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LTM - Q4 2006 Life Time Fitness Earnings Conference Call

Event Date/Time: Feb. 15. 2007 / 10:00AM ET

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the fourth-quarter and full-year 2006 earnings release conference call. My name as Onika and I will be the operator for today. At this time, all participants are in listen-only mode. We will conduct a question-and-answer session towards the end of this conference. (OPERATOR INSTRUCTIONS) As a reminder, ladies and gentlemen, this conference is being recorded for replay purposes. At this time, I would now like to turn the call over to Mr. Ken Cooper, Senior Director of Finance and Investor Relations Officer. Please proceed, sir.

Ken Cooper - *Life Time Fitness, Inc. - IR*

Good morning. Thank you for joining us on today's conference call to discuss Life Time Fitness's fourth-quarter and full-year 2006 financial results. We issued our earnings press release this morning. If you did not obtain a copy, you may access it at our website, which is LifeTimeFitness.com.

In a moment, Bahram Akradi, our Chairman and CEO, will discuss key highlights from our fourth quarter and his thoughts on 2007. Following that Mike Robinson, our CFO, will review the quarter and year-end financial information in greater detail as well as add his comments on our 2007 expectations. Once we have completed our prepared remarks, we will take your questions until 11.00 AM Eastern Time. At that point in the call, the operator will provide instructions on how to ask a question.

Finally, a replay of today's teleconference will be available on our website at approximately 1.00 PM Eastern Time today. Before I turn the call over to Bahram, I would like to remind everyone that today's conference call contains forward-looking statements, and future results could differ materially from the forward-looking statements made today. Actual results may be affected by many factors including the risks and uncertainties identified in today's earnings release and in our SEC filings.

Concurrent with the issuance of our fourth-quarter and full-year earnings results, we have filed a Form 8-K with the SEC. Certain information in our earnings release and information disclosed on this call constitute non-GAAP financial measures. To comply with Regulation G, included in our earnings release and in our Form 8-K are reconciliations of the differences between GAAP and non-GAAP measures, including EBITDA and share-based compensation expense-effected comparisons. Other required information about our non-GAAP data is included in our Form 8-K.

With that, let me now turn the call over to our founder and CEO, Bahram Akradi. Bahram?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Thank you, Ken. 2006 was a record-breaking year for Life Time Fitness in nearly every metric we track. As a growth company, that is what we expect. Every year, we set to execute on our operational, financial, and growth plans; and last year was no different. We set the bar high in every facet of our business, and we did not veer from our plan. Our goal is simple -- to execute, to think big, start small, and act fast. When we do that, we achieve the results we expect.

I was very pleased with our fourth-quarter results. Revenue was up 34%, and we delivered $14.1 million in net income. For the year, revenue was up 31% and net income grew 23%, while absorbing the impact of share-based compensation expense.

A significant component of this growth comes in form of our relentless focus on delivering an unparalleled member experience. One of the key aspects of this initiative is to effectively manage our pricing strategy. We always seek to identify the right balance between the demographic makeup of an area with the member use of the center. This challenging task is something I believe we are doing very well.

Last quarter, I mentioned that we changed our pricing at our Scottsdale Center to advantage during the presell period. Since the opening of this center, membership acquisition at the center has remained in line with our standard ramp that we expect for fitness or sports centers. This demonstrates a good indication that we still have great elasticity in our pricing.

I would like to take a few moments to talk about our centers. We deliver our unsurpassed membership experienced through our centers, and we have begun to formalize an expansion approach that will involve more than just one current model center format.

Let me give you a perspective. While we have continually been making subtle changes to our prototype model to improve the customer experience, branding, and certain programs, and in-center revenue opportunities, we have also been working on a large, three-story, urban residential prototype model that I am very excited about. We did not want to talk about this until we had the model complete and several locations in the pipeline. We have both now.

This model offers everything that our two-story suburban model delivers, but in a more dramatic and elegant fashion. At over 140,000 square feet, we can fit on parcels of land that are less than half what our two-story model requires. I'm also currently working on a 90,000 square feet version of this three-story format, which could fit on parcels of land as little as 2 to 3 acres.

This is an amazing development for our Company because it protects and improves our brand, it keeps our returns intact, and allows a tremendous opportunity to enter urban residential markets, which we have great demographics and [sitographics], where you cannot find 10 to 12 acres of land, and/or cost would be too prohibitive.

We have a number of commitments and are negotiating further sites for these three-story urban models. The first opening will be in 2008.

Additionally, we have occasionally built a larger suburban model at 125,000 square feet, which offers more flex space for additional programming and in-center revenue opportunities. We did this at our Allen, Texas, location in 2006; and have planned our Deerfield Township, Ohio, and Parker, Colorado, locations, to have this in 2007. Again, this enhances our brand and provides additional competitive advantage in these markets.

