FINAL TRANSCRIPT

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LTM - Q1 2006 Life Time Fitness Earnings Conference Call

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PRESENTATION

Operator

Welcome to the Life Time Fitness first-quarter 2006 earnings conference call. My name is Janelle and I will be your coordinator for today. At this time, all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of this conference. (OPERATOR INSTRUCTIONS) As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the call over to your host for today, Mr. Ken Cooper, Senior Director of Finance and Investor Relations. Please proceed, sir.

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

Good morning and thank you for joining us on today's conference call to discuss Life Time Fitness's first-quarter 2006 financial results. We issued our first-quarter 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 the quarter and other recent events. Following that, Mike Robinson, our CFO, will review the quarter and financial information in greater detail.

Once we have completed our prepared remarks, we will then take your questions until 11:00 A.M. Eastern Time. At that point in today's call, the operator will give instructions on how to prompt a question. Finally, a replay of today's teleconference will be available at our website after 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 important factors, including risks and uncertainties identified in today's earnings release and in our SEC filings.

Concurrent with the issuance of our first-quarter 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 or in our Form 8-K are reconciliations of the differences between GAAP and non-GAAP measures, including EBITDA and share-based compensation expense-affected 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*

Thanks, Ken, and good morning, everyone. Once again, we are very excited to be with you to discuss Life Time Fitness. We had a great start to the year. This success is a direct result of what our Company has built its foundation on -- our promise to always deliver an exceptional member experience.

As Ken indicated, we issued our press release earlier this morning, and I would like to highlight a few items for you. Revenue is up 29%, and net income is up over 28% for the quarter.

Excluding the impact of share-based compensation expense, we increased our net income margins in the quarter, and our cash flow delivery remains strong. In the first quarter, we delivered over $33 million in cash flow from operations, up over 35% from Q1 2005.

Let me review our three fundamental growth strategies. The first is new center growth. Our 2006 plan calls for eight new centers. On January 11 we opened our 41,000 square feet center in Minnetonka, Minnesota. On February 10, we opened our current center model in Columbia, Maryland. For the remainder of 2006, we plan to open six additional current model centers, all of which are currently under construction.

Our second growth strategy is optimizing dues revenue growth through membership ramp and pricing. We closed the quarter with more than 383,000 memberships or nearly 18% year-over-year growth. We are also focusing on positioning our pricing and our membership levels relevant to each center and market, to enhance our member experience.

As we have mentioned in the past, our long-term plan is to see a 1% to 2% increase in our average dues annually. During the first quarter of the year, we focused on increasing average dues and adjusting membership levels slightly down at certain centers, to ensure the appropriate customer experience.

We are also upgrading memberships from fitness to sports and further implementing our junior membership dues plan; and we are seeing the exact results we were planning for.

Our third growth strategy is increasing our in-center revenue, which grew over 42% over the first quarter of last year. Average in-center revenue per membership increased 19% over the first quarter of last year.

This success is a result of our combined execution of many of the new products and services offerings we implemented over the past several quarters, such as our T.E.A.M. Weight Loss program, and other group personal training classes, and better execution of areas behind the scenes, such as employee training and certifications.

One driving force that is relevant in our initiative is increasing member connectivity. One of our goals is for each member to connect from one activity to another as they create their own personal healthy way of life.

For example, this connectivity may take the form of more group personal training classes, such as T.E.A.M. Weight Loss, which can lead to advanced cardiovascular training classes and potentially the sale of Polar heart rate monitors. It may also come from participating in free group fitness classes such as beginning yoga and Pilates, which can then lead into fee-based advanced classes.

Finally I would like to take a moment to recognize the pending transition of Steve Rowland, the President of our wholly-owned construction subsidiary. Steve played a critical role in the development of our construction subsidiary and established an excellent team to support our expansion for the past eight years.

Over the past several months, Mark Zaebst, our Executive Vice President of Real Estate and Development, has worked with the construction team on synergies between real estate, development and construction. With our infrastructure in place, we have reached a logical point to combine real estate, development and construction activities under common leadership. Mark will expand his responsibilities to include oversight over these areas. This is a natural evolution given his experience and the recent collaboration with the construction organization.

I will also continue to play a direct management role on our development and construction initiatives, and Steve will further support the transition as an employee and then in a consulting capacity.

Our company and our management team remain focused on delivering solid results, the foundation of which has been and always will be based on delivering a wow experience for our members. Like I have always said before, we can deliver financial performance and shareholder value by ensuring every detail is considered from a member point of view, and by focusing on being a premier employer to our over 10,000 team members.

Let me now turn it over to Mike Robinson for a more detailed discussion of our financial results. Mike?

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

Thanks, Bahram. As Bahram stated, we had a great quarter. Let's start with revenue. For the first quarter, total revenue was \$115.4 million versus \$89.3 million for the first-quarter 2005, an increase of \$26.1 million or 29.2%. This strong growth was driven by total center revenues, which grew \$25.4 million or 28.9% to \$113.2 million for the quarter.

Our membership dues stream, which represented 66% of total revenue for the year, grew 25.3% or $15.3 million in the quarter, driven by our membership growth mainly at our centers that are in their first or second year of operations and positive mix shifts, which increase average dues. Introduction of the junior membership program and continued growth in sports memberships have all contributed to this mix shift.

Enrollment fee revenue, reported net of refunds, represented approximately 4% of total revenue for the year, an increase to $5.1 million for the first quarter from $4.7 million last year. We are up 8.5% for the quarter. As you may recall, we defer enrollment fee revenue and related direct costs until a center is open, then recognize the revenue and costs over 36 months.

On a cash basis, our membership growth in Q1 has delivered solid enrollment fee growth. You can see that reflected in the growth of both short and long-term deferred revenue in the balance sheet.

In-center revenue, which is primarily generated from personal training, cafes, spas, and member activities businesses, and represents 28% of total revenue for the quarter, grew to $32.3 million for the quarter, up $9.7 million or 42.6% over last year's first-quarter results.

