Life Time Fitness: Acquisition of Active Generation

Ian Giddy

Please read the attached Report and Summary Financials, and consider the terms under which Life Time would be prepared to purchase Active Generation, Inc.

Among other things, consider:

- The price
- Form of payment
- How the acquisition would be financed
- Rights and protections in the Term Sheet

2005 ANNUAL REPORT




LIFETIME FITNESS

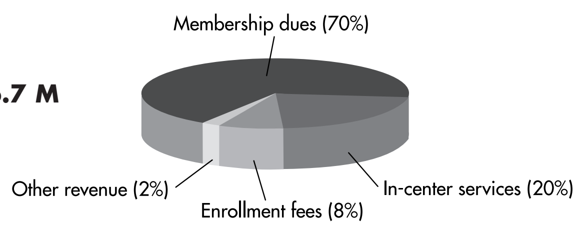
PERFORMANCE HIGHLIGHTS

Life Time Fitness® operates distinctive, large health and fitness destination centers that offer professional fitness, sports and athletics, family recreation, and resort and spa services 24 hours a day, seven days a week. Programming, services and products uniquely combine exercise, education and nutrition to help our members lead a healthy way of life and achieve their fitness goals. In 2005, Life Time Fitness grew to more than 358,000 memberships at 46 centers across eight states. Founded in 1992, the company is headquartered in Eden Prairie, Minnesota, and employed approximately 9,500 team members at the end of 2005.

Revenue Mix

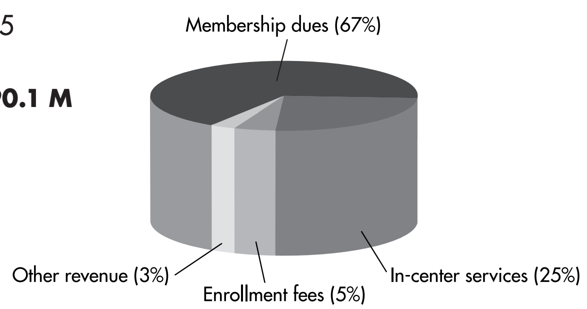
2001

$136.7 M

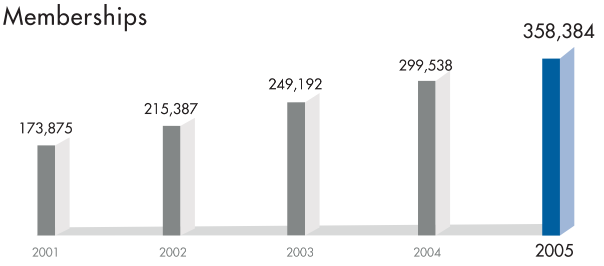


2005

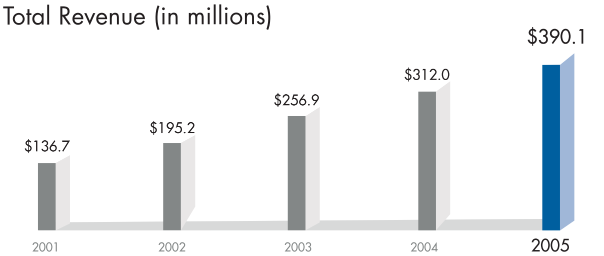
$390.1 M



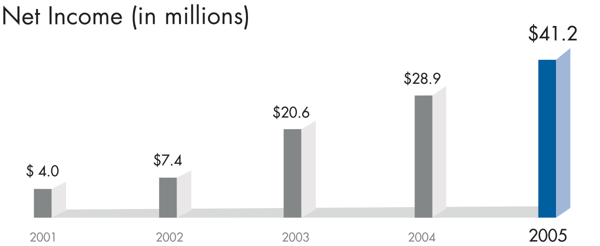
Memberships



Total Revenue (in millions)



Net Income (in millions)



Diluted Earnings (Loss) per Common Share

Our mission is to provide an

Educational, Entertaining, Friendly and Inviting, Functional and Innovative

experience of uncompromising quality that meets the health and fitness needs of the entire family.

