

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

## LTM - Q1 2007 Life Time Fitness Earnings Conference Call

Event Date/Time: Apr. 26, 2007 / 10:00AM ET

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

## CORPORATE PARTICIPANTS

**Ken Cooper**

*Life Time Fitness, Inc. - IR*

**Bahram Akradi**

*Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

**Mike Robinson**

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

## CONFERENCE CALL PARTICIPANTS

**Pauk Lejuez**

*Credit Suisse - Analyst*

**Michael Lasser**

*Lehman Brothers - Analyst*

**Ed Aaron**

*RBC Capital Markets - Analyst*

**Tony Gikas**

*Piper Jaffrey - Analyst*

**Brian Nagel**

*UBS - Analyst*

**R.J. Hegovy**

*Next Generation Equities - Analyst*

**Vivien MA**

*CIBC Markets - Analyst*

**Michael Keara**

*Merrill Lynch - Analyst*

**Dana Walker**

*Calamar Investments - Analyst*

## PRESENTATION

**Operator**

Good morning, ladies and gentlemen, and welcome to your Q1 2007 Life Time Fitness Earnings Conference Call. My name as Rob and I will be your operator today. Throughout this conference, all lines will be on listen-only. (OPERATOR INSTRUCTIONS) At this time, I would now like to turn the conference over to your host for today's call Mr. Ken Cooper, Senior Director of Finance.

---

**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 first-quarter 2007 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](http://LifeTimefitness.com).

In a moment, Bahram Akradi, our Chairman and CEO, will discuss key highlights from our first-quarter. Following that Mike Robinson, our CFO, will review the quarter's financial information in greater detail. 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.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

Finally, a replay of today's teleconference will be available on our website at approximately 1 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 first-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. 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. - Founder, Chairman of the Board, CEO, President*

Thanks Ken. On behalf of all Life Time Fitness, I am pleased to once again, provide you with an update on our business. First, we had a great first quarter. Revenue was up over 32% and we delivered over 35% growth in net income. Mike will provide greater detail on our financial performance shortly.

From a business perspective I feel we are in a very good position to fuel the growth and the differentiation we have become known for.

And as we always say this is predicated on a relentless focus on delivering an unparalleled member experience. What I would like to do is give you an update on the three main areas of the company that I am focusing on. First, our expansion plan and development initiatives, as you know we have a proprietary and sophisticated site selection process.

We feel this process which is felt across many disciplines within the company - is the reason why we have been successful with nearly every one of our sites that become centers. At this point, our potential site pipeline is as large as it has ever been. And it's growing.

As a result of our national presence and growth developers are seeking us out with increasing frequency to see whether we can fit into their plans. This is a direct result of our solid reputation as a leading 'healthy way of life' company. We have recently completed our internal site development plan for 2008, which now calls for 10 centers, an increase from the nine he had previously announced in February.

My second area of focus has been on the design and construction element of our centers. I am pleased with the current status of the cost drivers of our centers. We have seen raw material costs stabilize. This is partly due to moderation in the construction world. But also to what we have been experiencing over the past few years. As our subcontractor pool grows we are getting more competitive bids and better purchasing power. Location costs are still the biggest variable to our construction costs however, we feel great that our elastic pricing model will be able to ensure our returns remain where we expect. And remember, generally more expensive markets deliver higher dues structure accordingly, therefore, we can focus on delivering an exceptional value again.

Let me now move to my third area of focus; our in-center business initiatives. Overall, I am pleased with the stride with all of our in-center businesses. As you will see when Mike discusses our financial results our internal businesses had another strong quarter of growth. However, as I've always said, many times before, we are still at the earliest stages of development of some of these businesses. And there are many areas where we can get better.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

We have a number of initiatives in motion right now, including pilot personal training programs, new menu items, and process refinements. I look forward to continuing the success of this component which continues to be the fastest growing part of our business.

With respect all our initiatives, it is our drive to learn and what our members think. On January 1 we put into motion a comprehensive initiative of assessing and rewarding our team members on the perception of our members. As we grow we can never lose sight of the fact that we are only as good as what our members think. That is why you always see us start many of our presentations and discussions, this one included, with the reminder that we have relentless focus on delivering an unparalleled member experience. So, we will aggressively assess, understand, and reward based on what the consensus of our members is telling us. Again, we are off to a great start. I look forward to this continuing throughout the year.

With that, let me now turn it over to our CFO, Mike Robinson, for more detailed discussion of our first-quarter financial results. Mike?

---

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

Thanks, Bahram. As Bahram indicated we had an excellent start to the year. For the first-quarter total revenue was \$153.1 million up 32.6% from last first-quarter. The strong growth was driven by several factors, including membership dues growth of 32.6%. This was driven mainly by the membership ramp of our new centers. However, as you know, for centers at or near capacity, in situations where the real estate is more expensive, and demographics support it, we'll use value added membership levels to provide the experience our members want and help achieve our desired returns. This, and providing further attractive membership upgrade options to our existing memberships, also were components of our dues growth.

Another positive indicator for us was that dues growth again, outpaced membership growth which was 23.7% for the quarter. Enrollment fees, revenue, reported net of refunds grew by 11.9% in the quarter. In-center revenue grew by 35.8% in the quarter which continues to be driven by new product programs and services in each of our in-center businesses. Better participation in use from our current members and optimizing the business functions through operation reviews, training, and process engineering.