This is due to general membership growth across our system, as well as increased penetration to our existing membership base, as evidenced by the 19% growth in average in-center revenue per membership in the quarter. In-center revenue continues to be the fastest-growing segment of our business.

Other revenue totaled $2.2 million for the quarter, up from $1.5 million last year, primarily due to increased advertising revenue in our media business and rental income from our Highland Park, Minnesota, property.

Moving to operating expenses, just a note here. I will discuss these expenses both including and excluding share-based compensation expense to aid in your comparisons.

The Company's operating margin decreased from 19.4% to 18.3% as compared to the prior first quarter. For comparison purposes, excluding the $1.2 million of share-based compensation expense in the first quarter, operating margins were flat at 19.4%, even with the significant growth in the in-center businesses that comes at a lower margin and the weighting of centers early in their lives, which operate at lower margins as they ramp to maturity.

As we look to the rest of 2006, excluding the impact of share-based compensation expense, we expect operating margins to expand slightly in the second half of the year, driven by our G&A leverage and a more balanced mix between newer and mature centers.

Center operating expenses totaled $65.1 million for the quarter, up from $49.6 million for the first quarter last year. This increase of $15.5 million is due to increased payroll and other general costs to support the membership ramp and new center growth. Share-based compensation expense within center operating expenses totaled approximately $400,000 for the quarter.

Total center operating costs as a percent of total revenue increased to 56.4% in the first quarter of 2006 from 55.5% in the first quarter of 2005 as expected. This increase was due mainly to the growth of the lower margin in-center revenue and the weighting of new centers, which deliver lower margins as they ramp toward targeted capacity.

For comparison purposes, excluding share-based compensation expense, total center operating costs for the quarter were 56.1% of total revenue compared to 55.5% last Q1.

Advertising and marketing expense was $5.8 million for the quarter, up from $4.3 million for the same period last year. As a percent of revenue, advertising expense increased to 5.1% from 4.8% last Q1. The variance from quarter-to-quarter is due to the timing of advertising campaigns and presale activities for six locations this first quarter.

As we look to the rest of 2006, advertising and marketing as a percent of revenue will fluctuate quarter-to-quarter based on presale activity and center initiatives. For the year, we expect these costs as a percent of revenue to be flat or slightly up, as we invest in programs highlighting our in-center business.

General and administrative costs total $8.8 million for the quarter, up from 6.5 million in last year's first quarter, due primarily to investments in [processing] systems focused on enhancing the member experience, and approximately $800,000 in share-based compensation expense. As a percent of revenue, G&A increased from 7.3% to 7.6% in the quarter.

For comparative purposes, excluding the share-based compensation expense, G&A expense as a percent of revenue decreased from 7.3% to 6.9%. Longer-term, again excluding the impact of share-based compensation expense, we expect G&A leverage to be a key component in driving operating margin expansion this year.

Other operating expenses, which include costs associate with our Experience Life magazine, the athletic events division, our restaurant Martini BLU, and rental property costs totaled $3 million for the quarter compared to $2.9 million last year. As a percent of revenue, these expenses improved to 2.6% from 3.3% last Q1, driven by cost improvements. We expect these costs as a percent of revenue to improve slightly in 2006.

Depreciation amortization totaled $11.5 million compared to $8.7 million for the first quarter last year. This increase is due to the full-quarter impact of depreciation of the seven centers we opened in 2005. As a percent of revenue, depreciation increased slightly to 10% from last first quarter's 9.8%. We expect depreciation to remain relatively consistent as a percent of revenue for fiscal 2006.

Income from operations was $21.2 million for the quarter, compared to $17.3 million for last first quarter, or up 22.4%.

Interest expense reported net of interest income increased slightly to $4.1 million from $3.8 million last first quarter, as we continue to use our revolver for cash management purposes. Just a reminder here. Any interest associated with the construction of our new centers is capitalized and incorporated in the total investment of the center. We expense interest costs once the center opens. We anticipate interest expense to increase moving forward as we finance new centers.

Our tax rate for the quarter is 39.7% as compared to 41% last Q1. This tax rate is slightly below our 40% guidance due to the tax treatment of stock option exercises. We still expect our full-year 2006 effective rate to be approximately 40%.

That brings us to net income for the quarter of $10.4 million compared to $8.1 million last first quarter or up 28.5%. Our net income margin for the quarter was 9% compared to 9.1% last Q1. For comparison purposes, excluding share-based compensation expense, net income increased approximate 37%, and net income margin improved from 9% to 9.7%.

Total common shares outstanding at March 31, 2006, were 36.1 million. Weighted average fully diluted shares totaled 37 million for the quarter. We expect our 2006 total weighted average diluted share count for the year to be approximately 37.2 to 37.4 million shares, which is an increase of approximately 2% from fiscal 2005.

Based on the 2006 first-quarter weighted average share count, our diluted EPS for the quarter was $0.28, up 21.7% from the $0.23 in the first quarter last year.

Let me spend a minute on other operating data. The total number of open centers as of March 31, 2006, was 48 compared to 40 at the end of March, at March 31, 2005. Memberships as of March 31, 2006, totaled 383,505 memberships compared to 325,362 memberships last year, up 17.9%.

EBITDA totaled $32.9 million for Q1 of 2006 compared to $26.3 million for the first quarter of 2005, up 25.1%. This increase is driven by pretax income, which is up 25.7% year to date. EBITDA margin was 28.5% for the first quarter compared to 29.5% last first quarter.

Same-center revenue growth for centers in their 13th or more full month of operation for the first quarter totaled 7.7%. No new centers were added to the same-center revenue base for the quarter. Same-center revenue growth for mature centers, centers in their 37th or more full month of operations, in the first quarter was 1.5%.

If you were to include the impact of planned cannibalization on these two metrics, the results would be 8.3% and 2.4%, respectively, for the 13th-month and 37th-month calculations.