For 2007, I am very excited for our Company. We recently went through our busiest month of the year, and saw at first hand why we are in business -- we change lives. We have hundreds of things we want to accomplish this year. From what you will see inside the center, I'm excited about our relentless pursuit of providing a wow experience to our members.

We will continue to optimize our dues structure. In personal training, we have rolled out T.E.A.M. Fitness, the extension of T.E.A.M. Weight Loss. Both programs fall under the T.E.A.M. umbrella, which stands for training, education, accountability, and motivation.

In member activities, we revamped our aquatic classes under U Swim umbrella. The sensory experience we drive our focus for LifeSpa. Our speed of service and new menu rollout will drive our energies for LifeCafes. We will continue to refine our tennis program with the opening of the Lakeville Center, where we will have the premier tennis facility in the Midwest.

Lastly, I want to take a second to recognize and thank our team members for another great year. I would also like to extend my gratitude to the spouses, relatives, and significant others of our team members for allowing them to help build our Company. The sacrifices you all make are recognized and appreciated.

With that, let me turn over to our CFO, Mike Robinson, for more detailed discussion of fourth-quarter and full-year financial results. Mike?

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

Thanks, Bahram. As Bahram indicated, our financial performance remains strong and we had an excellent closeout of the year. As I provide you with details of our key financial indicators, I will make reference to a couple of items which were not in existence last year. This include share-based compensation expense, including FAS 123(R), and the leased centers we commenced operations of in late July. This will be the last time I specifically isolate FAS 123(R), as this will be fully anniversaried starting next quarter.

I will also provide 2007 guidance throughout my comments as appropriate. Let me start with a quick update on the portfolio of centers we obtained in July 2006. Integration has gone well for the 25,000-plus memberships. Financially, we achieved the incremental revenue and net income we discussed with you in July.

As we expected, our consolidated center margins have been reduced because of the lease expense based business model and the lower operating efficiency of these centers. We expected that these leased center margins will improve in 2007, positively affecting consolidated center and operating margins in the second half of 2007.

The centers are operating on Life Time Fitness systems and processes. New team members have been certified. We are currently at the front-end of the remodel stage of these centers, with most remodels planned to be completed by the end of 2007. Overall, we are very pleased with this opportunistic transaction.

Now let's go through the revenue highlights. For the fourth quarter, total revenue was $139.3 million, up 34.5% from last fourth quarter. Revenue for the year totaled $511.9 million, up 31.2% from last year.

This strong growth was driven by several factors including membership dues growth of 33.8%. We are clearly executing our pricing plan as indicated by the relationship between our dues growth as compared to our membership growth. For the year, our dues have grown 29.1% to $339.6 million, which compares favorably to our 23.8% membership growth. Enrollment fee revenue, reported net of refunds, grew by 16.1% in the quarter and 10.3% for the year.

In-center revenue grew by 41.7% in the quarter. Three components have driven this growth all year. The first is new products, programs, and services in each of our in-center businesses. In personal training, it has been our group-based training programs, such as T.E.A.M. Weight Loss and now, has Bahram discussed, T.E.A.M. Fitness. In member activities we have introduced more kids' activities and camps, and now a revamped swimming lesson program. LifeSpa and LifeCafe continue to introduce new products and services geared to member desires. In 2006 we took huge steps forward in tennis using the centers we took over operation in July as a springboard.

Second is the better participation and use from our current members. We are further educating our members as to the breadth of the programs and services we offer. We're doing this by targeted marketing programs and better team-member interaction through comprehensive certification of our staff in product and service offerings and sales techniques.

Third is optimizing the business functions through operational reviews, training, and process engineering. Our LifeCafes can have better-tasting food and provide faster service. Our LifeSpas can have a better customer service element. We can have better number connectivity awareness and drive among our team members.

For the year, in-center revenues totaled $138.3 million, up 41.6% from 2005. In 2007, these in-center businesses will continue to be one of the fastest-growing elements for our Company.

Finally, a 16.9% increase in other revenue, which was driven by our media business growth and our rental income. This total Company revenue growth has driven a 6.7% increase in same-store sales for the quarter and a 2.8% increase in the 37-month mature same-store sales. Excluding planned cannibalization, these metrics were 7.3% and 3.6%, respectively.

In the fourth quarter, we had two centers enter the 13-months comp base, which were Austin and Romeoville. We had three centers -- Gilbert, New Hope, and Plano -- enter the 37-month comp base. Please note that the centers obtained in July 2006 are not included in the same-store sales calculation. They will enter the same store comp base in the 13th month like all other centers.

With respect to revenue per membership, we generated an 8.3% increase to $322 in the quarter. For the year, our revenue per membership increased 8.4% to $1,270.

