

TOWN SPORTS INTERNATIONAL HOLDINGS INC

Form 424B4

June 02, 2006

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Filed Pursuant to Rule 424(b)(4)
 Registration No. 333-126428

**8,950,000 Shares
 Common Stock**

We are selling 7,650,000 shares of common stock and certain selling stockholders are selling 1,300,000 shares of common stock to the purchasers named herein. Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on The NASDAQ National Market under the symbol CLUB.

The underwriters have an option to purchase a maximum of 1,147,500 additional shares from certain other selling stockholders to cover over-allotments of shares.

We will not receive any of the proceeds from the shares of common stock sold by any of the selling stockholders.

Investing in our common stock involves risks. See Risk Factors on page 11.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Town Sports (before expenses)	Proceeds to Selling Stockholders (before expenses)
Per share	\$ 13.00	\$ 0.91	\$ 12.09	\$ 12.09
Total	\$ 99,450,000	\$ 6,961,500	\$ 92,488,500	\$ 15,717,000

Delivery of the shares of common stock will be made on or about June 7, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

Deutsche Bank Securities

William Blair & Company

Piper Jaffray

RBC Capital Markets

The date of this prospectus is June 1, 2006

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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PROSPECTUS SUMMARY

This summary highlights the information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed in the Risk Factors section of this prospectus and our consolidated financial statements and the related notes appearing at the end of this prospectus, before making an investment decision.

Our Company

We are one of the two leading owners and operators of fitness clubs in the Northeast and Mid-Atlantic regions of the United States and the third largest fitness club operator in the United States, in each case as measured by number of clubs. As of March 31, 2006, we owned and operated 143 fitness clubs and partly owned and operated two fitness clubs. These 145 clubs collectively served approximately 438,000 members. We have developed and refined our fitness club model through our clustering strategy, offering fitness clubs close to our members work and home. Our club model targets the upper value market segment, comprising individuals aged between 21 and 50 with income levels between \$50,000 and \$150,000 per year. We believe that the upper value segment is not only the broadest segment of the market, but also the segment with the greatest growth opportunities.

Our revenues, operating income, net income and EBITDA for the twelve months ended March 31, 2006 were \$398.7 million, \$41.1 million, \$1.5 million and \$83.0 million, respectively. Our revenues, operating income, net income and EBITDA for the year ended December 31, 2005 were \$388.6 million, \$40.3 million, \$1.8 million and \$81.6 million, respectively. Our revenues, operating income, net loss and EBITDA for the three months ended March 31, 2006 were \$104.0 million, \$10.4 million, (\$0.1) million and \$21.2 million, respectively.

Our goal is to be the most recognized health club network in each of the four major metropolitan regions we serve. We believe that our strategy of clustering clubs provides significant benefits to our members and allows us to achieve strategic operating advantages. In each of our markets, we have developed clusters by initially opening or acquiring clubs located in the more central urban markets of the region and then branching out from these urban centers to suburbs and neighboring communities. Capitalizing on this clustering of clubs, as of March 31, 2006, approximately 43% of our members participated in our Passport Membership plan that allows unlimited access to all of our clubs in our clusters for a higher monthly membership fee.

We have executed our clustering strategy successfully in the New York region through the network of fitness clubs we operate under our New York Sports Clubs brand name. We are the largest fitness club operator in Manhattan with 37 locations (more than twice as many as our nearest competitor) and operate a total of 97 clubs under the New York Sports Clubs brand name within a 75 mile radius of New York City. We operate 20 clubs in the Boston region under our Boston Sports Clubs brand name, 19 clubs in the Washington, D.C. region under our Washington Sports Clubs brand name and we are establishing a similar cluster in the Philadelphia region with six clubs under our Philadelphia Sports Clubs brand name. In addition, we operate three clubs in Switzerland. We employ localized brand names for our clubs to create an image and atmosphere consistent with the local community and to foster recognition as a local network of quality fitness clubs rather than a national chain.