Average center revenue per membership totaled $313 for the quarter, compared to $290 for the first quarter of 2005 or up 8.1%. When you remove presale memberships from the calculation, the increase was 7.6%.

Average in-center revenue per membership totaled $89 for the quarter compared to $75 for the first quarter last year, or up 19%. When you remove the presale memberships from this calculation the increase was 18.4%.

Net debt to total capital at March 31, 2006, was 44.9% compared to 46.6% at year-end 2005.

Turning to the balance sheet, total assets have increased to $755 million as of March 31, 2006, up $32 million from year-end 2005 due to increased land, building, and equipment for our new centers both recently opened and currently under construction.

Total debt including current maturities remained the same as year-end 2005 at $273 million.

Total shareholder equity increased from $308 million at year-end 2005 to $332 million as of March 31, 2006, reflecting retained earnings growth and stock option exercise activity during the quarter.

In other capital structure news, yesterday we signed an amended revolving credit agreement increasing our current facility from $200 million to $300 million for five years and reducing our interest expense by 25 basis points. My thanks go out to U.S. Bank as lead arranger; JPMorgan, as syndication agent; Royal Bank of Canada, M&I Bank, and National City Bank as documentation agents; and Harris Trust, Associated Bank, Bank of the West, and MB Financial, as additional participants.

The facility will bear interest at LIBOR plus a spread of 75 to 175 basis points based on our consolidated leverage ratio. This would imply a LIBOR plus 125 basis point rate currently. This amended revolver is scheduled to close tomorrow.

Our use of the facility remains the same, that is, to finance the construction and development of new centers and for other general corporate purposes. This facility, when combined with our strong cash flow from operations, provides the foundation for our future growth.

In addition, please keep in mind we now have 15 current model centers without mortgage financing. All this can also be used to help fund our long-term development finances.

The Company continues to deliver strong cash flow. Year to date, cash flow from operations was $33.8 million, up over $8 million or 35.2% from last year. In the first quarter, we invested $48 million in capital expenditures, of which approximately $43 million came in the form of growth capital expenditures, and approximately $5 million was for maintenance CapEx at existing facilities and corporate capital purchases.

Our 2006 and 2007 centers continue to progress. We are under construction at the remaining six current model centers to open in 2006, including Allen-McKinney, Texas, which is in a suburb of Dallas and is scheduled to open and will open next week. Our openings planned for the second half of 2006 include Alpharetta, Georgia, which is a suburb of Atlanta; Overland Park, Kansas; Palm Valley, Arizona; Scottsdale, Arizona; and South Valley, Utah, which is a suburb of Salt Lake City.

Regarding our development plan, we have told you we intend to open seven current model centers and one smaller center in 2006 and eight current model centers in 2007. That delivers approximately 15% unit growth.

Regarding our plans for 2007, we currently have land purchased for two sites and purchase agreements signed for the six additional sites. We will update you on our 2007 centers throughout the year as they begin presale and appear on our website. Currently, no 2007 centers are in presale.

Let me discuss our updated guidance for 2006. Based on our strong Q1 revenue results, we're raising our original revenue guidance of 475 to $485 million or 22% to 24% growth, to 480 to $488 million or 23% to 25% growth. This growth will be driven by 15% new center growth, optimizing our dues revenue growth, and in-center revenue growth.

Excluding share-based compensation expense, we now expect net income of 51.2 to $51.8 million or approximately 24% to 26% growth. This is an increase from the previous guidance of $50.7 million to $51.3 million or approximately 23% to 25% growth. We expect diluted EPS before share-based compensation expense to be $1.38 to $1.40, up from $1.37 to $1.39.

Stock-based compensation expense under FAS 123(R) was introduced in the first quarter of 2006. The Company is using the modified prospective method for its accounting. Our baseline share-based compensation expense, including stock option expense under FAS 123(R) and restricted stock expense, is expected to be approximately $0.09 for fiscal 2006.

In addition, as indicated in our last call, the Company has certain market condition vesting options granted at the time of our IPO that have a strike price of $18.50, which may vest in 2006 and could add approximately $0.03 to $0.04 per share to our baseline share-based compensation expense. 50% of these options vested in early April, when our stock price remained above $40 for 60 consecutive days. This incremental share-based compensation expense will be reflected in the second quarter.

The remaining 50% would vest if our stock price remained above $45 for 60 consecutive days. We are currently approximately 40 days into this period. So there is a possibility these options will also vest in the second quarter.

The total after-tax incremental share-based compensation for both of these tranches of market condition stock options is approximately $1.4 million.

Assuming both the baseline share-based compensation and market condition vesting options are expensed in 2006, we now expect net income of $46.7 million to $47.3 million, up from our previous guidance of 46.2 to $46.8 million. This results in diluted EPS guidance of $1.26 to $1.28 per share, up from $1.25 to $1.27.

We expect to incur 220 to $230 million for capital expenditures in 2006. This includes approximately $25 million or $3.00 to $3.50 per square foot on maintenance capital expenditures as well as corporate initiatives. As mentioned in our last call, this is slightly more than the $3.00 per square foot we planned in the past, due to our desire to include more of the finishes from our current model center that have return impact, such as our LifeStudio, group personal training, and spin rooms.

For the second quarter, we expect our revenue growth to be in the same range as our annual overall guidance of approximately 23% to 25%. Excluding share-based compensation expense, we expect approximately 25% net income growth.

Based on my earlier comments regarding the market condition vesting options that did vest in April and the potential for the remaining tranche to also vest in the second quarter, the share-based compensation expense for the second quarter is expected to be approximately $1.5 to $2.2 million after-tax. This results in 5% to 12% net income growth including share-based compensation.

That concludes our prepared remarks regarding our first-quarter 2006 financial results. Our business fundamentals remain strong. As a management team, we continue to focus on building a strong growth Company which provides opportunity for all our employees, shareholders, and members. With that, we're happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Ed Aaron from RBC Capital Markets.