In-center revenue per membership increased in the fourth quarter to $85 or a 13.7% increase over last fourth quarter; which again is above our expected long-term range of high single digit to low double-digit growth. For the year, our in-center revenue per membership increased 16.9% to $351.

If you exclude presale memberships from these metrics, the total revenue per membership increased 8% for the quarter and 7.7% for the year. In-center revenue per membership increased 13.4% for the quarter and 16.1% for the year.

As you can see, the gap between these metrics -- whether including or excluding presale memberships -- has come together over time. This is reflective of continued growth in our base of memberships as compared to the number of centers in presale. Accordingly, we have decided to stop disclosing the extra data in future calls.

Moving to our margin analysis, the Company's operating margin decrease from 21.3% to 20.1% as compared to the prior fourth quarter. For comparison purposes, excluding the $1.4 million of share-based compensation expense in the fourth quarter, operating margins were 21.1% compared to 21.6% last Q4 due to the expected incremental lease expense and operating expenses of our centers acquired in July 2006. Excluding these centers and share-based compensation expense, operating margins improved for the quarter.

For the year, our operating margin decreased 110 basis points from 20.7% to 19.6%. Again, if you adjust for the effect of the leased centers from July 2006 and share-based compensation expense, our operating margin improved. If you isolate and exclude just share-based compensation expense, our operating margin was 21.1% for the year, up from 20.8% in 2005.

Excluding share-based compensation expense, the main drivers of this year-over-year margin improvement, which more than offset the center operating expense increase from the lease transactions, included 70 basis points of G&A leverage and 50 basis points improvement in depreciation. This depreciation leverage was driven by new leased centers, which have a very low asset base. This has been coupled with slightly more mature legacy centers driving higher revenue.

As we look to 2007, we expect operating margins to expand slightly for the full year, even as we continue to absorb the incremental lease and operating expense from the new leased centers for the first half of the year. This expansion will be driven by continued G&A leverage, improvement in other operating expense margin, and depreciation expense leverage.

As we make our way down the P&L, income from operations was $28 million for the quarter, up 27.1%. For the year income from operations totaled $100.5 million, up 24.2% from last year.

Interest expense, net interest income, increased to $4.9 million from $3.7 million last fourth quarter, as we continue to grow our new center base and our average revolver balance grows. For the year, interest expense was $17.4 million compared to $14.1 million last year. We anticipate interest expense to increase as we finance our new centers, as we did for the six centers in July 24, 2007.

Our tax rate for the quarter was 39.6%, and 39.9% for the full year. We expect our 2007 effective tax rate would be approximately 40%.

That brings us to net income for the quarter of $14.1 million compared to $12.1 million last fourth quarter or up 16.9%. Our net income margin for the quarter decreased to 10.1% from 11.7%. Remember, Q4 2005 net income margin benefited from a onetime tax expense benefit of approximately $1 million from a business restructuring. If you exclude $900,000 of after-tax share-based compensation expense for the quarter, and the approximately $1 million onetime tax benefit, our net income grew over 33%.

For the year, net income totaled $50.6 million, up 22.7% from the $41.2 million for the same period in 2005. Net income margin decreased from 10.6% to 9.9%. Again, if you exclude the $4.5 million of after-tax share-based compensation expense the net income margin improved to 10.8%.

Total common shares outstanding as of December 31, 2006, were 36.8 million shares. Weighted average fully diluted shares totaled 37.3 million shares for the fourth quarter and 36.8 million for the year. We expect our 2006 total weighted average diluted share count for 2007 -- increase (inaudible) 2007 be approximately 37.6 to 37.8 million shares, which is an increase of approximately 2% from fiscal 2006.

Based on the 2006 fourth-quarter weighted average share count, our diluted EPS for the quarter was $0.38, up from $0.33 in the fourth quarter last year. For the year, our diluted EPS was $1.37 compared to $1.13 last year.

Moving to our operating data, the number of open centers at December 31, 2006, was 60, compared to 46 at December 31, 2005. Our current number of open centers remains at 60. Of those 60 centers, 50% are current model centers and 55% have been opened three years or more, which we classify as mature centers.

EBITDA totaled $40.4 million in Q4, up 23.9% from last fourth quarter. EBITDA for the year grew 23.8% to $149 million, including $7.6 million in share-based compensation expense.

Memberships at December 31, 2006, totaled 443,660 compared to 358,384 memberships last year, up 23.8%, which is slightly higher than the 23.7% growth from last quarter.

Turning to the balance sheet, the largest activity continues to be driven by our continued growth in new center construction. Cash outlays for capital expenditures for the year were $263 million, which includes approximately $90 million in the fourth quarter. Of this total, $230 million relates to growth, which is construction of new centers, which in this case were opened in 2006 or are planned to open in 2007. And $33 million relates to maintenance capital expenditures, corporate infrastructure, and assets received in the July lease transaction.