And finally, a 35.4% increase in other revenue which was driven mainly by our media business growth. This total company revenue growth has driven a 7.5% increase in same store sales for the quarter and a 2.6% increase in the 37 month mature same store sales. There was no significant planned cannibalization in the quarter.

In the first quarter we had four centers enter the 13 month comp base. There were no additions to the 37 month comp based. As a reminder, the centers obtained in July 2007 are not included in the same-store sales calculation. They will enter the same-store comp base in the 13th month, like all the centers, which will be in the third quarter.

With respect to revenue per membership, we generated a 6.5% increase to \$334 in the quarter. In-center revenue per member increased in the first-quarter to \$98 or 9.1% increase over last first-quarter. This in-center metric is right in the middle of our expected longer-term range and reflects the prudent growth we expect.

Moving to our margin analyses, the company's operating margin increased from 18.3% to 18.8% as compared to the prior first-quarter. This includes the incremental lease expense and operating expenses of the center's we acquired in July 2007. The main drivers of this margin improvement were 75 basis points of G&A leverage and 106 basis points of improvement in depreciation. This depreciation leverage was driven by the new lease centers which have a very low asset base.

Our center operating margin decreased from 43.6% to 41.6% as a percent of total revenue for the quarter. This was solely related to the incremental lease and operating expenses from the July 2006 lease center transaction that will not be anniversaried until

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

the third-quarter. If you took the impact of these lease centers out, we had a slight center operating margin improvement this quarter.

As we make our way down the P&L, income from operations was \$28.7 million for the quarter, up 35.8%.

Interest expense, netted interest income, increased to \$5.5 million from \$4.1 million last first-quarter as we continue to grow our new center base and our average debt balances grow.

In addition, as previously announced, we financed 6 of our centers on January 24 under a new mortgage facility. This facility had a 6.03% interest rate in excess of 90% loan to cost; excellent terms in our eyes. If terms remain attractive we expect to continue to own our facilities and to finance additional operating centers yet this year.

Our tax rate for the quarter was 39.9%. We expect our 2007 effective rate to be approximately 40%. That brings us to net income for the quarter of \$14.1 million compared to \$10.4 million last first-quarter, or up 35.5%. Our net income margin for the quarter increased to 9.2% from 9.0%.

Total common shares outstanding as of March 31, 2007 were 37 million shares. Weighted average fully diluted shares totaled \$37.4 million for the first-quarter. We expect our total weighted average diluted share count for 2007 to be approximately 37.6 to 37.8 million shares which is an increase of approximately 2% from fiscal 2007.

Based on the 2007 first-quarter weighted average share count our diluted EPS for the quarter was \$0.38, up from \$0.28 in the first-quarter last year, or 35.7%.

Now, moving to our operating data; the number of open centers at March 31, 2007 was 60 compared with 48 at March 31, 2006. Our current number of open centers is 61 with our Dublin, Ohio opening earlier this month; our 2nd center in the Columbus market. Of the 61 centers, 31 are current model, and 53% have been open 3 years or more; which we classify as mature centers.

EBITDA totaled \$42.7 million in Q1, up 29.8% from last first-quarter. Memberships, at March 31, 2007, totaled 474,364 compared to 383,505 memberships last Q1 up 23.7%. Cash flow from operations totaled \$39 million; up from \$33.6 million in the first quarter of 2006.

Turning to the balance sheet; the largest activity continues to be driven by our continued growth of new center construction. Cash outlays for capital expenditures for the quarter were \$84 million; which include approximately \$71 million related to growth or construction of new centers.

We will see an approximately \$19 million increase in our accrued expenses. About half of this increase is related to general growth. The other half is related to the adoption of the accounting standard [FIN48] whereby we reclassified a portion of our deferred income taxes to accrued expenses.

To finance our growth we will continue to use our strong operating cash flow and debt. During the first quarter our overall debt balances grew by approximately \$44 million to \$434 million as of March 31; this includes \$187 million outstanding on our \$300 million revolver. Our net debt to capital ratio increased slightly during the first quarter to a still low 51%.

Now, let me discuss our updated guidance for 2007. Our focus is on executing our proven business model. We expect to open 8 centers in 2007; 1 of which, Dublin, opened earlier this month. We expect 3 more centers to open in the second quarter, including Cary, N.C., opening in May, and Lakeville, Minnesota, and Omaha, Nebraska, opening in June.

As mentioned by Bahram earlier, we now plan to open 10 centers in 2008. Our revenue guidance maintained at 25% to 27% growth which equates to approximately \$640 to \$650 million.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

We expect net income growth of 28% to 30% which equates to approximately \$64.8 to \$65.8 million; up from 27% to 29% growth or \$64.3 to \$65.3 million. This results in diluted EPS guidance of 26% to 28% growth which equates to approximately \$1.72 to \$1.75; up from 25% to 27% growth or \$1.71 to \$1.74 per share guidance previously issued.

Regarding our CapEx guidance; we maintain our expectations of \$330 to \$350 million for the year. As a reminder this includes the following items; \$45 to \$50 million of onetime unique expenditure related to the remodel of our lease centers acquired in July, 2006 which is \$30 to \$35 million, and \$15 million for the remaining construction on our new office building which we plan to move into in the fourth quarter.

We have approximately \$25 to \$30 million from maintenance capital expenditures of our existing centers and corporate purposes, this works out to \$3.50 per 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 spending in 2006. For the second quarter we expect revenue and net income growth to be approximately 28% to 30%.