Dear Shareholders,

Life Time Fitness has distinguished itself as a category-redefining health and fitness company that delivers an unsurpassed member experience and can successfully expand — both within existing centers and by adding new centers nationally. The result is ongoing member satisfaction and long-term shareholder value, as evidenced by our 2005 accomplishments:

- We opened six current model centers as planned, plus one smaller facility
- We grew membership dues revenue by 25.9 percent and total memberships by nearly 20 percent
- We grew in-center services revenue by more than 36 percent
- We grew pre-tax margins from 15.7 percent to 17.4 percent

As a result, overall revenue grew 25 percent to $390.1 million from $312.0 million in 2004. Net income increased 42.6 percent to $41.2 million, or $1.13 per diluted common share. This compares to 2004 net income of $28.9 million, or $0.87 per diluted common share.

The numbers prove that our philosophy resonates with Americans: If you offer comprehensive services and programs in an attractive setting with certified staff that is friendly and inspiring, then people will view going to their center as a pleasure and be more likely to meet their health and fitness goals.

We continually refine the member experience and support our growth goals by enhancing offerings across our three focus areas: exercise, education and nutrition. For example, in 2005, we expanded the Marketplace within several of our LifeCafes to provide more natural and organic foods, supplements and products. We also began to roll out a team-based weight-loss program. Participants learn about nutrition and work toward fitness goals with the guidance of a Nutrition Coach and certified Personal Trainer — all in a motivational group setting.

In 2006, Life Time Fitness will broaden its national presence by adding eight new centers across the United States, four of which will be located in new states for us. Two of the centers have already opened and the other six are on schedule.

With each new center we open, there is renewed excitement among members and team members. We take pride in the efficiency with which we're able to develop and operate our centers. But the real joy is in knowing that we are delivering on three very important promises — to help people maintain a healthy way of life, to be a premier employer and to provide value for our shareholders.

As we seek to become one of the nation's most respected brands, we must continually live up to our promises — and we intend to do so well into the future.

Bahram Akradi
Chairman, President and CEO

AN UNSURPASSED EXPERIENCE

Deliver greater value by giving members what they want

A variety of activities to make exercise more appealing

Our large, four-in-one centers offer members a variety of ways to exercise, stay motivated and meet their goals. Members can work out on their own, join a class or sports league, or train for more challenging athletic events, such as our world-class Life Time Fitness Triathlon. To help parents engage their kids in healthy habits, most centers offer an interactive Child Center, plus a variety of youth activities and camps.

A pleasant environment so members want to come back

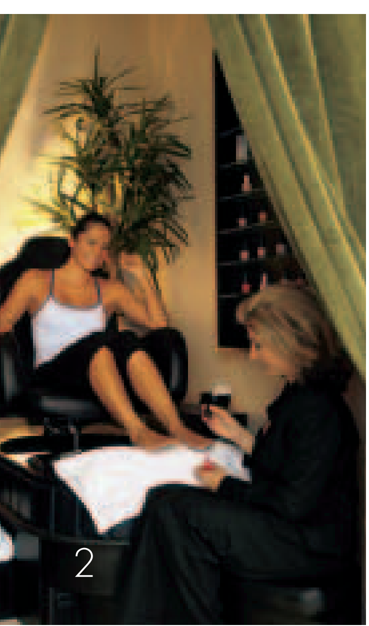
Life Time Fitness centers look more like resorts than traditional health clubs or gyms. Luxurious features — including wood lockers, granite countertops, slate finishes and leather lounge chairs — make members feel appreciated. Through specially designed lighting, textures, sounds and aromas, we touch all of the senses to further invigorate members. The welcoming atmosphere is reinforced by our team members, who embody our brand philosophy and uphold the exceptional service standards members have come to expect at Life Time Fitness.