Total capital expenditures are up slightly from our 240 to $250 million guidance due primarily to increases in our new center average investment, which in 2006 approximated $29.5 million.

There are three main drivers for this increase. The first is higher costs associated with some of the locations in which were opening, such as a Scottsdale, Arizona, or a Columbia, Maryland. As you know, land and construction costs vary greatly by region.

Second is raw material costs have increased in areas such as roofing membranes, concrete, and steel. We work very hard to mitigate as much of this as we can through broader subcontract bidding and developing our own internal expertise.

Third is the cost required to deliver the member experience we want. We create a luxurious and resort atmosphere and will continue to look for cost-effective ways to do this. As we have stated in the past, our business model adapts to the location, demographics, investment in the higher P&L performance to ultimately achieve our targeted returns, which have not changed.

To finance our growth, we recently have used and will continue to use our strong operating cash flow and debt. During the fourth quarter, our overall debt balances grew by approximately $56 million to $390 million as of December 31. This includes $245 million outstanding on our revolver. Our net debt to capital ratio increased slightly during the fourth quarter to a still low 49.4%.

In other capital structure news, on January 24 we entered into a $105 million commercial mortgage-backed security agreement with Goldman Sachs Commercial Mortgage. The loan is a fixed 10-year note with a 30-year amortization at 6.03% interest. One of the significant advantages of this long-term debt is that the loan to cost ratio exceeded 90% as compared to the 65 to 70% we have netted in previous mortgage transactions.

Although somewhat unique for a specialty retailer multipurpose operator to use commercial-backed securities as a lending vehicle, I believe it further proves the power of our growth story and solidifies our capital structure. We used the majority of these proceeds to partially pay down our revolver balance.

Let me take a minute to recap how we intend to fund our growth for the foreseeable future. First and foremost is our strong operating cash flow, which was approximately $126 million for the year. Second, as demonstrated with our latest round of financing, we will manage our $300 million revolver. Lastly, after our latest round of mortgage financing, we still have 17 large format centers which have no mortgage borrowing against them. We expect to tap into some of these centers and place additional mortgages in 2007.

A few last items to highlight from our balance sheet. You will see an increase in noncurrent assets from $14.4 million at year-end 2005 to $30.1 million at year-end 2006. This is due primarily to the assets received in the July lease transactions, where we received assets to help pay for the planned improvements to the leased centers we took over their operation from.

There was an increase to our deferred rent liability from $5.5 million at year-end 2005 to $20.7 million at year-end 2006. This is also due to the same transaction.

Now that we are through our 2006 financial performance, let me talk about our expansion plan. For 2007, we plan to open eight current model centers, all of which are under construction. Half of these planned centers will be in new markets including Cary, North Carolina, which is our first center in the Raleigh-Durham Research Triangle area; Deerfield Township, Ohio, which is our first center in Cincinnati; Omaha, Nebraska, our first center in Omaha; and Parker-Aurora, Colorado, which is our first center in Denver.

The other 50% of these planned centers serve to reinforce our presence in our existing markets including Dublin, Ohio, which is our second center in Columbus, Ohio; Lakeville, Minnesota, which is our 23rd center in the Twin Cities; South Austin, Texas, which is our second center in Austin; and Sugarloaf, Georgia, which is our second center in Atlanta.

Now let me discuss our guidance for 2007 by starting with a brief overview. Our focus is on executing our proven business model. We expect to open the eight centers I just alluded to and to continue to manage and optimize our memberships and dues structure center by center.

Our revenue guidance is 25 to 27% growth, which equates to approximately 640 to $650 million. We expect net income growth of 27 to 29%, which equates to approximately 64.3 to $65.3 million. This results in diluted EPS guidance of 25 to 27% growth, which equates to approximately $1.71 to $1.74 per share.

Regarding our CapEx guidance, we expect to incur 330 to $350 million for the year. This includes the following items. 45 to $50 million for onetime, unique expenditures related to the remodels of our leased centers acquired in 2006, which is 30 to $35 million; and $15 million for the remaining construction of the new office building we plan to move into in the fourth quarter.

We have approximately 25 to $30 million for maintenance capital expenditures for existing centers and corporate purposes. This works out to $3.50 a square foot for our centers and about $10 million for corporate initiatives.

Lastly is approximately 260 to $270 million for construction of new centers. This works out to about 28 to $30 million per center, which is in line with our spend in 2006. It reflects the building costs for the completion of the eight centers we plan to open in 2007; future land purchases; and significant construction for the nine centers we plan to open in 2008.