Ed Aaron - *RBC Capital Markets - Analyst*

Congratulations on the quarter. A couple questions for you. First, when you look at your new store pipeline plans, can you talk about how you balance new versus existing markets kind of over the next few years?

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

This is Bahram. We are -- we have a great pipeline of products, and it is complete mix of products. We have additional clubs going into existing markets like Chicago; and we have more products going into new markets that we are already in presale like Atlanta, Georgia. So it will be a mixture of existing markets and new markets.

We are very excited about our pipeline right now. I can't elaborate too much on that, again, on competitive reasons, but it is very, very nicely adjusted for what we need to do.

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

As you can imagine, we really want to maintain a balance. WE want to continue to establish beachheads in new locations. We are out, we are working those very, very diligently. We have, we believe, significant opportunities to continue to fill in the markets that we have. So I would expect a balance.

Ed Aaron - *RBC Capital Markets - Analyst*

As you look at a market like, say, I think it is Ohio where you maybe have one store in place and haven't really announced at least plans to expand there, what would be the reasons for that, to have a market, have gone into a market with, say, one store and not really have announced any further expansion plans in that market?

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

We have got more facilities that will be starting construction in the Ohio market. So again, I don't want to get into the details of them. But they're just -- I emphasize, we have five people that they have -- the United States is pretty much divided into five regions for our five real estate folks.

They are all working on deals. We have facilities from every one of those guys in the pipeline. You're going to see facilities coming in just about every market in the next two to three years. So we are not excluding any market, as we have talked about it from large MSAs, for any reason at all. It is just going to show up as the real estate deals present themselves.

Some of the markets will take longer, some will take shorter. We just want to make sure we have a variety of options in the pipeline. So we will always deliver the number of locations that we have told you.

As far as the -- if I just try to read into your question maybe that there is better -- or there would be a difference in our performance, I can assure you that they will be on, average, about the same. Some of the new markets give us great starts. Some will be a little harder to start. Some of the clubs in existing markets will just be dynamic, better than any other club in that market. Some of them are a little bit below model.

But that is how it has been for the last 20 years that I have built clubs. We expect, on average, to perform the way we have committed to you guys to perform.

Ed Aaron - *RBC Capital Markets - Analyst*

Okay, great. I know you promised a 15% growth and are sticking to that number. But can you talk about just operationally, as far your bandwidth goes, whether you have the bandwidth to accelerate that, if was something that you wanted to do?

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

We have, naturally, the bandwidth to grow from the financial side. We also have the bandwidth from the real estate and construction. In the last several months, we have been building our team in the construction much more robust, with additional project managers and senior product managers etc.

We are very, very capable of doing more deals if they should present themselves. Once we have the deals in the pipeline, the Company has no limitations in expanding that number.

Ed Aaron - *RBC Capital Markets - Analyst*

Okay, great. Last question for you. I think you made some comments, Mike, in your prepared remarks about putting some programs in place to better kind of market in-center revenue strategies. Can you elaborate on that, please?

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

We continue to do a number of things really to highlight these programs. A lot of it centers from an advertising and marketing perspective, is really focused on banner advertising and advertising around the clubs to raise the awareness levels. T.E.A.M. Weight Loss, number of the group fitness classes.

Another initiative is really focused on educating our own employees more and more on the availability, and giving them more tools when they are discussing and having conversations with our members, just to make sure that everybody is aware of the wide range of products and services that we have to offer.

We have specifically included it in our member advisor certification classes, where they go through many of these classes. Just raising that awareness is a tremendous sales tool for us as we move forward.

Ed Aaron - *RBC Capital Markets - Analyst*

Thank you.

Operator

Brian Nagel from UBS.

Brian Nagel - *UBS Securities - Analyst*

Congratulations on another great quarter. I have a couple questions. First off, with respect to your kids' membership initiative, can you just comment upon the penetration or I guess the rollout, how far you guys are in that at this point?

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

We started that initiative end of last year with some tests, and beginning of this year it rolls in all the clubs for all new members. We have virtually zero resistance from the membership signup regarding the small, additional charge per child.

Many members actually find it sounding less expensive than free when we offer them a $5 a month charge per kids. The value they receive is more than $5 an hour, so you can see it is a tremendous value proposition for our customer.

It generates a significant amount of dues when it becomes more robust as a percentage of the total members. We have north of 387,000-some memberships and virtually maybe 15 or 16, 20,000 memberships at this point may have kids' memberships in that right now.

So this is a very slow transition of our existing members. We go through attrition and we get new memberships, this will gradually [spool] up and generate a substantial amount of dues, increase in the dues revenue.

Brian Nagel - *UBS Securities - Analyst*

So at this point then, is your plan just to apply this just to new members, and not to go back to your existing members at all?

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

I'm not going to answer you.

Brian Nagel - *UBS Securities - Analyst*

Okay, I will ask another question then. In-center revenue, again, very strong this quarter. Anything new there? Has it been the same initiatives?

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

In-center revenue is an area that we have mentioned to you guys since the beginning of the IPO. It is an area where we know we can focus on delivering to our customers product and services that they need or want. As we focus on giving them a better product, we see that they just work exactly as we had planned.

A lot of it becomes really a function of our execution. Our T.E.A.M. Weight Loss has been a fantastic execution. We have great traction. In many clubs, we are virtually looking for more times we can execute the program. Members are extremely happy with the program.

We have an average nationally right now of a little over 12 pounds of weight loss over the 12-week program for everyone who has been in the program. It is really an interesting program that we have put together. Members are happy. Our team members who deliver the program are proud and excited about making a difference in our members.

Now the interesting thing about these members are these are generally the members who before were not getting the right level of handholding as they came into our clubs, and the individual personal training was too expensive for them. So in this -- and they really needed the support of a group. So we have combined all of that.

But they are also buying other things. They're buying Polar heart rate monitors, they're buying nutritional products. They are looking for, okay, what is the next phase of a program that like I can be in after I come out of T.E.A.M. Weight Loss?