Over our 32-year history, we have developed and refined club formats that allow us to cost-effectively construct and efficiently operate our fitness clubs. Our formats are flexible enough to adapt to the difficult real estate environments in our markets. They are designed to accommodate fitness-only and multi-recreational clubs ranging in size from 15,000 to 55,000 square feet. The average size of our clubs is approximately 24,000 square feet. Clubs typically have an open fitness area to accommodate cardiovascular and strength-training equipment, as well as special purpose rooms for group fitness classes and other exercise programs. Locker rooms generally include saunas and steam and massage rooms, as well as daily and rental lockers. We seek to provide a broad array of high-quality exercise programs and equipment that are popular and effective, promoting the quality exercise experience that we strive to make available to our

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members. When developing clubs, we carefully examine the potential membership base and the likely demand for supplemental offerings such as swimming, basketball, children's programs, tennis or squash and, provided suitable real estate is available, we will add one or more of these offerings to our fitness-only format. For example, a suburban club in a family market may include Sports Clubs for Kids programs, which can include swim lessons and sports camps.

Industry Overview

Total U.S. fitness club industry revenues increased at a compound annual growth rate, or CAGR, of 7.7% from \$6.5 billion in 1993 to \$14.8 billion in 2004, according to the International Health, Racquet and Sportsclub Association, or IHRSA. Total U.S. fitness club memberships increased at a compound annual growth rate of 5.5% from 22.9 million in 1993 to 41.3 million in 2004, according to IHRSA.

**U.S. Fitness Club Industry Revenues
(\$ in billions)**

IHRSA Profiles of Success 2004; IHRSA Global Report 2005.

**U.S. Fitness Club Memberships
(in millions)**

IHRSA/ American Sports Data Health Club Trend Report.

Demographic trends have helped drive the growth experienced by the fitness industry over the past decade. The industry has benefited from the aging of the baby boomer generation and the coming of age of their offspring, the echo boomers (ages eight to 26). Government-sponsored reports, such as the Surgeon General's Report on Physical Activity & Health (1996) and the Call to Action to Prevent and Decrease Overweight and Obesity (2001), have helped to increase the general awareness of the benefits of exercise to these demographic segments over those of prior generations. Membership penetration (defined as club members as a percentage of the total U.S. population over the age of six) has increased significantly from 7.4% in 1990 to 14.0% in 2003, according to the IHRSA/ American Sports Data Health Club Trend Report.

Notwithstanding these longstanding growth trends, the fitness club industry continues to be highly fragmented. Less than 10.0% of clubs in the United States are owned and operated by companies that own more than 25 clubs, and the two largest fitness club operators each generate less than 8.0% of total United States fitness club revenues, according to management estimates.

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As a large operator with recognized brand names, leading regional market shares and an established operating history, we believe we are well positioned to benefit from these favorable industry dynamics.

Competitive Strengths

We believe the following competitive strengths are instrumental to our success:

Strong market position with leading brands. We are the third largest fitness club operator in the United States, as measured by number of clubs. We are also one of the two leading owners and operators of fitness clubs in the Northeast and Mid-Atlantic regions of the United States. We are the largest fitness club owner and operator in the New York and Boston regions, and we believe we are the second largest owner and operator in the Washington, D.C. region and the third largest in the Philadelphia region. We attribute our leadership positions in these markets in part to the strength of our localized brand names, which foster recognition as a local network of quality fitness clubs.

Regional clustering strategy providing significant benefits to members. By operating a network of clubs in a concentrated geographic area, the value of our memberships is enhanced by our ability to offer members access to any of our clubs through our Passport Membership, which provides the convenience of having fitness clubs near a member's work and home. Approximately 43% of our members have a Passport Membership plan, and because these memberships offer enhanced privileges and greater convenience, they generate higher monthly dues than single club memberships. Regional clustering also allows us to provide special facilities within a local area, such as swimming pools and squash, tennis and basketball courts, without offering them at every location. In addition, our regional clustering strategy is attractive to corporations seeking group memberships.

Regional clustering strategy designed to maximize revenues and achieve economies of scale. We believe our regional clustering strategy allows us to maximize revenue and earnings growth by providing high-quality, conveniently located fitness facilities on a cost-effective basis while making it more difficult for potential new entrants to come into our markets. Regional clustering has allowed us to create an extensive network of clubs in our core markets, in addition to a widely recognized brand with strong local identity. We believe that potential new entrants would need to establish or acquire a large number of clubs in a market to effectively compete with us. We believe that this would be difficult given the relative scarcity of suitable sites in our markets. Our clustering strategy also enables us to achieve economies of scale with regard to sales, marketing, purchasing, general operations and corporate administrative expenses, and to reduce our capital spending needs.