For the first quarter, we expect revenue and net income growth of approximately 28 to 30%.

That concludes our prepared remarks regarding our fourth-quarter 2006 financial results. 2006 was a great year for Life Time Fitness. We accomplished a lot and learned even more. This has set us up very well to continue to execute our operational, financial, and growth plans in 2007. With that, we are happy to take your questions now.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Greg McKinley with Dougherty.

Greg McKinley - *Dougherty - Analyst*

Guys, I wonder if you can talk a little bit about -- first, I think, Mike, you mentioned operating margin in Q4 without the leases would have increased. Can you tell us sort of what that core margin leverage would have been?

Then, as you look at your center margin line going forward, are there certain -- what might be the greatest opportunities for that to start stabilizing and delivering leverage, I guess, especially once you get like-for-like comparisons in the second half with those lease transactions?

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

Sure, the margin leverage in the fourth quarter was in the range of 1 full point.

Greg McKinley - *Dougherty - Analyst*

Okay.

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

As you look at it, and I talk about this quite a bit, you have got a number of things driving. Let's exclude the lease transactions; as you correctly pointed out, we will anniversary that in the third quarter. So you will see pressure coming from the business model created from those lease transactions, a combination of the lease expenses themselves and, frankly, they're not operating as efficiently as we can make them. We will see that operating efficiency improve. So that will be one thing. We would expect you would see that starting in the third quarter.

As we grow our in-center businesses, those come at lower margins than the dues base it flows through. Those margins are improving, and so you will see some leverage on that. However, when that grows at as fast a pace as we have seen for the last couple of years, it does apply a little bit of pressure.

There are a number of things that our Chief Operating Officer, Mike Gerend, and the entire operations team have worked on over the last couple of years, and we started to see fruition in it last year. Resource planning -- human resource planning has improved, helping drive a better labor management across the Company. We have a number of initiatives in supplies and operating expense that, as we get bigger, our buying power is going to continue to improve. We have started to see that and expect to see more of that as we move on.

So at the center operating level, there are a tremendous amount of things that are going on that, number one, will counteract some of the lower margins coming through with our in-center businesses. By the way, you have heard me talk about this before. We will trade those incremental dollars because they are coming in at a better overall return for us. So we like to see that, but we also want to drive for margin improvement.

Greg McKinley - *Dougherty - Analyst*

Great. Appreciate that. One other question. I was hoping to get a little more color on Bahram's introduction of this new concept, the three-story format. Can you talk to us a little bit more?

You said you wanted to wait till you had the prototype developed; and then I guess some actual sites targeted for development. Can you just give us a little more color on when we might see openings for that concept?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Yes, you will see openings in 2008. We are currently in the bid phase on first location, which will be in Texas. We have, again, a number of locations of these that are being negotiated. We have letters of intent or basically in the pipeline one way or the other, or even signed deals that we will start construction, producing documents for bids for them. So you will see some of that.

I am so excited about this model, because it allows us to get into the markets where we otherwise wouldn't be able to get to. Frankly, people have said, oh, yes, they can't go here or they can't go there because they need 12 or 13 acres of land. Well, this is the answer to that.

Greg McKinley - *Dougherty - Analyst*

Thank you.

Operator

Scott Mushkin with Banc of America Securities.

Scott Mushkin - *Banc of America Securities - Analyst*

I just think it's really interesting what you are doing, Bahram, with juggling your format. We have been a big believer it is what happens in the box, not necessarily the box itself, that is the most important. But as you do expand out and you get stronger and stronger market share positions, what I was wondering if you could talk a little bit to is your branding strategy.

It seems, as you look at the wellness area, there are few people in your position. Not to look to too forward on that, but I was wondering if you could talk to how you think you need to position this Company going forward; what kind of spending you may need to do as you build the brand up.

Also, as a side question, what benefits do you see in what is going on in Minneapolis, just basically owning that market? Do you think that is a thing you would like to replicate?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

You're asking multiple questions. Let me respond quickly to as many of them as I can. I believe the brand is developed by the customer experience. We can want whatever we want, or spend as much money as we want on advertising or that type of branding initiative, which I am not necessarily in favor of. What I like to do is I like to build a product that, when the customer walks in, they are blown away; they are wowed; and they tell other people about it.

The products that we are developing, just like you said very accurately, the idea is that people walk in and they know they are in a Life Time Fitness facility. The colors, the layout, the type of facilities, the way the customer experience is, the way the employees react with them, educational programs, T.E.A.M. Weight Loss, T.E.A.M. Fitness. You would not be surprised -- you wouldn't be confused if you are not in a Life Time.

