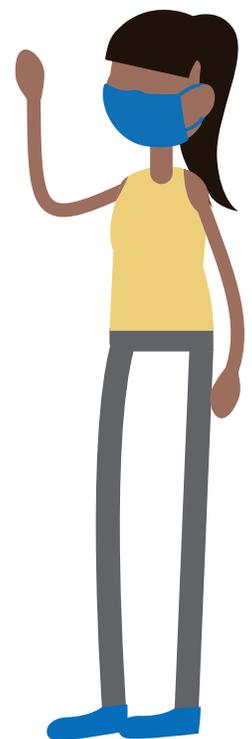
Who knew a problem that at the time seemed half a world away would change the course of our entire year?

Fast forward to March and we were instantly faced with arguably the greatest challenge our Clubs have ever experienced. When the Governor announced gym closures on March 20, we had no idea how long it would last.

Once reality set in, we began to imagine what reopening would look like. We labored over cleaning, spacing, capacity and keeping our team. We partnered with you on the April dues credit, surveyed members about their willingness to return and took cues from international clubs as to what had worked best for their re-openings. Thanks to all of you, we developed a plan for a successful reopening. (*Club Business International* featured our reopening in their August edition. We’ve included an article link at the bottom of this document for your reference.)

Overwhelmingly, members responded that they wanted to return as long as they felt safe. With the creation of our “Health Guard” team, we miraculously sourced buckets of wipes and purchased new cleaning equipment (which you’ll see on the Cap Ex list) for helping keep the virus at bay.

Our preparation served us well. On Thursday, April 30, the Governor asked us to provide documentation detailing the member experience with particular emphasis on touchpoints in the Club, as well as, our plans for cleanliness, spacing and generally keeping our members safe. (To read the



document we sent to the Governor, click on the article link at the end of this report.)

Surprise! The next day the Governor announced that gyms could reopen the following Monday - May 4 - with guidelines modeled after ours!

We were down pools and locker rooms but we were open! Attendance started minimally but that was okay as we ironed out a few unanticipated kinks.

On May 22, we received the okay to open pools at 50% capacity and parents and children cheered especially after experiencing the fabulous new baby pool. We even had new families joining as a result of numerous neighborhood pools electing to remain closed for the summer.

Since then, group exercise classes have reached what we believe to be safe capacities and new membership growth has returned to its traditional pace.

Members feel safe here as proven out in our check in numbers, which are approximately 70 percent of where they were this time last year.

Our attrition, which, by most, is considered the number one barometer of the health of a club, is historically in the low teens. Currently, ours is fluctuating in the low to mid 20s. We anticipate remaining at this level through the first quarter of 2021. (A typical club is happy when theirs is under 40 percent even without COVID!)

We are healthy from a financial standpoint and our balance sheet is as strong as it was pre-COVID. Thank you again for accepting the April dues credit solution, which, certainly, smoothed the path for us.

Enough about COVID because many good things happened, too!

The combination of our new Club management software and app have vastly improved members' ability to manage their accounts, see their appointments, reserve spots in classes, meet and communicate with fellow members and staff and stay informed about Club happenings.

We introduced a new Young Individual membership type and it has been a hit. Most importantly, we are thrilled to see young people take such an interest in their health.

2020 CAPITAL EXPENDITURES

Baby Pool/Landscape/Drains/Funbrella	\$357,919
New 10-ton Air Conditioner	12,765
50-meter Pool Motor, Pump, Auto Vacuum	10,669
Tennis Awning	9,915
Parking Lot Work/Court Resurfacing	6,045
Clorox Fogger Machine	4,033
Miscellaneous Equipment (Freezer, Sound System, Spreader)	3,342
Pool Furniture	3,014
TOTAL	\$407,702

As for future plans, here's what we do know:

- There will NOT be a dues increase in 2021. (As a reminder, December is the final month of your April dues credit so your dues amount will return to the pre-Covid rate in January.)
- We will continue with all safety and cleaning protocols. Please support us in this by wearing your masks and maintaining physical distancing. We know that the decisions we make are challenging and generally will please half our membership and frustrate the other half. Regardless of which half you fall in, please know our goal is to keep you, fellow members and our staff SAFE.
- We are launching a new member rewards program. You will earn points for a number of activities, which are then redeemable for branded swag, Club services, top merchandise, hotels and other special offers. Please be on the lookout for the official announcement.
- We will completely redesign our website in 2021. Rather than continuing to maintain individual sites, we are designing a single robust site which will serve as a hub of information for TAC members and prospects alike.
- We will continue with our normal maintenance, for example, retiling the Recreational Pool deck, and updating equipment as needed.
- We are adopting a "wait and see" attitude through the first quarter of next year but tennis players, rest assured, we are exploring tennis court resurfacing.

With vaccines on the horizon, we look forward to less upheaval in 2021. In the meantime, please watch for app notifications and social posts about our Healthy Holidays' giveaways through December 24 and know that your 2021 coupon book will be waiting on you in the Membership Office after January 6.

In closing, it would be easy to let the complexities and challenges of the past year weigh heavily on our spirits. Instead, we have seen that when we take care of each other everything works out. Because of you, our staff is looking with hope and promise toward 2021. Thank you, thank you, thank you for your love of fitness and loyal support!

Have a happy and healthy holiday season and a fulfilling New Year!



Frank Lawrence, CEO