So we're developing additional group personal trainings for them that is just appropriate. I was with my fitness team in a meeting from 6:30 till 9:30 PM last night working on the details of our next program for these people to go into.

So we really see a continuous opportunity in providing appropriate programs and services for our members to make sure they get the connectivity like Mike said and I said earlier; they get the support they need; and it's a natural process for them to buy. Our focus is to provide the programs so they want to buy better than we trying to sell them anything.

Brian Nagel - *UBS Securities - Analyst*

Thank you very much and good luck with the next quarter.

Operator

Paul Lejuez from Credit Suisse.

Paul Lejuez - *Credit Suisse - Analyst*

Just a follow-up on Brian's question. Are there any regional differences in terms of the in-center revenue trend? Is there one of your hubs, be it Chicago, Detroit, Minneapolis, that you are fighting stronger results on the in-center initiative?

Then second, Bahram, things seem to be running pretty smooth at this stage of the game. What do you consider to be the greatest challenge at this point? Thanks.

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

Let me answer both your questions. First one, we still interestingly enough see variances in a same market, different clubs being greater than the average from market-to-market. That generally is a function of execution.

When our department heads, team members are engaged, focused, and doing what they're supposed to do we get great results. When they're not, we're not getting as good of results. Then when we change those people, amazingly enough, we will get the club that was dragging to come up and start doing better numbers.

So I can tell you, many folks may complain about regions; I will always complain about our execution of our product. If we execute well, we have had -- virtually everything has always told us if we execute well the programs will succeed.

So we are getting a mixed performance in same regions, greater than the variance from market-to-market. Does that help answer your first question?

Paul Lejuez - *Credit Suisse - Analyst*

It does. Are there initiatives in place? How fast are you moving within markets to make changes at the club level?

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

Very quickly. We have -- that is why the bandwidths between our programs are generally not that large. Because we measure things daily, we measure things weekly. There are very, very few things that we may measure on a monthly basis; otherwise, they are much more frequent measurements of what we are expecting.

We have monthly performance reviews with all of our regional leaders over every single detail. There is action plans in place for those who are not performing. We are very prompt on either taking a department head through additional training program and certification, recertify them, give them the benefit of the doubt. Or move them along to some other part of the Company that would be more appropriate to their level of enthusiasm and/or expertise.

Paul Lejuez - *Credit Suisse - Analyst*

Washing towels?

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

Well, I'm not going to make that kind of comment. But we are very, very prompt in making sure the performers receive the appropriate accolades for what they're doing; and nonperformers get on a proper plan to either perform or get moved to some other position.

Paul Lejuez - *Credit Suisse - Analyst*

Right, so how many clubs are we talking are on your hit list, I guess, in terms of the in-center initiatives?

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

You know, right now, we really don't have -- first of all, you have got to remember that the in-center initiatives is not one thing. We have cafes, spas, personal training, member activities.

What we see generally is that a club may have a P.T. department head who is lagging behind, but their spa or cafe may be doing fine. So there isn't a club that is missing on all in-center revenues, they're missing in one of their departments or maybe two.

If they are missing on all the departments, which cannot -- it really does -- we don't have one, then it becomes a function of that GM not doing the right job of casting for his club or focusing. Which we really don't have any of those locations that they are missing in all sorts of the in-center revenues.

Paul Lejuez - *Credit Suisse - Analyst*

Got you. Then -- ?

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

Your other question was, things are going smoothly. Well, things are going smoothly as it looks to you guys outside. As we look inside of our Company, as I have mentioned before, we see opportunities to improve our execution and/or new ideas to implement.

Our challenge is virtually having enough time and resources to implement all of these things that we are thinking that could improve in-center revenues, or execution, pricing, positioning. They just take an enormous amount of time and energy, to the point where, as I have always said before, we're not able to execute concurrently on all the ways we know how to improve our business.

So that is good and bad. It is bad because we're not able to immediately and abruptly benefit from all those opportunities. The good news is it allows us a steady opportunity to continue to improve this Company. So my time is spent very much focused on how can we implement these new initiatives, new programs, and make sure they are designed right and they are executed properly?

Paul Lejuez - *Credit Suisse - Analyst*

Sounds great. Good luck, guys.

Operator

Michael Lasser from Lehman Brothers.

Michael Lasser - *Lehman Brothers - Analyst*

Nice start to the year. Quick question. If you look at the growth in in-center revenue, are you seeing more people who have already been spending on these services spend more? Or are you seeing a greater dispersion of members who are buying these products and services?

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

Latter. We're getting a much better penetration into our membership. Again, I don't know if you remember or not, initially I was mentioning to you that we were reaching a very small fraction of our memberships for like personal training. Again, I believe that $60, $70, $80, $90 an hour is an expensive proposition for most of America.

So we were focused on delivering more programs. So rather than trying to sell large packages to a few people, make it more affordable to more of our members to get involved with more programs.

We are not seeing a decline in the expenditure of the old members. We actually see a slight increase in that, where they're buying maybe some additional product like a Polar heart rate monitor or nutritional products or something, or do a map test. But we are seeing a significant expansion of number of people who before would not be coming in at $70 a session, but now they are in at $15 or $20 a session.

Michael Lasser - *Lehman Brothers - Analyst*

Okay. Given the increase in ad and marketing expenses and some of the earlier commentary, are you anticipating that all six additional centers planned for this year are going to open in the next two quarters? Or did some of the presale activity begin a little earlier at some of the centers?

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

The spread of the openings, we have a center opening next week in Allen-McKinney, Texas. We will have one in the third quarter and four in the fourth floor. So we are -- generally we look at six, seven months of presale, and we are generally in that same range.

Maybe in a new market we may want to go and get a little bit better beachhead start and start something eight or nine months in front. But it is not a significant change.

Michael Lasser - *Lehman Brothers - Analyst*

Based on that commentary, with the start in Columbia did it require any additional add spending, since it was a new market? How did that start go?

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

Not at all. That start went very well.