Expertise in site selection and development process. We believe that our expertise in site selection and development provides a significant advantage over our competitors given the complexity of the real estate markets in the metropolitan areas in which we operate and the relative scarcity of suitable sites. Before opening or acquiring a new club, we undertake a rigorous process involving demographic, competitive and zoning analysis, financial modeling, site selection and negotiation of lease and acquisition terms to ensure that a location meets our criteria for a model club. We believe our flexible club formats are well suited to the challenging real estate environments in our markets.

Proven and predictable club-level economic model. We have established a track record of consistent growth in revenue and profitability across our club base. We opened or acquired 105 clubs from the inception of our business through December 31, 2000. Of these, our 95 wholly owned clubs that have been in operation from January 1, 2001 through December 31, 2005 generated revenues and operating income (after corporate expenses allocated on a revenue basis) of \$282.7 million and \$43.7 million, respectively, during the year ended December 31, 2005, as compared to \$259.8 million and \$35.4 million, respectively, during the year ended December 31, 2001. We believe that the track record of our mature clubs provides a reasonable basis for expected improved performance in our recently opened clubs and continued investment in new clubs. In addition, for the year ended December 31, 2005 and the three months ended March 31, 2006 revenues from clubs that have been open for more than 24 months grew at 5.8% and 5.9%, respectively. Further, we have demonstrated our ability to deliver similar club-level returns in varying club formats and sizes.

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Experienced management team. We believe that our management team is one of the most experienced management teams in the industry. Our three most senior executives have over 60 years of combined experience in the fitness club industry and have been working together at Town Sports since 1990. We believe that our management has the depth, experience and motivation to manage our growth. In the aggregate, our entire management team owns approximately 15.5% of our common stock before this offering, and will own 11.0% of our common stock after this offering (10.3% if the underwriters exercise their over-allotment option in full), in each case on a fully diluted basis.

Business Strategy

We intend to continue to grow our revenues, earnings and cash flows using the following strategies:

Drive comparable club revenue and profitability growth. For the year ended December 31, 2005 and the three months ended March 31, 2006, comparable club revenue growth was 6.9% and 7.6%, respectively. We define comparable club revenues as revenues at those clubs that were operated by us for over 12 months and comparable club revenue growth as revenues for the thirteenth month and thereafter as compared to the same period during the prior year. Our comparable club revenues increased as a result of our strategic initiatives, including our commit membership plan and focus on growing ancillary revenues. The commit membership model that we implemented in 2003 encourages new members to commit to a one- or two-year membership at a moderate discount to our month-to-month plan. Since the implementation of the new membership model, attrition rates have declined dramatically and comparable club revenues have increased. We intend to capitalize on this momentum to drive revenue and profitability growth by increasing our membership base as well as the amount of revenue that we generate from each member. Our margins will also continue to improve as the positive comparable club revenue growth allows us to leverage our fixed-cost base.

Increase number of clubs by expanding within regional clusters. We intend to strengthen our market position and to increase revenues and earnings in our existing markets through the opening of new clubs and the acquisition of existing clubs. Our expertise in the site selection and development process combined with our proven and predictable club-level economic model enables us to generate significant returns from the opening of new clubs. We have currently targeted over 100 urban and suburban locations in our existing markets that we believe possess the criteria for a model club. In addition, we have identified further growth opportunities in our existing markets and in secondary markets located near our existing markets.

Grow ancillary and other non-membership revenues. We intend to grow our ancillary and other non-membership revenues through a continued focus on increasing the additional value-added services that we provide to our members as well as capitalizing on the opportunities for other non-membership revenues such as in-club advertising and retail sales. Non-membership revenues have increased from \$42.0 million, or 15.0% of revenues for the year ended December 31, 2001, to \$66.8 million, or 17.2% of revenues for the year ended December 31, 2005. We intend to continue to expand the current range of value-added services and programs that we offer to our members, such as personal training, massage, Sports Clubs for Kids and Group Exclusives. These sources of ancillary and other non-membership revenues generate incremental profits with minimal capital investment and assist in attracting and retaining members.