Convenient and affordable ways to fit exercise into life

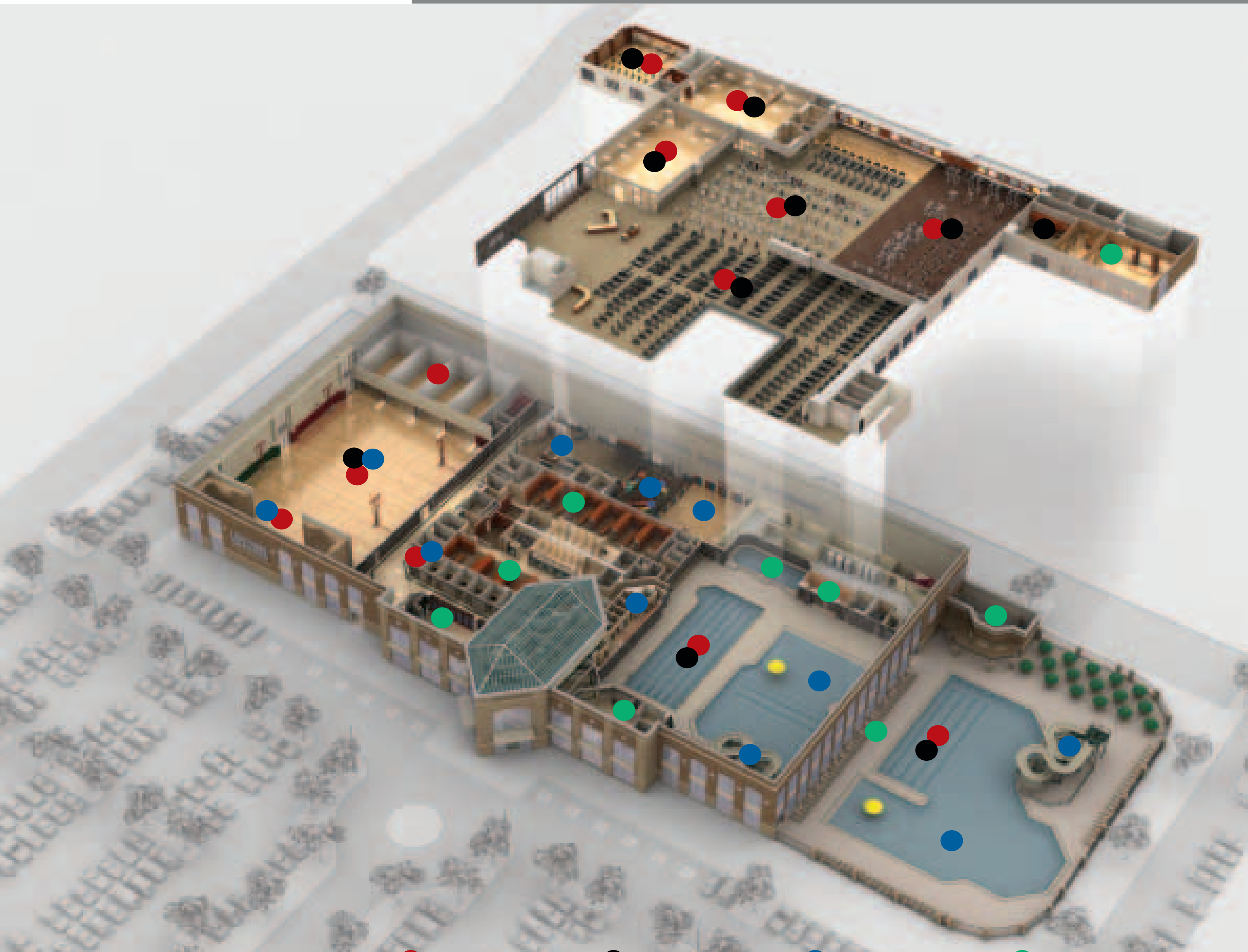
The majority of our centers are open 24 hours a day, seven days a week. Memberships include free towels and lockers, and free group fitness classes. Most centers also provide spacious Child Centers and family locker rooms. Yet membership dues, starting at less than $50 per month, are comparable to dues at much smaller, less-equipped clubs. Plus, there are no long-term contracts; membership is month-to-month with a 30-day, money-back guarantee.

Comprehensive offerings for a healthy mind, body and spirit

To help members be healthy in all aspects of their lives, our offerings cover the three key components of a healthy lifestyle: exercise, education and nutrition. In addition to our many fitness services, we offer nutrition guidance, healthy foods in our LifeCafes, free educational seminars and the information-rich, healthy-way-of-life *Experience Life*® magazine.



Four-in-one centers appeal to a broad market



Our four-in-one centers offer a comprehensive array of services, programs, products and specialized spaces, appealing to a broader market than traditional gyms or health clubs. A typical current model center offers:

Sports and Athletics	Professional Fitness	Family Recreation	Resort and Spa
Basketball	Cardiovascular, Resistance and Free Weight Equipment	Indoor and Outdoor Waterparks	LifeStudio: Yoga and Pilates
Volleyball	Personal Training	Interactive Child Center	LifeSpa: Therapeutic Massage
Racquetball	Group Training	Family Locker Rooms	Hair, Nail and Skin Care
Squash	Comprehensive Fitness Testing	Rock Climbing Cavern	LifeCafe
Sports Leagues	Educational Seminars	Youth Programs	Poolside Bistro
Large Aquatics Center	Nutrition Coaching	Swimming Lessons	Whirlpool, Sauna and Steam Room
Athletic Events	Weight-Loss Programs	Martial Arts	Lounge Areas
Golf and Ski Privileges		Summer and Holiday Camps	
Group Fitness Classes		Birthday Parties	
Running Club			

GROWING FROM WITHIN

Continually enhance centers to uphold member experience and attract new members

We continually enhance our centers based on member feedback, and extensive research and development. This makes our facilities even more appealing, which helps us meet our membership and in-center revenue goals.