That concludes our prepared remarks regarding our first quarter 2007 financial results. We're off to a great start. With that, we're happy to take your questions now.

---

## QUESTIONS AND ANSWERS

### Operator

Thank you, sir.(Operator instructions) Sir, your first question today will be coming through from Paul Lejuez from Credit Suisse.

---

### Pauk Lejuez - Credit Suisse - Analyst

Hey guys.

---

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

Morning Paul.

---

### Pauk Lejuez - Credit Suisse - Analyst

A couple of questions. the incremental center in '08. Is that the current prototype or is that one of the newer models? And then, I know that you guys -- and actually, just follow up on that - is that a permanent increase in the number of centers that we're going to see? Do we need to take up our model on the out years as well, by one center, or is this kind of a oneoff thing? And then separately; you guys don't typically talk about individual centers but can you give us any color on regional differences that you might be seeing in your club base?

---

### Bahram Akradi - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Paul this Bahram, I'll take that. First of all, the introduction of the three story residential prototype is an additional opportunity, like I tried to explain to you guys last time, it gives us more opportunity to go to the areas that are more densely populated, or an opportunity to find 12 acres of land is a little more difficult. So, yes because of that I think we were able to increase the number of clubs to 10 for 2008 opening.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

As always, we're going to stay steadfast and committed to a 15% unit growth to our prototype centers and we're not going to change that. However, as the basis number of our large clubs increases we will obviously have to deliver more boxes. But I am very, very happy to tell you the pipeline, as I mentioned earlier, in our real estate is as large as it's ever been. We will not commit to any additional more centers for the following years etc.; and again I don't want you to read too much into it. But I have more pipeline than I've ever had before. We're working harder than ever before, and the outlook for growth looks fantastic.

---

**Pauk Lejuez** - *Credit Suisse - Analyst*

Great.

---

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

As far as regional differences; you will see more. As we expand more rapidly you will see more spreading out across the country. We will have our first entry into new metropolitan areas and in-fill in some of the -- exactly the same as it's been before. You will see more clubs in existing markets and states, and you will see clubs in states or major metropolitan areas where we haven't had anything before. It will probably be an equal balance of those.

---

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

Paul, as you look out into the future, as we said before, we really focus on, and have internal focus on, a 15% organic growth rate. Take acquisitions out of the base in the future and that's really what we would like you to continue to focus on.

---

**Pauk Lejuez** - *Credit Suisse - Analyst*

Thanks, and Bahram you mentioned you were getting approached to bring your centers into new locations. Can you just elaborate on that and tell us does that include, perhaps, some contribution from whoever is approaching you the buildout of the centers?

---

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

that depends, we generally, as you know, we own our facilities. But occasionally we will lease some space and just do the least of improvements. On this size product you'd have to simply be flexible on that negotiation. I'd rather get less contribution and get much cheaper rent. So, our basis for increases under rent and stuff is lower so, but generally each deal will be different. When we go into the areas where there is a large development of offices and retail etc. if we can buy our own parcel of land we buy it. Sometimes we get a preferential deal just because our amenities will help ignite a lifestyle center or as well as our facilities would be a great amenity to a large office park. So, we do get opportunities to acquire the land for better than market pricing.

---

**Pauk Lejuez** - *Credit Suisse - Analyst*

Great. Thanks guys.

---

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

No more questions?

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

**Operator**

The next question will be from Michael Lasser.

**Michael Lasser** - *Lehman Brothers - Analyst*

Hi guys, it's Michael Lasser from Lehman Brothers. I want to just get your thought on-in the local Minneapolis papers there's been some talk about a lawsuit from a member and discussing the dues and the differential pricing between the different clubs. So, the 2 questions related to that are, 1) could the negative-or could any publicity from that have an impact on the membership trends? Particularly considering that the density of the clubs in the Minneapolis, St. Paul metropolitan area. And 2) What does it say about the overall elasticity of demand relative to the pricing?

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

this is Bahram again. As our company policy we don't like to comment on lawsuits. Let me just tell you a couple things. First of all this is a non-material item in our opinion, completely. It is a small constituency of members. This is based on members who have a membership for \$18 a month. We stand steadfast that it doesn't have any basis. We are in the right. And no, it does not have any impact on our pricing strategy going forward across the country. And again, I want don't want to elaborate on it, as is our normal policy, but is not material.

**Michael Lasser** - *Lehman Brothers - Analyst*

Okay. In your prepared remarks you mention that-and this may be nitpicking but-nearly every facility that you've erected has exceeded expectations. What facilities haven't? And perhaps you can elaborate on those comments.

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Yes, We've gone over this numerous, numerous times. The two facilities we have in downtown Minneapolis and downtown St. Paul, both are strategic moves we made 10 plus years ago or eight plus years ago. Both are cash flow positive but they are not net income positive every single month. And they have not been assets that we have chosen to replicate in any shape or form. So, that was basically being accurate, saying here nearly, otherwise you could say all of them. If you exclude those it would be everyone.

**Michael Lasser** - *Lehman Brothers - Analyst*

Okay. As you continue to progress how many times are you getting opportunities to take over the management of clubs like occurred with the legacy Northwest clubs in Minneapolis? I think there was an opportunity to do something like that in Memphis. Is that something that you look to be doing in the future?