Realize benefits from maturation of recently opened clubs. From January 1, 2004 to December 31, 2005, we opened or acquired 15 clubs. We believe that our recent financial performance does not fully reflect the benefit of these clubs. Based on our experience, a new club tends to achieve significant increases in revenues during its first three years of operation as the number of members grows. Because there is relatively little incremental cost associated with such increasing revenues, there is a greater proportionate increase in profitability. We believe that the revenues and profitability of these 15 clubs will significantly improve as the clubs reach maturity.

Execute new business initiatives. We continually undertake initiatives to improve our business. For example, we have undertaken a significant study of various pricing and membership structure initiatives across our portfolio of clubs to seek to influence attrition and average length of membership. We have also

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improved the process surrounding the opening of newly constructed clubs to yield higher membership revenue in the first month of operation. In addition, we undertook a statistical multi-variable testing study and found a number of initiatives that could be undertaken to improve our business. Of those, we tested 25 and have implemented seven initiatives in a combination that we believe will increase our membership and ancillary revenues and reduce attrition. Separately, we have a corporate sales division that targets or focuses on companies with more than 100 workers. In addition, we established an on-line corporate sales program to support the division in the first quarter of 2005, which led to an increase in corporate sales. We believe these changes will lead to an increase in new corporate memberships in the future. From December 31, 2003 through March 31, 2006, we increased the member count of our corporate sales division by 280% from approximately 5,000 members to approximately 19,000 members, respectively.

Company History

We were founded in 1973. Since our three most senior executives began working together for us in 1990, through the end of 2005:

we grew our number of clubs from nine to 141;

we grew our revenues at a compound annual growth rate of 25.8%, from \$10.8 million to \$388.6 million;

we improved our annual operating income from \$0.1 million to \$40.3 million;

we moved from an annual net loss of \$0.6 million to net income of \$1.8 million; and

we grew our EBITDA at a compound annual growth rate of 34.3%, from \$0.8 million to \$81.6 million.

In the mid-1990s, we began a period of rapid growth by acquiring individual clubs and two-to-six club chains in suburban regions. After the terrorist attacks of September 11, 2001, we shifted our focus from growth to improving operations at our existing clubs and understanding the changing market dynamics in the metropolitan areas in which we operated. By 2004, after beginning to see the benefits of our strategic initiatives, including the selling of one- and two-year commit memberships, we returned our focus to the development of new clubs.

Recent Events

On May 4, 2006, TSI, Inc. commenced a tender offer for up to \$85.0 million aggregate principal amount of its senior notes. The tender offer expires on June 1, 2006, unless extended or earlier terminated by TSI, Inc. TSI, Inc. expects to pay the tender offer consideration and the related costs and expenses with a portion of the net proceeds of this offering that we are to contribute to TSI, Inc., and with TSI, Inc.'s available cash. Assuming \$85.0 million aggregate principal amount of senior notes are purchased on June 2, 2006 for the total consideration provided for in the tender offer, the total amount of funds required to complete the tender offer and to pay all costs and expenses and accrued interest on the senior notes is estimated to be approximately \$93.1 million.

In connection with the tender offer, TSI, Inc. obtained consents from the requisite number of holders to amend certain covenants contained in the indenture governing the senior notes regarding reports to holders and the ability of TSI, Inc. to convert from a corporation to a limited liability company, and a related waiver. The amendments became effective by a supplemental indenture, dated as of May 12, 2006.

In connection with this offering, we intend to exercise our right to redeem up to 35% of our outstanding senior discount notes.

See the "Use of Proceeds" section of this prospectus for more information about these recent events.

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Our business is incorporated in the State of Delaware. Our principal executive offices are located at 888 Seventh Avenue (25th Floor), New York, New York 10106. Our telephone number is (212) 246-6700. The address of our principal web site is *www.mysportsclubs.com*. Our web site address is provided for information purposes only and the information contained on our web site does not constitute part of this prospectus.

New York Sports Clubs[®], Boston Sports Clubs[®], Washington Sports Clubs[®] and Philadelphia Sports Clubs[®] are our registered trademarks. This prospectus contains other product names, trademarks, tradenames and service marks of TSI.