Michael Lasser - *Lehman Brothers - Analyst*

Okay. Last question. When you get municipality approval to enter from a new market, do you already have the real estate deal closed? Or can you get approval before you purchase the land?

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

Okay, good question. We generally have a purchase agreement that is contingent to entitlement from the particular municipality. Now there has been few occasions where we just want to go ahead and grab a site. If we have to, we have bought the parcel of land, and gone and gotten the entitlement after. But that is very, very rare. Normally, the closing takes place immediately after we have just received the entitlement.

Michael Lasser - *Lehman Brothers - Analyst*

Okay, if I could sneak one last one in. The tax rate associated with the share-based compensation expense, is that similar to what the blended rate is, or is there a different rate there?

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

No, it is very similar to the blended rate.

Michael Lasser - *Lehman Brothers - Analyst*

Thanks, keep up the good work.

Operator

Sharon Zackfia from William Blair.

Sharon Zackfia - *William Blair & Co. - Analyst*

Mike, I think I missed what you said specifically about what you're expecting to the second quarter, if you would not mind repeating that.

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

Sure. Top-line growth in line with total-year guidance, 23% to 25%. Then the prior to share-based compensation expense, approximately 25%. When you loaded in the share-based compensation, given the tranches of market vesting options, etc., we expect somewhere between $1.5 and $2.2 million after-tax of share-based compensation expense for the quarter. That would get you to ultimately a 5% to 12% growth in net income.

Sharon Zackfia - *William Blair & Co. - Analyst*

Okay. Then on the new dues for the kids for new members, that is going into dues; that doesn't go into ancillary products and services. Is that correct?

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

That is correct, it goes into dues.

Sharon Zackfia - *William Blair & Co. - Analyst*

Have you rolled that back to any existing members, or is that still just all new members at this point?

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

We have -- there is maybe a test or two where we have rolled it back to existing. But it is very small.

Sharon Zackfia - *William Blair & Co. - Analyst*

Okay. I think for Bahram, you talked some about execution being a key differentiator in club performance. I go when we were in New York last September you were talking about a new kind of training and initiation kind of process for new employees. You were pretty excited about it.

Can you talk about what you have seen from that and whether it has created a step-up in the quality of the employees you have and how well they are going to market?

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

It has tremendously changed the impact of the results. So what is happening right now, you can see that when we are getting our new membership advisers in these clubs, they are immediately capable of not only making sure a customer is buying the right membership for themselves; also, they are able to simultaneously at that time have them buy the appropriate products, maybe T.E.A.M. Weight Loss or other programs, right at the time.

We call it start-smart packages. So the start-smart packages are up significantly since the large number of our membership advisers now have been through the new certification program.

The same thing is true with our certification of department heads, and our -- we just had all of the department heads for fitness and the personal training in. We had a certification process for the people who provide the T.E.A.M. Weight Loss.

So we are vigorous about the fact that they actually know what they must know to do their job. That has been one of the best things I have done in 20 years of doing this business.

Sharon Zackfia - *William Blair & Co. - Analyst*

Keep doing better things as well in the future. Thanks so much.

Operator

Kathryn Thompson from Avondale Partners.

Kathryn Thompson - *Avondale Partners - Analyst*

I may have missed this, but could you please give us the percentage of mature centers? Then pulling the string on that, could you elaborate a little bit more about any changes you may have seen, and the operating margins for your mature centers versus your newer centers?

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

The same center sales growth was 1.5%; and after planned cannibalization it was 2.4% for the mature centers. There is no significant change in the operating margins and the characteristics on these mature centers.

Kathryn Thompson - *Avondale Partners - Analyst*

But of your total centers, what percentage are mature?

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

Let me do a quick calculation here. About --

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

60%.

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

Yes, about that. About 60%.

Kathryn Thompson - *Avondale Partners - Analyst*

60%? Also, with your fitness and sports center membership, I know that you are changing that mix a little bit. Could you elaborate a little bit more about how that is going? Also, any pushback from those programs? What do you see this program going [next]?

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

Some of it is natural. As we are building more clubs around the country, we are getting a larger number of facilities that they're priced strictly as a sport facility, where you have to have the sports membership to be able to access. So sports membership provides much bigger access than fitness membership in terms of number of clubs that a customer can go to. In addition to that, they have additional privileges.

Furthermore, our membership advisers are learning more with our systems that we have put in for their representation, is to present the memberships more appropriately; and members are choosing electively to buy more sports membership. It is not being pushed, nor is it being forced down their threats.

So there, basically, it is a natural evolution of the organization. With more facilities around the country you're going to see a higher mix of memberships where people want to be able -- if they are in Atlanta and the club is only sports membership, they want to have access to it, so they buy it.

Kathryn Thompson - *Avondale Partners - Analyst*

Do you have a specific goal for what you want that mix to be nationally?

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

No, you really can't. Because everything is relevant to the market. We obviously look at it very, very closely with every new center and in the mix. But you have got to keep the relevancy of the markets in mind. So there is no specific goal.

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

Let me just elaborate on this. As I have always said and I keep reemphasizing this, everything we do this with a simple thought process that it's the right thing for the customer. So what we have to do in terms of pricing, we have to think -- what is the appropriate pricing for the relevant customer base in the near vicinity of the club we're putting in?

So sometimes it is not even the internal rate of return that dictates that price. We may be able to have a lower price point in a particular location because our cost of getting in is not as expensive. But the demographic is such where we want that club to be positioned at a little higher price for the member experience.

So therefore, we just go ahead and focus on, again, pricing it so that the right type of member and the right positioning will then ultimately give us the financial results we're looking for.

Kathryn Thompson - *Avondale Partners - Analyst*

Great. Would you be able to provide any clarity or guidance for fiscal '06 interest expense?

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

The only comment that I have made is that as we continue to invest in new building construction, that will go up. I have not given any specific numbers, though.

Kathryn Thompson - *Avondale Partners - Analyst*

Great, thank you.