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Okay, we will always look for additional opportunities. As I have mentioned, the number of facilities across the country that, once we unpeel the onion, look like something we want to actually go forward with. They are very, very limited but they do exist. Whether or not the particular operators are interested to find a way out or not, or the price we'll meet, are all issues we will have to deal with. We would-I can just tell you-we would expect, in the years to come, to find opportunities that may be 1 or 2 or 3 clubs or 5 clubs here or there. But we wouldn't bank on them. It is not part of our strategy that we have to meet, but if the opportunity comes up we will take it.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

**Michael Lasser** - *Lehman Brothers - Analyst*

Okay. And last question-in light of one of the other large fitness operators coming into the Twin Cities, perhaps you can give us an update on the competitive landscape, and whether or not you're seeing any impact from saturation in the markets.

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

That's a great question. As I have always said, I have a great level of respect for the model of L.A. Fitness, 24 hour Fitness. I think it is a low cost-low operating cost-and I think, is generally a simple, duplicable model. And while I have that, I think the market segmentation that that provides us in the markets where we are in competition, if you call it competition, with L.A. Fitness, 24 hour Fitness, that type of facility. It actually helps us better segment our membership, you know the types of members that are in our clubs. I welcome their arrival to Minneapolis, as well as to any other market that we are in. I feel so comfortable with them being in the markets we are in, I would have no problem if they were across the street. In high density markets where there is plenty of customers that are their customers and then plenty of customers that are ours. Do competitors always do a great job of assessing that, that enough of both types of customers to fill both types of clubs, that's an idealistic world. So there are times where the different competitors will step on each other, but really ultimately all that does is, it forces great companies to work harder and more accurately on positioning themselves and growing faster in a better segmentation process. I feel great about them coming into our market. As strange as that sounds, I have no problem with it. And I believe that the market has opportunity for them to get in and service that type of customer base that may not be served in the near future.

**Michael Lasser** - *Lehman Brothers - Analyst*

Thank you very much for taking my questions.

**Operator**

Thank you, sir. I'll have your next question from Ed Aaron from RBC Capital Markets.

**Ed Aaron** - *RBC Capital Markets - Analyst*

Thanks. Good morning, everybody.

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

Morning, Ed.

**Ed Aaron** - *RBC Capital Markets - Analyst*

I wanted to delve a little bit deeper into the in-center revenue opportunity. I know it's roughly around \$300 a year that you get, on average, per member, in terms of the in-center. I am curious to know about the distribution of that spending. Does the normal kind of like 80/20 rule apply where 80% of the in-center revenue comes from 20% of the customers who are very committed?

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

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

Ed, let me go through the numbers first. Last year was \$351 a membership, which all of our numbers are based on memberships. If you look at members and you use roughly a 2 to 1 ratio, in the \$175 range or so per member that our in-center spend is on. When you step back and you look at that, as we've said before, you get areas like personal training and the massage areas that really are kind of an 80/20 or 20/80 type of scenario. And one of our goals is to take and drive that affordability level down into more and more consumers. And so that is why you've seen us drive more into group classes and things like that, to take the average price point down. And that is working. As you look across things like the cafe where your average price point is lower, the penetration rates and the usage across the member base is significantly higher than that.

**Ed Aaron** - *RBC Capital Markets - Analyst*

Okay. And then on the price elasticity issue; could you give us a sense of how many of your clubs you think can tolerate a simple \$5 per month increase to all of their dues categories without meaningfully affecting the demand for memberships in those clubs?

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Without being arrogant, everyone. This is Bahram. If we felt like we wanted to raise the prices \$5 bucks across all memberships across the country we can do that. I'm not telling you we will do that. I'm telling you we can and we basically will do it at the time that we feel it's appropriate. And it won't be a \$5 price increases, it may be \$2 here and \$8 there.

**Ed Aaron** - *RBC Capital Markets - Analyst*

Great. Thank you very much.

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Your welcome.

**Operator**

Thank you. Your next question will come from Tony Gikas from Piper Jaffray.

**Tony Gikas** - *Piper Jaffrey - Analyst*

Good morning guys and congratulations on another terrific quarter.

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Thanks, Tony.

**Tony Gikas** - *Piper Jaffrey - Analyst*

A few questions. Could you give us a quick update on margins near-term as there are a number of new centers opening and ramping. And then I'm kind of working through our model for next year, it looks like there could be a generous increase in the gross margin and op-margins. I don't know if you are willing to comment there but maybe just a little bit of guidance. And then,

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

could you give us a quick update on the performance of centers from the time they open through maturity? So, the metrics that you provide on how many members you have at the time of the opening, six months into it, and 2 to 3 years down the road, and then I have a follow up.

---

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

Sure, let's see if I can get them in the right order here-your margin comment on the rest of this year- we saw a 50 basis points of operating margin improvement in the first quarter. We have guided people directionally that we expect to see operating profit margin improvement this year. So, obviously that came through in the first quarter. And if you dive a little bit lower than that you look at the center operating margins, we were down about 200 basis points in the first quarter compared to last year.

That 200 basis points is really a direct result of the business model that we absorbed, the leasing costs etc, from the lease transaction last July. If you exclude that, were up slightly in center operating margins. Those lease costs anniversary themselves in July and so we would expect that part to flow through and see some slight improvements starting the second half of the year.