Improving our core product

In 2005, we introduced two specialized spaces that are now standard in new current model centers. In response to strong demand for our yoga and Pilates classes, we introduced LifeStudio. This designated space features a calming, controlled environment for our mind-body programs. The second is a dedicated, state-of-the-art spinning studio, which reflects our renewed emphasis on helping members work smarter, not harder. We added proprietary heart-rate target charts, and instructors now train specifically to varying heart-rate zones.

To ensure team members continually meet our high service standards, we enhanced our hiring and training practices by adding psychological profiling and a more rigorous training program. We also regularly measure each center and department against numerous service-related metrics, including facility cleanliness, programming quality and member satisfaction surveys. High-performing centers and team members are recognized and rewarded quarterly and annually to reinforce our commitment to members.

Expanding fee-based services that provide added value

In 2005, we increased our in-center revenue by 36.5 percent, driven by both increased penetration among existing members and the introduction of new programs. Two popular new programs are part of our personal training business. One, O_2 Training, helps members develop a strong cardiovascular and core strength foundation. A certified trainer uses a Metabolic Assessment Profile — which tests oxygen intake, carbon dioxide output and heart rate — to create a customized training program. The other is T.E.A.M. (Training, Education, Accountability and Motivation) Weight Loss, a 12-week program that provides nutrition guidance and certified personal training within a motivational group setting.

Connecting members with the services they want

Members' needs often change over time — as they embark on new levels of fitness, seek to recover from injuries, start families or simply age. We help connect them with the most appropriate services. In addition to traditional program information, we also share information about relevant services based on each member's unique interests and current usage patterns.

A variety of offerings keep members coming back

A week in the life of a member family demonstrates how our comprehensive offerings — both free and fee-based — provide variety and a well-balanced approach to health that keep members coming back again and again.

Monday, 5:30 p.m.

Dad attends the Cycle 60 class and then enjoys a sports drink at LifeCafe on his way out.

Wednesday, 6:30 a.m.

Mom meets with her Personal Trainer for a Metabolic Assessment Profile and 0_2 Training Session, then takes a relaxing sauna. Afterward, she registers her son for Adventure Camp and daughter for Soccer Camp.

Thursday, 7:00 p.m.

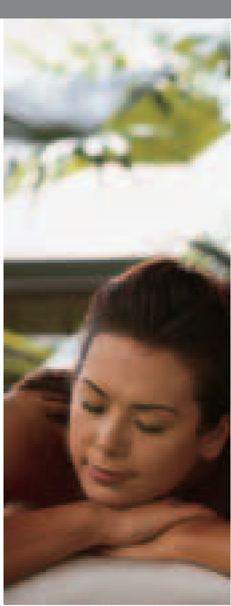
Dad drops off the kids to play in the Junior Gym in the Child Center while he plays a pick-up game of basketball.

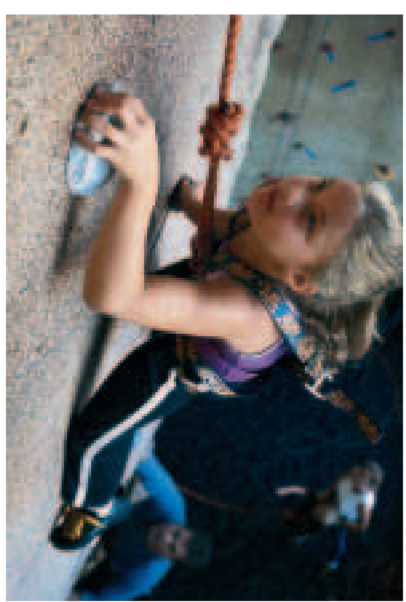
Saturday, 10:30 a.m.