Now, from outside when you look at the buildings, you will know our three-story building is a Life Time Fitness as you know our typical two-story suburban model. So that again will help the branding. The three-story is a more dramatic building. It is a more exciting building. It offers more of all the things we offer and does it better. It offers a better teen center, which we have been talking about for quite some time. So again, it will enhance the branding of Life Time Fitness.

As you think ahead about the healthy way of life space, opportunities to earn millions and millions of subscribers to your business that trust you, believe in you, and believe in your brand, you can just do your own conclusion of the opportunities that would arise from that, that we as a good company thinking ahead, planning ahead, should be able to take some opportunities out of it. I don't want to expand into it.

Scott Mushkin - *Banc of America Securities - Analyst*

Okay, maybe I can follow up on just one. Detroit. I know it is a market I have asked questions about before. I was just wondering, given the slowdown we are seeing in the auto industry, if it continues -- I guess DaimlerChrysler are now laying off 10,000 -- is that market performing markedly different than your other markets, or no?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Great question, and the answer is absolutely not. We have solid performance in that market as we have had always, steady and solid. You know, frankly, if there were more locations we could get into, we would get into it. There's a couple other markets in that area that we have been trying to get into. Land opportunity is difficult. Entitlement is difficult. But when we can, we will add additional locations in the market.

As I have said to you guys before, this business model, if you execute properly, there literally are not that many areas you can not go into.

Scott Mushkin - *Banc of America Securities - Analyst*

Great, I will turn it over. Thanks for answering my questions. Appreciate it.

Operator

Paul Lejuez with Credit Suisse.

Paul Lejuez - *Credit Suisse - Analyst*

Bahram, maybe --?

Operator

Brian Nagel with UBS.

Brian Nagel - *UBS - Analyst*

A couple quick questions for you. First off, with respect to the urban locations, in 2008 would these be included in your typical rollout strategy? Or will these be incremental to your rollout numbers?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Yes, we have planned nine centers that we have committed to you guys that we will deliver. So two of these facilities, the three-story facilities, are part of those nine products for 2008.

There are a number of opportunities in the pipeline. Once again, we would like to believe that there are other opportunities outside of what we commit to you guys. We always only commit to what we know we can deliver. So there's lots of opportunities in the pipeline. We are very excited about our number of deals in the process.

Brian Nagel - *UBS - Analyst*

Also, with respect to the urban locations, in my discussions over the past few years with you guys, one of the things you talked about being a drawback from an urban center would be the asset utilization versus your suburban locations. So maybe some initial thoughts on somehow the economic model at the urban location may be different from your economic model of your suburban locations.

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Great question, and I emphasize this because Mike was emphasizing earlier today, so for people not to get a confusion, we are not talking about going into office markets, downtown markets. This is urban residential. This is markets that they're much, much more densely populated residential markets with high-rises. But we are still targeting the residential market, not office market.

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

So ultimately, Brian, the asset utilization is exactly the same as what we see in a suburban market.

Brian Nagel - *UBS - Analyst*

That is helpful. Then one question, Mike, with respect to Wellbridge facilities. You had previously laid out guidance for earnings accretion from those for 2007. Any changes to that guidance?

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

No, no changes at all.

Brian Nagel - *UBS - Analyst*

Which I think was $0.07 to $0.08.

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

Yes, I think what we had said was 45 to $50 million annualized, and 3 to $3.5 million of net income.

Brian Nagel - *UBS - Analyst*

Okay, great. Thank you very much.

Operator

Paul Lejuez with Credit Suisse.

Paul Lejuez - *Credit Suisse - Analyst*

I might have missed the answer there. You said that these were incremental or not incremental in '08?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

No, we have committed to nine openings in '08; and two of these nine are the three-story. What I mentioned is we do have additional opportunities in the pipeline we are not willing to commit to.

Paul Lejuez - *Credit Suisse - Analyst*

Got you. Can you define the demographics of what you are looking for when you say urban residential?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Yes, it's where you might find more densely-populated areas. I am not -- not that we are suggesting we have a site in Lincoln Park, Chicago; but like a Lincoln Park. Or slightly outside of that, a little bit further out, you still have lots of great demographics, but the market is very densely populated and the opportunity of finding 12 acres of land is nearly impossible.

Paul Lejuez - *Credit Suisse - Analyst*

Okay, how was December enrollment impacted, if at all, by the warmer weather that seemed to affect most of the country?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Not at all. We had a great December performance. It was similar to last several Decembers where we had great results each year.

Paul Lejuez - *Credit Suisse - Analyst*

Okay, then last. Other than some of the items that you might've mentioned in the prepared remarks, can you give us any other insight into how you might be testing the extent of the pricing power you might have?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

You know, it is an ongoing process. We know and we have always known that we are delivering an enormously exceptional value to the customer. What I have talked about to you guys since the beginning of 2006 is that at times, when I walk into a club, I feel like that customer experience that I am looking for is basically hampered by the fact that we have a little too many people in the club.