What's driving margin improvement or margin expansion is really leverage. It's leverage on our G&A. And so, as we go in, we've not issued any specific guidance about 2008, but we will expect to see some moderate operating profit margin expansion in 2008, really driven by G&A leveraged.

Of course, keep in mind always, that as you correctly pointed out, as you open new centers they come in at a little bit lower margin up front and then move forward so you got to adjust for that. And also, as we grow our in-center businesses, those coming in at a little lower margin, come in at a lower margin than the overall business does so that puts a little pressure on it.

All that said, we believe we can continue to deliver leverage really driven by the G&A line and expect some moderate operating margin improvements as we look out in the next year or so.

The economic model-the membership question-we typically like to open a center at somewhere around 30 - 35% of that club's target capacity. So if your target capacity is somewhere between generally 10 and 11,500 memberships we generally like to be in about the 32 to 4,000 memberships range. And again we generally are there. That grows relatively quickly the first year.

We would like to be somewhere in a range of 60 to 65% of target membership levels by the end of that first year. And again, we're generally there.

And then the next two years growth really deliver relatively linear growth to again a target of 90% or more of our target membership capacity by the end of the third year. And again, in aggregate, we get there.

---

**Tony Gikas** - *Piper Jaffrey - Analyst*

Okay, just a couple quick follow ups. First one, kind of a follow up to Paul's, with the new center openings in Q3 and Q4, is there any changes there, updates? And then could you give us a little guidance on the interest expense for 2007? Thanks.

---

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

Your first question on 3rd and 4th quarter- how are 3rd and 4th quarter '06 doing or what's happening in '07?

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

**Tony Gikas** - Piper Jaffrey - Analyst

New center openings in Q3 and Q4 for 2007.

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

'07, we'll have 4 of them, on target, nicely balanced, relatively well balanced.

**Tony Gikas** - Piper Jaffrey - Analyst

Okay. And interest expense for the year?

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

Our interest expense, we saw \$5.5 million of interest expense in the first quarter. That will grow, but not other than to say that, interest expenses as a total percent of revenue will go up based on our average debt levels. I have not given any more indication than that. But it will grow.

**Tony Gikas** - Piper Jaffrey - Analyst

Okay. Thank you guys.

**Operator**

Thank you. We'll go to Scott Mushkin from Banc of America.

**Unidentified Participant**

Hi guys. This is actually Carolyn calling in for Scott. Congratulations on another great quarter. I was actually wondering if any of you were working on a wellness program with HEB is there any update on that, on the progress there?

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

We are still in the early stages of developing that program. They are significant opportunities that are not near term, so they won't impact anything in 2007. But there are significant opportunities in the years to come.

**Unidentified Participant**

Okay. Great. Also for the 8 to 18 category, any program developments there? Or what are you seeing in that category, and what are your expectations going forward?

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Yes, I have been working on adjusting our square footage in the clubs so that we can deliver better segmentation of programming for the very, very young. Those would be children under eight years of age. And then segmenting them 8 to 12, 11, and have different programs for them and then different programs for the 12. We're in the pilot stages. We're building some different

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

spaces in some of the clubs-we are remodeling- as well as some of the new clubs. We will be running probably four or five different test models. And then we will take the best practice of some of those and roll then out system-wide.

---

**Unidentified Participant**

Okay. And then for that category, as you were talking about price elasticity, do you see, as the programs improve, you'll vary the prices that you're offering for memberships for that category as well?

---

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

As well, yes, that's correct. I think some of the programs we would like to include in the memberships so that it makes it more convenient for parents to bring in children of that age into the club, so then they can do their thing and let their kids do their thing. And, of course, some of the programs will be at extended dollars and more cost. And those will be elected by the members to choose that they want to put their kids in those types of programs.

---

**Unidentified Participant**

Okay, but not-should we expect for overall membership for the kids-an increase there? Or would it be more add ons from some of the additional programs? Where the increase would be.

---

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Well, I think the increase will be across the board. As we develop better membership opportunity for parents with kids of all ages we actually improve our retention of our memberships. We have parents who get their kids in at age 9,10,11, it's an awkward age if they can't bring their kids to the club it's difficult for them to maintain their membership. So, it will help our retention if we have the better program for all parents of kids of all ages. So, it will help there, it will also help on having more family memberships which increases the average dues, on the dues side. And then you will have additional programming opportunities and in-center revenues from them. So it should help all over. It's just something we are working on to improve.

---

**Unidentified Participant**

Great. Well thank you very much.

---

**Operator**

Okay. Thank you, we'll go to Brian Nagel from UBS.

---

**Brian Nagel** - *UBS - Analyst*

Good morning. Thanks for taking my question. I've got a couple of them. First off, Mike, with respect to the other revenue. You touched on this in your prepared remarks but, the growth rate picked up here in Q1, talk about maybe the drivers of that again, and how should we be thinking about that through 2007, through the balance of this year?

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

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

What's in that other revenue? The largest single element is our media business. And if you think about that, you think about magazine advertising sales, as well as a number of other venues with in the clubs etc. to be able to put sponsor types of advertising in. It also includes our events like our triathlon, or our running series, or our indoor triathlons that we hold throughout the year, and the sponsorship revenue according to that. It includes the restaurant we have in downtown Minneapolis, it include some office rent from an office building we have in the Twin Cities market. The real driver is our media business and the sponsorship of these events as we gain a footprint and grow in number of memberships and grow in distribution of the magazine etc. advertisers are seeing more and more value to working with Life Time Fitness.