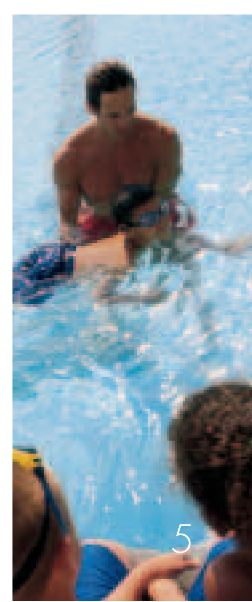
Mom and Dad drop off the kids in the pool area for swimming lessons, then head upstairs for their T.E.A.M. Weight Loss session. Later, they all have lunch together at LifeCafe.

Sunday, 3:00 p.m.

Dad gets a relaxing massage at LifeSpa so he's ready for the week ahead, while Mom gets a haircut and purchases some personal care products.







GROWING NATIONALLY

Cost effectively add new centers in strategic markets

New centers are a key component of our ongoing growth. We exceeded our new-unit growth goals in 2005 and are on track to meet our goals in 2006. We believe that more than 200 additional U.S. centers are possible — enabling many more opportunities to grow and continue building a strong national presence.

Disciplined business model provides competitive growth advantages

Over the past 14 years, we've developed in-house expertise in building and managing our centers. We leveraged that knowledge to create a disciplined process that allows Life Time Fitness to continue expanding efficiently and cost effectively.

We developed a proven site selection system that analyzes physical, demographic, psychographic and competitive criteria to determine if a prospective location can meet our operational and financial goals. Then, unlike most retailers that lease facilities, we build and own the majority of our centers for greater operational and financial control.

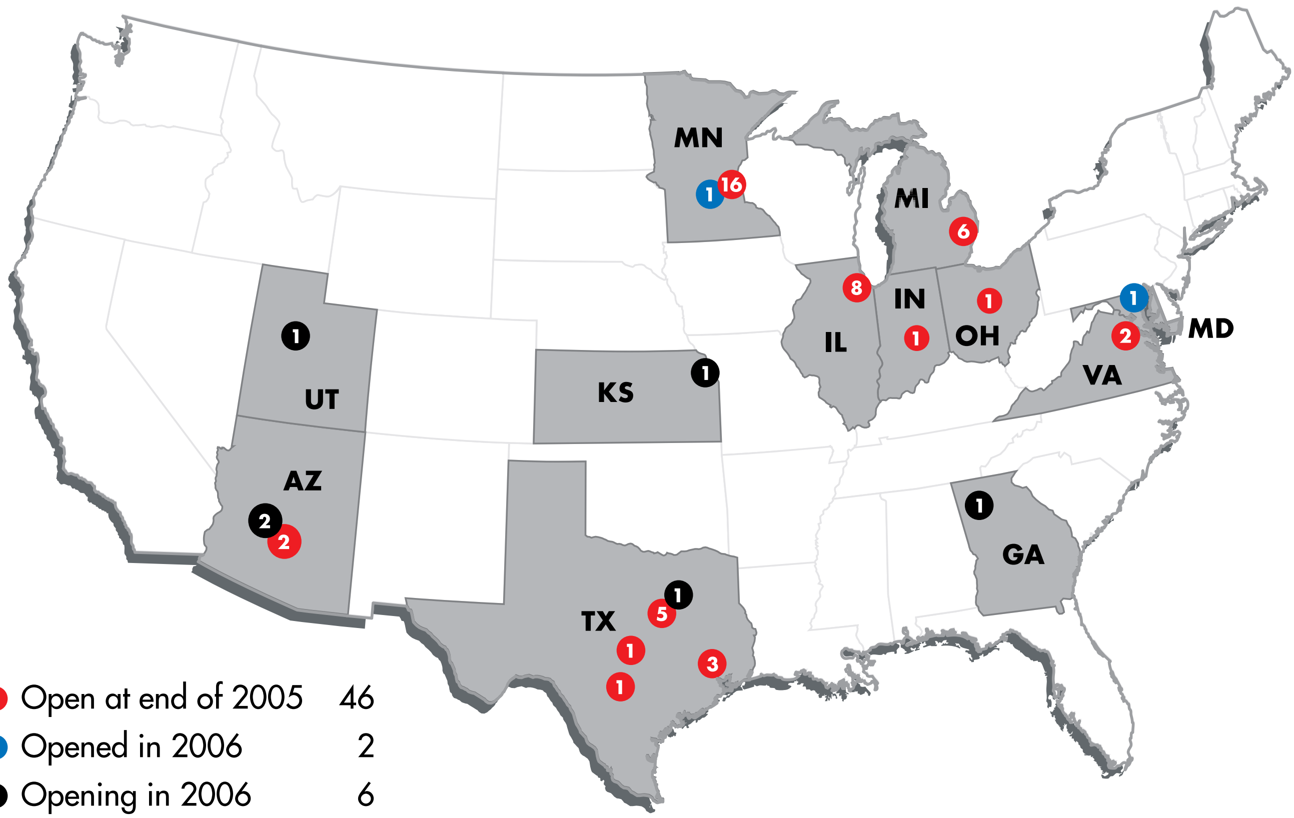
Our wholly owned construction subsidiary provides maximum flexibility over the design process of our centers, and control over the cost and timing of construction. Our marketing activity is just as efficient, because it's based on a systematic series of communications designed to optimize lead generation and memberships.