So we have methodically rolled out ways to modestly increase our dues structure, not to upset the old members, but to manage the membership. In certain clubs we have tried many different ways to slow down the number of memberships signing up. As we are transitioning the members, somebody with a $59 monthly dues is dropping out due to attrition, because they are moving or something; their replacement comes in at $79. Somebody who was having their children in the facilities, the junior membership is free, drops out because they move or some other things happens; and then the new person come in and replacing that membership comes in with the junior dues.

So we have obviously demonstrated our average dues increases over the last 12 months. We expect that to continue and manage the member experience and our financials, both, simultaneously.

Paul Lejuez - *Credit Suisse - Analyst*

Thanks, good luck.

Operator

Michael Lasser with Lehman Brothers.

Michael Lasser - *Lehman Brothers - Analyst*

Nice job on a good 2006. As far as the new urban concept, I have a few. One multipart question, I guess. One, are you doing this in response to anything that you're seeing that would limit the growth opportunity for your current center model?

Along with that, historically you said that the current center model has the opportunity to add probably 200-plus locations. How would the urban geared model change that market opportunity?

Then finally, one of the alluring aspects of the business model is being able to offer an attractive price point. Would the value proposition, when you have to charge a much higher price in the urban locations, and perhaps that might alter the value proposition to consumers?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Those are two very good questions, so let me take a moment to answer both. First, in regards to -- is this a move because we can't find enough sites for a regular prototype model? The answer is absolutely not. There are still numerous opportunities around the country to give us the numbers that we have over the length of time to give the 200 boxes. We have no concern that that is going to change any time soon.

However, there are beautiful demographics around the country where we desperately want to be in. We want to have our brand in highly-populated areas of the East Coast, where we think they would greatly appreciate and celebrate our product.

But you have to have a way to deliver all the components that we have always delivered, but in a way that we can get in. From just geometry. This is the most exciting thing, that I'm just ecstatic about. We have done everything we can to be quiet about it; so when we do talk about it, it is not just a talk. It is actually something that it's in the works. The building are in the process of getting started, the construction, et cetera.

The second piece of your question is, hey, will this be a different value proposition? The answer is no. Our perspective is, in all of the markets we go to we want to deliver the right product to the demographics. We want to deliver exceptional value to the particular demographic for the type of facilities, the type of club, the type of experience they are looking for. So whether we'd offer a club as $59, $79 or $119 a month, the ultimate delivery says that that product would do better value proposition than the competitors offer in that particular space, in that segment of the customer.

So we are excited about this. I think this just adds tremendous additional opportunities for Life Time Fitness to expand.

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

Let me just add a little color to that from a numbers perspective, Michael. Today, we are in 13 states; we are in 16 markets. We track the top 60 markets with a metropolitan area of 1 million or more. That is 44 other markets that -- even without going to less than $1 million populations that we have, that we can drive either the vertical, the three-story concept that Bahram is talking about, or the two-story suburban concept. So we are very excited about the growth potential in the future.

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

One last thing before -- one last thing let me just mention this to hopefully answer some other questions that may be lingering. Remember, we have a number of different boxes we operate in Twin Cities. It is not like -- the box itself is just one element of. Everything else you do is another.

The three-story prototype very much resembles Life Time Fitness. From outside or inside you know you're in a Life Time Fitness.

But having said that, one thing you guys need to think about is that this business is about how many hundreds of thousands, millions of members are paying that subscription, and they believe in your brand as a healthy way of life brand. That they can trust in variety of services and products you can deliver to them in that space. That is what we have said from the get-go to you guys, and we are -- I can't be more excited about those opportunities.

Michael Lasser - *Lehman Brothers - Analyst*

Sounds good. Best of luck.

Operator

Sharon Zackfia with William Blair.

Sharon Zackfia - *William Blair & Company - Analyst*

I have two questions. I guess, first, of the eight openings this year, what is the timing going to be like for those?

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

You should expect four in the first half and four in the second half. The first-half ones will be second-quarter openings.

Sharon Zackfia - *William Blair & Company - Analyst*

Then on the urban residential location, I did a little dance when you mentioned Lincoln Park, but I guess you're not coming yet. But are you planning on owning or leasing those kinds of locations?

How quickly are you going to roll them how? It seems like it might be a little bit more prudent to open one and see how it does before opening more. So just some thoughts on that.

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Let me just expand on this. It is not a wildly different concept. It is really just a little bit additional square footage. We are building clubs right now -- two will open this year, one opened last year -- with the expanded number of basketball courts or soccer turf field or all sorts of additional in-center programming and opportunities. One in Parker will open, one in Deerfield, Ohio. Parker, Colorado; Deerfield; and then we did the Allen last year. Those -- Allen is doing great, the other two will do just phenomenal.