And so, on a go forward basis, we've always said-look at that and assume it's not a big piece of our business now-we don't expect it to be a significant piece of business in the near future, but I would put it at the kind of moderate growth rates that we've been seeing here over the last few quarters.

---

**Brian Nagel** - *UBS - Analyst*

How would you characterize the profitability of that revenue verses the more core revenue streams of your business?

---

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

If you look at it it is certainly under the margins that we deliver in the core businesses. There are some pieces of that revenue stream that we still invest in, but believe extremely strongly, that it is driving both marketing and branding initiatives that carry through to the rest of the company. So, I characterize it as improving but clearly underneath the delivery of what we do in our centers.

---

**Brian Nagel** - *UBS - Analyst*

Second question; you mentioned the debt levels in your prepared remarks too. What would you consider to be an optimal capital structure for Life Time Fitness?

---

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

We've talked, several times, about it, if I look at-we're running at an EBITDA leverage of between 2.5 and 3 times. We've got tremendous capacity on that. We were running at a total debt to capital leverage of just over 50%. We'd actually be comfortable taking that up into the 55 to 60% range. Really based on the fact that what we are doing is putting very reasonably priced, if fact low priced, mortgage debt on these facilities. That gives us a tremendous amount of flexibility and ultimately, drives a lower cost to capital for the entire company.

---

**Brian Nagel** - *UBS - Analyst*

And the last question. Please touch upon the performance of the acquired centers in the Minneapolis area. Thanks.

---

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

As we talked about at the end of last year on that, very, very pleased with the transition over from a membership perspective, from a systems perspective, and really from a process perspective. They delivered what we expected of them for the stub period last year. And they delivered what we expected from an overall pre tax contribution in the first quarter.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

**Brian Nagel** - UBS - Analyst

Great. Good luck with the coming quarters.

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

Thanks.

**Operator**

Thank you. We will go to R.J. Hegovy from Next Generation Equity.

**R.J. Hegovy** - Next Generation Equities - Analyst

Congratulations guys. Great job on the quarter.

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Thank you.

**R.J. Hegovy** - Next Generation Equities - Analyst

Just had one question. I just wanted to follow up on the new residential format centers. First of all I want to see if we could get a sense of the cost for those centers yet? Or is that just something that's too early to tell. Secondly, I wanted to know-again this may still be too early to tell-but any sense as to the pricing strategy that might be involved there?

And then lastly, just any differences in terms of the pre-sell process for those centers; if you could help us out on that? Thanks.

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Okay. This is Bahram and I will take that. Again, I emphasize, this is not a massive deviation from our regular product. It just happened to be a little more compact. On the footprint and a little larger on the square foot. So, the total square footage of the club is approximately 145,000 square feet versus today approximately 115 to 125 depending on which format you build on the two story model. The cost per square foot is exactly the same, so actually it will cost a little more to build in total dollars but it doesn't cost any more per square foot.

Generally, the markets that they demand for you to go into more compacted area, you are going to be spending more money per acre of land because it is definitely more dense areas, so we will have more cost of the land and potentially a parking ramp. So, when you add those things up it's a more expensive box in a more affluent area more densely populated, more income, so we would reach for our Advantage pricing to our Athletic pricing with this model.

Prototypically it does not mean that we will not open one of those and intend to put 14,000 memberships in at \$59 pricing. But more likely there would be Athletic pricing or Advantage pricing and a similar type of memberships that we have today, and there could be anywhere from 7,000 or 8,000 to 9,000 memberships in that box.

The returns on those boxes? In all of our calculations everything were looking at will be no different than our current models. Some will be greater, Some will be lower, just like our current models, some are above the planned, some are a little bit below

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

the plan but they should average out at exactly the same tax of return into our business model. It just as I mentioned before, gives us more flexibility to serve more of the demographics that we want to serve. And I want to expand on the question before and attach it to this.

My goal, and our focus of Life Time Fitness is to have millions of memberships and subscribers. If I look to our long term goal, it is millions of memberships. And that membership, hopefully, will have a very, very attractive demographic, psychographics, college graduates which would be giving us other opportunities for other income growing as well with better margins.

So, I'm looking forward to getting there and we are working diligently to deliver that. Meanwhile, the basic principles of our business remain exactly the same.

---

**R.J. Hegovy** - *Next Generation Equities - Analyst*

Just a quick follow-up to that. Any clues as to where the new markets for those will be? Or is it just too early to tell on that? A

---

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

It's too early to announce.

---

**R.J. Hegovy** - *Next Generation Equities - Analyst*

Okay. Thank you. That was very helpful.

---

**Operator**

Thank you. Now we are going to get to Vivien Ma of CIBC World Markets.

---

**Vivien MA** - *CIBC Markets - Analyst*

Good morning. I have three questions. First, in the new centers that you plan to open in 2008, how many new markets would be entering?

---

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

Again, we don't disclose that until we are down the road more. You can expect that to come out later this year, beginning of next year. It's just a policy that we have.

---

**Vivien MA** - *CIBC Markets - Analyst*

Okay, fair enough. Secondly, you talked about the opportunity in personal training. Can you help me further understand what is the upside there? And maybe even generically, what you planning to drive that business?