In this prospectus, unless otherwise stated or the context otherwise indicates, references to TSI Holdings, Town Sports, TSI, we, us, our and similar references refer to Town Sports International Holdings, Inc. and its subsidiaries and references to TSI, Inc. refer to Town Sports International, Inc.

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The Offering

Common stock offered by Town Sports	7,650,000 shares
Common stock offered by certain selling stockholders to the purchasers named herein	1,300,000 shares
Common stock to be outstanding after this offering	25,976,602 shares
Use of proceeds	<p>We intend to use the net proceeds to us from this offering, together with cash on hand, to:</p> <ul style="list-style-type: none"> consummate the tender offer for up to \$85.0 million aggregate principal amount of TSI, Inc.'s senior notes; redeem up to 35% of our senior discount notes; and pay related fees, premiums and expenses. <p>On a pro forma basis after giving effect to this offering and our application of the net proceeds therefrom, our consolidated debt as of March 31, 2006 would have been approximately \$282.8 million.</p> <p>We will not receive any proceeds from the sale of shares by any of the selling stockholders.</p>

NASDAQ National Market symbol CLUB

The number of shares of our common stock to be outstanding after this offering is based on 18,326,602 shares of common stock outstanding as of May 1, 2006. Except as otherwise stated, the common stock information we present in this prospectus:

excludes 1,230,964 shares of common stock issuable upon exercise of options outstanding as of May 1, 2006 at a weighted average exercise price of \$6.20 per share;

excludes an additional 58,478 shares of common stock reserved for issuance under our existing stock option plan and an additional 1,300,000 shares of common stock reserved for issuance under the stock incentive plan that we will adopt in connection with this offering;

assumes no exercise of stock options after May 1, 2006;

assumes no exercise of the underwriters' over-allotment option; and

has been adjusted for the 14-for-one stock split of our common stock and the reclassification of our presently designated Class A common stock into undesignated common stock that we will effect prior to the closing of this offering.

All club data that we present in this prospectus is as of March 31, 2006, except as otherwise stated.

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Summary Consolidated Financial and Other Data
(In thousands, except share, per share, club and membership data)

We present our summary consolidated financial data in the following table to aid you in your analysis of a potential investment in our common stock. The summary consolidated statement of operations data for the years ended December 31, 2003, 2004 and 2005 have been derived from our audited consolidated financial statements included elsewhere herein. The summary consolidated balance sheet data as of March 31, 2006 and the summary consolidated statement of operations data for the three months ended March 31, 2005 and 2006 have been derived from our unaudited condensed consolidated financial statements included elsewhere herein. In the opinion of management, the unaudited financial information has been prepared substantially on the same basis as our audited consolidated financial statements appearing elsewhere herein and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited condensed consolidated quarterly results of operations and unaudited condensed consolidated balance sheet data. The summary consolidated statement of operations data for the 12 months ended March 31, 2006 have been derived from our audited and unaudited financial statements. Other data and club and membership data for all periods presented have been derived from our unaudited books and records. Our historical results are not necessarily indicative of results for any future period and interim results are not necessarily indicative of results for any future interim period or for a full year. You should read this data in conjunction with the Selected Consolidated Financial and Other Data and Management's Discussion and Analysis of Financial Condition and Results of Operations sections of this prospectus and our consolidated financial statements and the related notes appearing at the end of this prospectus. The historical share and per share information presented below does not give effect to the 14-for-1 stock split of our common stock that we will effect prior to the closing of this offering. The pro forma statement of operations data gives effect to the issuance of 7,650,000 shares of our common stock in this offering, as if it had occurred at the beginning of the periods presented, and gives effect to the 14-for-1 stock split. The pro forma balance sheet data reflects our sale of 7,650,000 shares of our common stock in this offering at a public offering price of \$13.00 per share, after deducting the estimated underwriting discounts and commissions and our estimated offering expenses and the application of the net proceeds therefrom as described in the Use of Proceeds section of this prospectus.