The 140,000-plus square foot facility, it offers all the same things that we offer in those areas. We have an expanded, more elegant spa component, which I would want to deliver, so I needed additional square footage and a little bit different layout. So everything in this facility does what we do currently with our suburban model. It just does certain things better. Okay?

So it is not necessarily like a radical change from our model that you would say we want to see how it performs. It should perform exactly the same as the other ones, give you relatively same rate of return and so forth.

The second question then is -- are we going to do one and then do a wait-and-see? The answer is no. We probably will see a couple of those mixed into each year's opening. Rough and tough.

Sharon Zackfia - *William Blair & Company - Analyst*

Okay, and are you planning on owning the sites or do you [have to lease]?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

We have no intention of pigeonholing ourselves into owning or leasing. If the opportunity says we can buy the land, and manage our destiny, in the process of getting the product built we do it that way. If I have to lease the land, do a land lease, or if we have to do a leased building, the economics works, we will do it that way.

Sharon Zackfia - *William Blair & Company - Analyst*

Did you expect the urban locations to all kind of have higher price points?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

In certain markets, yes, it will maybe advantage or athletic. But that is not because it is urban models. Even if we went into those markets with a suburban box, I would have charged more. It is more delivered based on the demographics of the area.

Sharon Zackfia - *William Blair & Company - Analyst*

Okay, thanks. I will look for sites in Lincoln Park.

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

You keep looking for sites in Chicago.

Sharon Zackfia - *William Blair & Company - Analyst*

I will do what I can.

Operator

Ed Aaron with RBC Capital Markets.

Ed Aaron - *RBC Capital Markets - Analyst*

Just a couple follow-on questions to the new prototype you are working on. You mentioned, Bahram, two different-size boxes, one that I think you said was 140 and one that you said was more like 90. I'm assuming that Lincoln Park example that you gave relates more to the 140. Can you give us an example of where the 90 might go?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

Yes, let me just emphasize again, please, and I don't want to this to come across in any shape or form defensive for you guys. You need not to get too fixated on the size difference between 90 or 140, 110 or 125.

We do our planning, we do our modeling, we decide on -- we look at a full business plan for every club we do. Regardless of the ones we have done 50 of them before, we go through every step of the way. We need to build the relative box and the service and the price point to the customer.

I emphasize again. We may go to certain markets in East Coast, where you really can draw heavily from a three-mile radius, but to find anything bigger than a 3-acre piece of land is a pipe dream. So then, you adjust your strategy. You build a 90,000 square feet facility which still would be phenomenal, deliver all the qualities.

Many of our prototypes today, the ones -- many of the facilities in Detroit, many of the facilities are 90,000 prototype version of our deal now. It is just we are taking that 90 and delivering it on stacked way of three stories. So you just need to be looking to see what comes; and it's going to be relative to the market.

Ed Aaron - *RBC Capital Markets - Analyst*

Okay. In some respects is this going to give you more opportunities for clustering in these markets that you are already in? Where you might be in a -- you are putting more urban residential clubs in markets where you actually have suburban stores already? Or is this more designed to get you into entirely new markets?

Bahram Akradi - *Life Time Fitness, Inc. - Chairman, CEO, President*

It's both. We are doing one of these in Chicago in a market that we are just -- it's probably be our best location in the entire state of Illinois. But it would demand that for us to go, because there's parts of the land available to do it on a three-story model; the two-story would not fit.

Ed Aaron - *RBC Capital Markets - Analyst*

Okay. Then Mike, just one for you really quick. I am trying to get my arms around, looking at the numbers from the quarter, why membership growth and total in-center revenue growth held prettty constant with the third quarter; but the per-membership metrics decelerated. Can you just give a little color on that?

Mike Robinson - *Life Time Fitness, Inc. - EVP, CFO*

Nothing; it basically has to do with mix and where things are being driven from. When we look at that in-center revenue number, that is right where we expect it, in that mid to high single digit point. So it really has to do more with the mix of how some of the revenue came in.

Ed Aaron - *RBC Capital Markets - Analyst*

Thank you.

Operator

At this time, I would now like to turn the call back over to Mr. Ken Cooper for closing remarks.

Ken Cooper - *Life Time Fitness, Inc. - IR*

With that, I would like to thank you for participating. We look forward to reporting to you our first-quarter 2007 results which tentatively has been scheduled for Thursday, April 26, 2007, at 9 AM.

We also will hold our annual shareholders meeting on that same day in the afternoon. For this and all other key dates, please see our events section within the investor relations section on our website. Thank you and goodbye.

Operator

Ladies and gentlemen, this concludes the presentation. You may now disconnect. Thank you and have a good day.