Through our centralized service groups — including Member Relations, Information Technology, Marketing, Procurement, Human Resources and Accounting — we reduce overhead, improve quality and control costs.

Because member satisfaction is critical to our continuing success, we have a rigorous team member training and certification process. In addition, our executive management team maintains direct contact with members and staff through our "Let's Go Clubbing" program. Executives visit assigned centers to gather team member feedback, rotate jobs and interact with members — to ensure our strategic decisions continue to be based on the best interests of our members.

Expanding into new and existing markets

In 2005, we opened six current model centers and acquired one smaller facility. We closed out the year with a total of 46 centers in eight states. To date in 2006, we have opened one smaller center and one current model center. We also have begun construction on six more current model centers to open this year. At the end of 2006, we plan to have 54 centers in 12 states.



Open at end of 2005	46
Opened in 2006	2
Opening in 2006	6
Planned at end of 2006	54

FREQUENTLY ASKED QUESTIONS

Q. What does it mean to be a "healthy way of life" company?

A. It means we provide the programming, services and products that address the key elements of good health — exercise, education and nutrition. We educate members on the benefits of a regular exercise program, balanced diet and a well-rounded lifestyle and then make it easy and convenient for them to practice good habits. It also means that our team members model healthy behaviors to ensure our philosophy is genuine.

Q. How will you grow your in-center businesses?

A. We have three key initiatives: 1) Encourage increased service and product usage among our existing membership through better awareness and education within the centers; 2) Roll out new programs and services for our members, such as our T.E.A.M. Weight Loss program and a new Marketplace concept in our LifeCafes; and 3) Drive operational improvement through the consistent application of performance metrics and training.

Q. How will you finance your growth? Will you begin to lease more of your centers?

A. For the near-term, three elements will fund our growth: 1) Our strong operating cash flow; 2) Our $200 million credit facility with a $50 million accordion feature; and 3) Our ability to obtain mortgages or use other forms of long-term debt. Our goal is to finance growth with alternatives that provide flexibility and a low cost of capital. We regularly analyze a variety of alternatives, such as sale leasebacks, equity and convertible debt to ensure an optimal cost of capital is achieved.

Q. How extensive is your construction subsidiary and why do you have one?

A. Our construction subsidiary acts as a general contractor, so we have very few construction fixed assets. By utilizing this wholly owned subsidiary — dedicated to building and maintaining our centers — we gain maximum flexibility over the design process of our centers, and control over the cost and timing of construction. Plus, we achieve cost efficiencies because we do not incur general contractor fees.

Q. Where do you see the HMO and PPO partnerships heading?

A. We see continued opportunity in expanding our relationships with HMOs and PPOs. Through these agreements, the health plans provide their members with dues rebates when they visit our centers a set number of times each month. The rebates are a logical way to motivate people to exercise regularly, contributing to better health. We believe this component of our business will grow gradually over time.

Q. To whom do you compare yourselves?

A. We've set the bar as high as possible by comparing ourselves to well-known Fortune 500 leaders across many industries that uphold world-class, best practices in such areas as: customer service, operations, optimization of square footage, and employee relations.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10–Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2006

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission File No. 001–32230

Life Time Fitness, Inc.
(Exact name of Registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	**41–1689746** (I.R.S. Employer Identification No.)
6442 City West Parkway **Eden Prairie, Minnesota** (Address of principal executive offices)	**55344** (Zip Code)

Registrant's telephone number, including area code: **952–947–0000**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non–accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b–2 of the Exchange Act.