---

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Our business, as you can see over the last couple of years, we've had significant growth in our personal training revenues. We, today, feel like we are doing very well. With the personal training business, on a one on one basis, we have markets where the

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

clubs do significantly better than others. That basically tells you that we have opportunity in management and people to doing just a better job of averaging out the business and getting the clubs that are not doing as well, lifting them up to the others by changing the management of those boxes that are not performing. That is in progress, that is just basically doing a better job at the core business of one-on-one personal training.

The other prospect that Mike mentioned is development of programs that we call group personal training, which would allow us to penetrate into that other 80% of the membership that generally has not reached the dollars of personal trading for us. So, by developing the team weight loss and then developing the team-fitness, in addition to general fitness and some other programs that we have, we actually have been penetrating into a higher percentage of people getting into programs. Where instead of having to spend \$60, \$70, \$80, \$90 per hour for training, they are spending \$15 to 20-\$25, but they are with a group of 5 to as many as 16 or 17. So, that portion of the business is still growing and we're still developing new programs to roll out to that segment.

---

**Vivien MA** - CIBC Markets - Analyst

In the group personal training, do you see more male members or female members that you are attracting?

---

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

It depends on the program actually, I think we see more of all. But the team-weight loss generally skews a little more to the female and as we get to the team fitness, it's more balanced men and women.

---

**Vivien MA** - CIBC Markets - Analyst

Okay. Great. And my last question is a lot of talk on the uncertainties of a consumer spending and housing market etc. And I am just wondering if you can help me understand a macroeconomics sensitivity of your membership base or your in-center revenues; whether, let's say there was a recession in 2002, did you see any impact of all?

---

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

That's a great question. Our membership profile is such that-on the macroeconomics-when you see changes, you're hearing slowdown in housing market, we haven't seen any changes on our business. And we didn't see it when gas prices went up. We didn't see it when the energy prices went up. We didn't see any change when you see the sub prime lending crashes or housing slows down.

Our business is steady, and it is steady because our segment of membership, our customer, is a very, very stable customer base in terms of their income, and then the relative spending that they have in our facilities compared to their income is a small price to pay for the amount facility, amenities, and the total entertainment they can get out of it.

So we basically have seen zero change. It is our prediction that we will see zero change. And as I mentioned in the past, you know I've been in this business for 20 some years now, and when there have been recessions-the only area that you have to be quick to react in is- make sure the initial amount spent, the initiation fee, does not become an obstacle to getting the customer in. And I don't think that in our particular market segmentation that our customer is really even that sensitive to that. But if we have to make an adjustment; that is a small price to pay to keep the flow of our membership exactly where we want it.

---

**Vivien MA** - CIBC Markets - Analyst

Great. Thank you very much.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Your welcome.

**Operator**

Thank you. We'll go to Michael Keara from Merrill Lynch.

**Michael Keara** - *Merrill Lynch - Analyst*

Good morning guys. Congratulations on another great quarter. Bahram, I have a long term strategic question, probably broken in two parts. Currently you guys have great elasticity and obviously, it's going to depend on what price point you come in on in some of those higher density markets you talked about. I would imagine the bandwidth and sustainability is going to be a lot longer as you go into some of those markets. And 2) when you look to the segmentation you talked about, how underserved do you see that segmentation for Life Time? As you go into those higher density markets?

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

Very underserved. The market that we are going after today is a tough, tough market. Due to the complexity of our product, and the cost of getting in, the entitlement process. We have deliberately chosen the toughest segment of the market, in terms of execution, to get into. Because it's so tough it's underserved. Okay?

**Michael Keara** - *Merrill Lynch - Analyst*

Okay.

**Bahram Akradi** - *Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President*

And so, we believe that we have-I mean, I don't see, and again, this is a very long-term, I don't want anybody to read anything into it. So, I will try to brush it this way-I don't see any reason why Life Time Fitness wouldn't have millions of memberships in the years to come. And all we have to do is stay focused on delivering quality and build a brand that covets a few dollars more. That customer wants to pay more to belong and be part of that brand. You know all the great companies that have been able to establish themselves as a great brand are able to benefit from that. We are no different we're trying, as hard as we can, to establish that differentiation so that our brand becomes something that people want to associate themselves with. And we have started at a very low price to begin with. This gives us the opportunity to adjust our price.

Now, I do have to mention that there are times where we have to price ourselves higher than we could because of the rate of return. Just because of how we want to position ourselves in that market. And I don't necessarily want to build the most magnificent facility in a market and make ourselves the cheapest price. That is a contradicting type of message. So, we have to make sure that the pricing strategy is accurately laid in with the value proposition, yet we are capturing the customer segment that we want capture. And we are all over that.

I guess I am willing to talk about it in a large brushstrokes but I'm not willing to get into the nitty-gritty of that because that's our competitive business advantage.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

**Michael Keara** - Merrill Lynch - Analyst

No, I understand that. So, that's going to be good from spending your market share once you get in there, as you talked about, given the complexity involved in getting into those markets.

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

They are more difficult to land but once we do it's a great opportunity for the consumer and for us.

**Michael Keara** - Merrill Lynch - Analyst

Okay. Thanks Bahram.

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Thanks.

**Operator**

Thank you, sir. We have time for one more question. It's going to come from Dana Walker from Calamar Investments.

**Dana Walker** - Calamar Investments - Analyst

Last but hopefully not least. Gentlemen, How are you?

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Hello.

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

How are you?