Operator

Tony Gikas with Piper Jaffray.

Tony Gikas - *Piper Jaffray - Analyst*

Great job on the quarter, just a couple of questions. Most have been answered. But how many centers right now are in presale?

In terms of the progress on new site selection, is that tracking in line with historical, where you were at this point in previous years?

Then third question maybe just an update on utility costs. Do you think that they have peaked? What is the outlook? Could they moderate as the year progresses?

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

I will handle number one and number three. There are four centers right now in presale.

On the utility costs, it is tracking more or less as we had figured. We feel we're well positioned, protected from the standpoint that we have fixed quite a bit of our rate or our costs at rates that we feel are good. It is not a significant issue in Q1, and don't expect it to be right now as we look forward in the year.

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

Then the question you asked about how are they ramping, as usual, Tony, some are ramping slightly behind the ramp and some slightly above the ramp. If you look at for presales in four different states, the average in all four is exactly what we expect it to be on the ramp. The bandwidth is not significant, and the difference is in ups and downs.

We are not necessarily overly excited or disappointed in the early part of the presales. Because really, we want the customer to see the facility, and then they -- usually once the facilities open, things get normalized.

If we had a hugely successful presale, we would deliberately try to slow down the new membership signups after the grand opening, to make sure the customer experience doesn't become negative. Then if the club is a little bit under at the grand opening time, members coming see the difference of that facility and others, and then we get a huge ramp coming in at that time. Right now, everything is going very good.

Tony Gikas - *Piper Jaffray - Analyst*

Progress on the out-year site selection, is that tracking in line with prior years?

Last question. Just any update on new competition relative to the large format centers?

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

Yes, we are in the best position we have ever been from our pipeline looking for the future 24, 36 months. We have never been in as good of a shape as we are right now. We're very, very comfortable, extremely comfortable with the guidance that we have given you in terms of store openings.

Then as far as competition, again, we are not concerned about anything we have seen anywhere in terms of these boxes. I have mentioned before our bigger, more aggressive, and capable companies like 24-hour Fitness, LA Fitness, they have a great product, and it is a different product than we have. They are very good at executing their product. I think they're staying focused at large with that.

We are good at what we do and our product is extremely complex. So if somebody gets involved in trying to do one of these, we really aren't concerned today in how their ability to actually execute and get the type of returns that would motivate them to do a lot more of them.

Tony Gikas - *Piper Jaffray - Analyst*

Okay, great job. Thanks, guys.

Operator

Steve Colbert from Canaccord Adams.

Steve Colbert - *Canaccord Adams - Analyst*

Looking at the membership ramp, is it relatively constant at all new centers, or is a particular region under or overperforming?

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

They are randomly in different markets up or down slightly from the normal ramp. But there are no trends of a particular market. We have clubs in Texas that they are way over anything we have ever done before; we have some that are a little bit under. We have clubs in other markets, exactly the same thing.

So there is no regional type of trends that would be a particular region. But they are, again, all within a very big, very comfortable bandwidth where we feel just as good today about having that club under construction or the club being open, as we were the day we chose to go in that market.

Steve Colbert - *Canaccord Adams - Analyst*

Okay. Lastly, can you give us a bit more color regarding the comment I think you made about adjusting membership down at certain clubs?

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

Yes. When I go through our clubs, my focus is the exact experience I'm looking for, for the customers. Some of our clubs' memberships reach excessive numbers above that 11,000-plus memberships.

What we are focusing on with pricing is to make sure that maybe we shed off a couple of members here or there. But our net dues will actually -- the net dues revenue actually would increase for that particular facility.

So we are working with shifting some of the clubs that maybe we have sold both fitness and sports membership to strictly sports. Or implement additional add-on charges for the second add-on or things like that.

We are still keeping our membership dues for the first member mostly, largely within 49 and/or 59. But we're able to do modifications with the other additional membership add-ons to increase the average dues to slightly higher numbers, but allow us to drop off a few hundred memberships here or a few hundred memberships there, to make sure that, again, the membership experience, first and foremost, is exactly how we want it; yet the average total dues we collect from the club actually goes up slightly.

Steve Colbert - *Canaccord Adams - Analyst*

Okay. Finally if I could just your general thoughts on the strength of the consumer. In particular if you have seen any impact in recent weeks as gas prices have kind of spiked here.

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

No, it really -- this has been an amazing industry for me, being in it for the last 20-some years. A number of times I have seen relatively speaking, whether there's been recessions, gas prices hiking, all the scare.

Really, our customer base isn't affected by -- I'll give you an anecdotal example. You may find somebody who just got laid off. You talk to them. They may drop off a lot of other activities, but you have to really think about it. Even at $60 a month, it is only $2 a day.

If you have a lot of time, you basically are going to get -- you need the to spend that time somehow and a health club is the most amazingly fitting opportunity for you to stay healthy, stay focused now, now get focused on your health. You have extra time. It is a pastime, for a very, very small amount of dollars. People drop off one trip a year, some vacation. That will save them the money they pay for the whole year in a membership dues to a club.

So we don't see an impact neither in membership dues nor in -- as you can see, the results of our ancillaries in the in-center revenues since last quarter of last year till in this quarter this year. You can see that despite that a couple times that the gas prices have hiked to where they have gone, our numbers are not affected.

The only place that I have always said you have to be quick to respond as a health club operator is in the initiation fees. Because it is the one large sum of money. So if the market is feeling a lot of pressure you have got to make it easier for them to step into a program. That's all.

That has never been a significant part of our margin generation. As I have said before, basically the marketing cost and the selling costs offset our initiation fee. So it is not a big factor.

Steve Colbert - *Canaccord Adams - Analyst*

Perfect. Congratulations on a great quarter, guys.

Operator

Greg McKinley from Dougherty & Company.

Greg McKinley - *Dougherty & Co. - Analyst*

Could you give us some real quick color on how current format centers being built in 2006 may be different at all, in terms of amenities and facilities, than those built a couple years ago? I think maybe your Allen-McKinney facility has a few more racket courts etc. Any color on how the current format is changing if at all?