Large Accelerated Filer ☑ Accelerated Filer ☐ Non–accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b–2 of the Exchange Act). Yes o No ☑

The number of shares outstanding of the Registrant's common stock as of October 30, 2006 was 36,314,724 common shares.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIFE TIME FITNESS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	September 30, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,570	$ 4,680
Accounts receivable, net	1,937	4,267
Inventories	6,944	5,669
Prepaid expenses and other current assets	9,544	7,187
Deferred membership origination costs	11,988	10,082
Income tax receivable	1,661	3,510
Total current assets	38,644	35,395
PROPERTY AND EQUIPMENT, net	811,674	661,371
RESTRICTED CASH	5,179	3,915
DEFERRED MEMBERSHIP ORIGINATION COSTS	9,509	8,410
OTHER ASSETS	30,865	14,369
TOTAL ASSETS	$ 895,871	$ 723,460
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long−term debt	$ 16,498	$ 14,447
Accounts payable	10,553	9,964
Construction accounts payable	36,662	25,811
Accrued expenses	38,925	27,862
Deferred revenue	30,245	23,434
Total current liabilities	132,883	101,518
LONG−TERM DEBT, net of current portion	317,404	258,835
DEFERRED RENT LIABILITY	25,757	5,492
DEFERRED INCOME TAXES	38,968	35,419
DEFERRED REVENUE	15,181	14,352
Total liabilities	530,193	415,616
COMMITMENTS AND CONTINGENCIES (Note 7)		
SHAREHOLDERS' EQUITY:		
Undesignated preferred stock, 10,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $.02 par value, 50,000,000 shares authorized; 36,291,916 and 35,570,567 shares issued and outstanding, respectively	726	712
Additional paid−in capital	247,189	228,132
Deferred compensation	—	(2,306)
Retained earnings	117,763	81,306
Total shareholders' equity	365,678	307,844
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 895,871	$ 723,460

See notes to unaudited consolidated financial statements.

LIFE TIME FITNESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
REVENUE:				
Membership dues	$ 88,774	$ 67,589	$245,123	$192,379
Enrollment fees	6,073	5,279	16,717	15,415
In−center revenue	36,319	25,680	102,440	72,383
Total center revenue	131,166	98,548	364,280	280,177
Other revenue	3,575	3,064	8,341	6,370
Total revenue	134,741	101,612	372,621	286,547
OPERATING EXPENSES:				
Center operations (including $455, $0, $1,732 and $0 related to share−based compensation expense, respectively)	77,711	56,631	211,344	159,029
Advertising and marketing	4,933	4,161	15,504	11,072
General and administrative (including $789, $24, $4,437, and $78 related to share−based compensation expense, respectively)	8,729	6,536	28,405	20,357
Other operating	3,858	3,014	9,491	9,178
Depreciation and amortization	11,716	10,095	35,381	28,019
Total operating expenses	106,947	80,437	300,125	227,655
Income from operations	27,794	21,175	72,496	58,892
OTHER INCOME (EXPENSE):				
Interest expense, net of interest income of $49, $45, $198 and $169, respectively	(4,204)	(3,278)	(12,461)	(10,347)
Equity in earnings of affiliate	188	283	682	836
Total other income (expense)	(4,016)	(2,995)	(11,779)	(9,511)
INCOME BEFORE INCOME TAXES	23,778	18,180	60,717	49,381
PROVISION FOR INCOME TAXES	10,139	7,443	24,260	20,236
NET INCOME	$ 13,639	$ 10,737	$ 36,457	$ 29,145
BASIC EARNINGS PER COMMON SHARE	$ 0.38	$ 0.31	$ 1.01	$ 0.85
DILUTED EARNINGS PER COMMON SHARE	$ 0.37	$ 0.29	$ 0.99	$ 0.81
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — BASIC	36,172	34,846	36,006	34,343
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — DILUTED	37,060	36,476	36,976	36,201

See notes to unaudited consolidated financial statements.