**Dana Walker** - Calamar Investments - Analyst

Two thoughts that I'd like to pursue. You folks made a comment about construction costs leveling off and I presume, inferentially, that meant that site development costs were leveling off. Can you make, or provide some insight as to how much the move from the low 20s to the high 20s to \$30 million in site development. How much of that you believe is cyclical rather than site specific as you've gone more expensive markets.

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Yes, this is Bahram, I'll take that. You're going to see as we expand into the East Coast and into the West Coast markets, you're going to see much bigger numbers. Those numbers will be equally offset with the dues structure and with the membership base for those. So, it's not an issue. But to answer your question directly, in 2006 our execution was based on multiple things where the prices increased. Some of the it was construction. And it was somewhat cyclical. Which we're getting better prices

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

now for some of the same stuff we did in 2006, we're getting better prices now in 2007. That was cyclical, there were markets where it was extremely hot, very difficult to get subcontractors. Few if you could get them and you had to pay their price. Part of it was due to the fact that we basically, wanted to make sure that we met the delivery schedule. And it was a little bit of a deliberate overspend on the company side to make sure that we met the schedule that we wanted to meet. And then, the big portion of it was where we go. And that is going to be consistently in the future, the main driver in the cost of construction.

It is, some markets are 100% Union, some markets are partially Union, some markets are difficult to get your concrete delivered to, some markets are easier. So, it's all driven by the market. But again, it is the same for everybody else who shows up in that market trying to deliver a business.

So, it shouldn't have an impact on our overall return of dollars.

---

**Dana Walker** - Calamar Investments - Analyst

If the environment is less hot, how much difference might that make in your invested capital per site?

---

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Let me give you something so you don't make a conclusion and go do a formula driven item.

Right now the construction market is extremely spotty. You have some markets that are very hot still for commercial construction. And some markets that are fairly hungry for commercial construction. So depending on where we are building, we can have challenges that way or the other.

Now, what we have done to offset and balance this is we are working with more national subcontractors with guaranteed pricing. With modest adjustments to their costs, we will pay them a different price. And we are self-performing significant amount of our construction. So I want to avoid saying something that would mislead people. We feel like the construction costs are not going to, in the near future, we are not going to see increases the we saw in 2005 and 2006.

Stabilized, there are opportunities to reduce slightly, on some of our-if I was in the identical market and was building another club in Phoenix, I would be able to do it little cheaper than if we built it last year. Probably to the tune of \$1 million on the [inaudible] project. But it's not something for you to get overly excited, the excitement is it is not cheap going up, right now.

---

**Dana Walker** - Calamar Investments - Analyst

I'm very excitable. A final question is this; can you comment on the way that you've rolled out Advantage Only memberships and one or two of your new large format sites?

---

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Yes, I can do that. Markets that we're going to sometimes-the cost of real estate and the construction-demands that we would have to be pricing at \$79 plus, in order to get the return on the investment that we need.

Now in that market, we would do our assessment and if we feel like we can get the number of members at that price we obviously choose not to go to that market, or else we choose to go to that market because we realize that yes, we can get that many members at that price. That way the pricing of \$79 is coming or Advantage pricing has been basically decided based on that factor.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

And other times, we go into a market and, I believe strongly that we really don't need to position ourselves at the \$59, or maybe even the \$79, that truly, the market the we want to address in that particular 5 mile radius or trade area is the Advantage or the Athletic pricing.

And therefore, the decision is not based on cost plus. The decision is based on positioning the appropriate product in the market.

So that's how we decide, and Scottsdale is an example. We could easily run that club as a sports model but it really is a mistake to run it as a sports model because of the type of demographics who are coming. As we have demonstrated that, not only have we been in the \$79 price range, we've had extremely heavy ramp on that club and a top of that. Hopefully that answered your question.

---

**Dana Walker** - Calamar Investments - Analyst

Bahram, is that the only site now where you have Advantage Only pricing?

---

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

No, actually that one we started at \$79, and we have, just recently, chosen some of our clubs that we have been way overmembered, like Old Orchard, or the Skokie market in Chicago. And as of a few months ago we have been only selling Advantage pricing and there are more of those locations. But we're not going back and saying to all those existing members; oh, you're going go from \$59 to \$79. But we are selling the new members only at \$79.

Because the boxes are obviously full. But there are more than those that are coming in line just because of managing the traffic of the club as well as the type of customer base.

---

**Dana Walker** - Calamar Investments - Analyst

Thank you for sharing your thoughts.

---

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Ed, thank you.

---

**Operator**

Thank you. And sir, we no further questions for you at this time.

---

**Bahram Akradi** - Life Time Fitness, Inc. - Founder, Chairman of the Board, CEO, President

Thanks a lot.

---

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

With that, I would like to thank you for participating. Our annual shareholders meeting occurs later today at 2:00 o'clock Eastern and will be Webcast live. We look forward to reporting our second quarter 2007 results, which tentatively have been scheduled for Thursday, July 26 at 10 AM Eastern. For these and all other key dates please see the events section within the Investor Relations section of our website. Thank you and goodbye.

Apr. 26. 2007 / 10:00AM, LTM - Q1 2007 Life Time Fitness Earnings Conference Call

**Operator**

Thank you, sir. Thank you again ladies and gentlemen. This brings our conference call to a close. Please feel free to disconnect your lines now at any time.

**DISCLAIMER**

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2007, Thomson Financial. All Rights Reserved.