	Year Ended December 31,			Three Months Ended		Twelve Months Ended March 31, 2006	Pro Forma Twelve Months Ended March 31, 2006
	2003	2004	2005	March 31, 2005	March 31, 2006		
Statement of Operations Data:							
Revenues	\$ 341,172	\$ 353,031	\$ 388,556	\$ 93,846	\$ 104,027	\$ 398,737	\$ 398,737
Total operating expenses	298,576	318,739	348,303	84,261	93,614	357,656	357,656
Operating income	42,596	34,292	40,253	9,585	10,413	41,081	41,081
Net income (loss)	7,429	(3,905)	1,769	179	(135)	1,455	7,627
Net income (loss) attributable to common stockholders(1)	\$ (3,555)	\$ (4,689)	\$ 1,769	\$ 179	\$ (135)	\$ 1,455	\$ 7,627

Earnings (loss)														
per share:														
Basic	\$	(2.85)	\$	(3.61)	\$	1.35	\$	0.14	\$	(0.10)	\$	1.11	\$	0.29
Diluted(2)	\$	(2.85)	\$	(3.61)	\$	1.35	\$	0.14	\$	(0.10)	\$	1.11	\$	0.29

Weighted
average number
of shares used in
calculating
earnings (loss)
per share:

Basic	1,247,674	1,299,332	1,309,616	1,312,289	1,309,123	1,309,123	25,977,722
Diluted(2)	1,247,674	1,299,332	1,312,473	1,314,562	1,309,123	1,313,072	26,033,008

As of March 31, 2006

Actual Pro Forma

Balance Sheet Data:

Cash and cash equivalents	\$	69,724	\$	15,337
Working capital (deficit)		(63,426)		(57,087)
Total assets		445,998		388,807
Long-term debt, including current installments		414,977		282,816
Total stockholders deficit		(115,768)		(34,459)

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	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2003	2004	2005	2005	2006	2006
	Other Data:					
EBITDA(3)	\$ 71,119	\$ 72,654	\$ 81,579	\$ 19,794	\$ 21,232	\$ 83,017
EBITDA margin(4)	20.8%	20.6%	21.0%	21.1%	20.4%	20.8%
Rent expense	\$ 59,575	\$ 64,742	\$ 71,035	\$ 17,282	\$ 19,722	\$ 73,475

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2003	2004	2005	2005	2006	2006
	Club and Membership Data:					
New clubs opened	3	5	5	3	5	7
Clubs acquired		3	2			2
Clubs closed, relocated or sold	(3)		(3)		(1)	(4)
Wholly owned clubs operated at end of period	127	135	139	138	143	143
Total clubs operated at end of period(5)	129	137	141	140	145	145
Members at end of period(6)	342,000	383,000	409,000	398,000	438,000	438,000
Comparable club revenue increase(7)	3.3%	2.5%	6.9%	6.0%	7.6%	7.3%
Mature club revenue increase(8)	1.6%	2.1%	5.8%	4.8%	5.9%	6.4%
Revenue per weighted average club(9)	\$ 2,680	\$ 2,680	\$ 2,816	\$ 685	\$ 733	\$ 2,869
Average revenue per member(10)	987	960	968	240	242	971

(1) After adding accreted dividends on preferred stock for the years ended December 31, 2003 and 2004.

(2) The diluted weighted average number of shares used in calculating earnings (loss) per share is the weighted average number of shares of common stock plus the weighted average conversion of any dilutive common stock equivalents, such as the assumed weighted average exercise of dilutive stock options using the treasury stock method. For the years ended December 31, 2003 and 2004, these common stock equivalents were antidilutive and have been excluded from the diluted weighted average number of shares. For the year ended December 31, 2005, the shares issuable upon the exercise of stock options were dilutive. The number of shares excluded from the computation of diluted earnings per share was 52,807 and 15,481 for the years ended December 31, 2003

and 2004, respectively, and 16,542 for the three months ended March 31, 2006.
 The following table summarizes the weighted average number of shares of common stock outstanding for basic and diluted earnings per share computations:

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,	Pro Forma Twelve Months Ended March 31,
	2003	2004	2005	2005	2006	2006	2006
Weighted average number of shares outstanding basic	1,247,674	1,299,332	1,309,616	1,312,289	1,309,123	1,309,123	25,977,722
Effect of dilutive stock options			2,857	2,273		3,949	55,286
Weighted average number of shares outstanding diluted	1,247,674	1,299,332	1,312,473	1,314,562	1,309,123	1,313,072	26,033,008