LIFE TIME FITNESS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Nine Months Ended September 30, 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 36,457	$ 29,145
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,381	28,019
Deferred income taxes	3,549	3,011
Loss on disposal of property and equipment, net	562	421
Amortization of deferred financing costs	517	864
Share−based compensation	6,169	141
Excess tax benefit from exercise of stock options	(5,406)	—
Changes in operating assets and liabilities	25,653	18,373
Other	127	128
Net cash provided by operating activities	103,009	80,102
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(172,598)	(124,837)
Proceeds from sale of property and equipment	6,571	3,842
Proceeds from property insurance settlement	464	—
Increase in other assets	(8,663)	(1,740)
Decrease (increase) in restricted cash	(1,264)	6,892
Net cash used in investing activities	(175,490)	(115,843)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long−term borrowings	1,650	228,581
Repayments on long−term borrowings	(15,938)	(204,314)
Proceeds from revolving credit facility, net	75,000	—
Increase in deferred financing costs	(672)	(1,174)
Excess tax benefit from exercise of stock options	5,406	—
Proceeds from exercise of stock options	8,925	3,360
Net cash provided by financing activities	74,371	26,453
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,890	(9,288)
CASH AND CASH EQUIVALENTS — Beginning of period	4,680	10,211
CASH AND CASH EQUIVALENTS — End of period	$ 6,570	$ 923
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments for interest, including capitalized interest of $3,575 and $3,046, respectively	$ 14,743	$ 11,714
Cash payments for income taxes	$ 13,489	$ 9,610

See notes to unaudited consolidated financial statements.

Results of Operations

The following table sets forth our consolidated statements of operations as a percentage of total revenues and also sets forth other financial and operating data for the three and nine−month periods ended September 30, 2006, and 2005:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenue				
Center revenue:				
Membership dues	65.9%	66.5%	65.8%	67.1%
Enrollment fees	4.5	5.2	4.5	5.4
In−center revenue	27.0	25.3	27.5	25.3
Total center revenue	97.4	97.0	97.8	97.8
Other revenue	2.6	3.0	2.2	2.2
Total revenue	100.0	100.0	100.0	100.0
Operating expenses				
Center operations (including 0.3%, 0.0%, 0.5% and 0.0% related to share−based compensation expense, respectively)	57.7	55.7	56.7	55.5
Advertising and marketing	3.6	4.1	4.2	3.9
General and administrative (including 0.6%, 0.0%, 1.2% and 0.0% related to share−based compensation expense, respectively)	6.5	6.4	7.5	7.1
Other operating	2.9	3.1	2.6	3.2
Depreciation and amortization	8.7	9.9	9.5	9.8
Total operating expenses	79.4	79.2	80.5	79.5
Income from operations	20.6	20.8	19.5	20.5
Other income (expense)				
Interest expense, net	(3.1)	(3.2)	(3.3)	(3.6)
Equity in earnings of affiliate	0.1	0.3	0.1	0.3
Total other income (expense)	(3.0)	(2.9)	(3.2)	(3.3)
Income before income taxes	17.6	17.9	16.3	17.2
Provision for income taxes	7.5	7.3	6.5	7.0
Net income	10.1%	10.6%	9.8%	10.2%
Other financial and operating data:				
Average center revenue per membership	$ 328	$ 298	$ 958	$ 883
Average in−center revenue per membership	$ 91	$ 78	$ 269	$ 228
Centers open at end of period	56	44	56	44
Number of memberships at end of period	427,765	345,818	427,765	345,818

Three Months Ended September 30, 2006, Compared to Three Months Ended September 30, 2005

Total revenue. Total revenue increased $33.1 million, or 32.6%, to $134.7 million for the three months ended September 30, 2006, from $101.6 million for the three months ended September 30, 2005.

Total center revenue grew $32.6 million, or 33.1%, to $131.2 million for the three months ended September 30, 2006, from $98.6 million for the three months ended September 30, 2005. Comparable center revenue increased 8.3% for the three months ended September 30, 2006 compared to the three months ended September 30, 2005. Of the $32.6 million increase in total center revenue,

- 65.0% was from membership dues, which increased $21.2 million, due to increased memberships at new and existing centers, the introduction of junior membership programs and increased sales of Sports and other value−added memberships.
- 32.6% was from in−center revenue, which increased $10.6 million primarily as a result of our members' increased use of our personal training, member activities, LifeCafe and LifeSpa products and services. As a result of this in−center revenue growth and our focus on broadening our offerings to our members, average in−center revenue per membership increased to $91 for the three months ended September 30, 2006, from $78 for the three months ended September 30, 2005.
- 2.4% was from enrollment fees, which are deferred until a center opens and recognized on a straight−line basis over 36 months. Enrollment fees increased $0.8 million for the three months ended September 30, 2006 to $6.1 million. Our number of memberships increased 23.7%, to 427,765 at September 30, 2006, from 345,818 at September 30, 2005.