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

Allen-McKinney and a handful of other locations over the next couple of years show up with an additional two basketball courts and a designated area for teens. So we are -- our intent is to use these spaces as a flex space to provide a large number of programs that we are kind of challenged in scheduling, in terms of too many different products or too many different programs in our clubs want that space, and then --

But it's a selective market where we feel like we want to have more resources in terms of the space for providing kids' leagues for basketball, soccer, whatever inside that space.

So that is not all the clubs, but all the clubs are being built with our new spinning room, which is a state of art. If you not seen it, you got to see one.

They are built with our mind/body studios that is different, making very, very slight changes in the locker rooms to improve the experience as you take a shower and you step into the locker area, etc. They are minor, but they are all an improvement over what we have done in the past.

Greg McKinley - *Dougherty & Co. - Analyst*

Okay, thank you.

Operator

Michael Keara from Merrill Lynch.

Michael Keara - *Merrill Lynch - Analyst*

Congratulations on another solid quarter. If I could just follow-up on an earlier question on the average membership growth, it seems like it has accelerated this quarter. I know you talked about you adjusted downward on purpose. But I guess excluding that, would that have been flat or up? Or is there something in timing I need to look at as well?

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

You're talking about the membership rates? The number of members, right?

Michael Keara - *Merrill Lynch - Analyst*

Yes, I think you went from 19 6 last quarter, to like, what is it 18 something this quarter. So I know you had -- you have repeatedly said, I thought, you have adjusted it down purposefully. But if you can't do it for competitive reasons, would that have been flat or up, or am I missing some kind of timing here?

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

I'm not quite getting your question. What I said to you guys is that we are trying to achieve the increase in the dues to revenue in certain clubs we are looking for, by not adding more members. Particularly at times we want to take some members out because the experience is not exactly what I want it to be in that club.

So what happens, then, as we do this, you will see that first of all, we are expanding the -- a Company with 15% unit growth; and then you are seeing 18% membership growth. So we are still growing faster on membership than we are expanding with the units.

So things are still growing. We are just tempering the growth of the membership, so we are getting the type of customer in the club that allows us to not only get a little more dues for them, deliver the better experience, but also be able to provide them more additional in-center products.

So we are positioning our clubs better than we have been doing in the past. Not dramatically, just as always slight improvements. Every day we look for how we can improve things a little bit. That is the direct result of what you're seeing in the memberships.

Then the dues revenue which Mike mentioned was significantly higher over the same quarter of last year. Mike, what was that, 25?

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

25.3%.

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

So the dues revenue is significantly higher than it was last year. So we are achieving exactly what we have focused on.

Michael Keara - *Merrill Lynch - Analyst*

Okay, yes. That is what was trying to look at. I was just trying to see without that sort of impact from that, I would probably expect to see that to be up.

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

On a long-term basis, growing 15% unit growth, you would expect to be -- we would expect to be maybe slightly ahead of that from a membership growth perspective.

Michael Keara - *Merrill Lynch - Analyst*

So that is the way you should really look at it, is what you're telling me?

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

Then we always look at really the difference between membership growth and the dues growth rate, and focus a lot on that also. That has been very positive.

Michael Keara - *Merrill Lynch - Analyst*

Mike, you talked about, I think, on your last call, your G&A is going to grow at half the rate of the sales growth. Is that correct? In the second half.

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

Yes, I said that overall internally we target G&A growth at about half of that rate.

Michael Keara - *Merrill Lynch - Analyst*

I think if you take out options expense, you had I think improvement in G&A as a percentage of sales this quarter. I believe you're going to be cycling some IPO expenses in the second quarter. Should we start forecasting that a little bit sooner now? Or should we just still wait for the back half of the year?

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

We had about 40 basis points of G&A margin improvement, when you exclude --.

Michael Keara - *Merrill Lynch - Analyst*

Right, the options.

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

(multiple speakers) I think it is those types of rates of margins improvement that you should be expecting as we work forward, excluding share-based compensation.

Michael Keara - *Merrill Lynch - Analyst*

Right, but does some of that get offset in the second quarter? Because I think last year you were cycling like -- in the second quarter, now, I am talking about -- I think you were cycling some administrative expenses regarding the IPO.

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

It wasn't anything significant.

Michael Keara - *Merrill Lynch - Analyst*

All right, thanks guys.

Operator

[Mark Rupay] from Ryan Beck & Company.

Mark Rupay - *Ryan Beck - Analyst*

Congrats, first of all. Did you guys mention at all any of the penetration rates of the group? Personal training, how they are impacting in-center revenue growth?

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

We did not give you any percentages. And frankly -- this is Bahram -- I don't have an exact percentage to give you. I can just tell you that the penetration is significantly higher in terms of the number of people who are involved in fee-based training programs, because a lot of them are coming in at a much lower fee per session because they are in groups.

So we have lots of people involved that they were not involved before. Which is, again, exactly the target of our membership. We thought, hey, we have 6% of our people, 7% of our membership (indiscernible) are buying personal training, on an annualized basis. There's all these other people who are not buying anything. Of course, I think, and I have mentioned clearly I thought, the price is a factor.

So, in addition to that are some of the other things I mentioned, with the group mentality, the fact that they feel like they are part of the group, the camaraderie, and all of that is helping us get a significant number of people who were not involved in personal training. I can probably have some more color for you in the next several couple quarters. We want to study this for a good two or three quarters additional to what it is now before we actually give you guys percentages.

Mark Rupay - *Ryan Beck - Analyst*

Perfect. Thank you and congratulations.

Operator

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

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

If there are no more questions, I would like to thank you for participating. Our upcoming events include our annual shareholders meeting, which is scheduled for next week, Thursday, May 4. After that, we look forward to reporting to you our second-quarter 2006 results, tentatively scheduled for Thursday, July 27.

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

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a great day.
