INOVIO BIOMEDICAL CORP
Form 10-Q
November 09, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x 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

o 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. 001-14888

INOVIO BIOMEDICAL CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**33-0969592**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11494 SORRENTO VALLEY ROAD
SAN DIEGO, CALIFORNIA 92121-1318
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)(ZIP CODE)

(858) 597-6006
(COMPANY S TELEPHONE NUMBER, INCLUDING AREA CODE)

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 x No o

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 as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o

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

The number of shares outstanding of the registrant s Common Stock, par value $0.001 per share, was 35,530,844 as of November 6, 2006.

INOVIO BIOMEDICAL CORPORATION

FORM 10-Q

For the Quarterly Period Ended September 30, 2006

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Part I. Financial Information

Item 1. Financial Statements

INOVIO BIOMEDICAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Cash and cash equivalents	$ 1,939,893	$ 17,166,567
Short-term investments	5,700,000	
Accounts receivable	304,090	284,171
Prepaid expenses and other current assets	1,157,842	870,169
Total current assets	9,101,825	18,320,907
Fixed assets, net	459,404	375,613
Patents and other assets, net	2,375,549	2,148,090
Goodwill	4,290,594	4,290,594
Intangible assets, net	3,675,000	3,843,750
Total assets	$ 19,902,372	$ 28,978,954
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable and accrued expenses	$ 1,444,794	$ 1,864,935
Accrued clinical trial expenses	614,468	1,064,497
Deferred revenue	675,450	1,206,443
Total current liabilities	2,734,712	4,135,875
Deferred rent	245,851	285,875
Deferred tax liabilities	1,029,000	1,076,250
Long-term liabilities		10,206
Total liabilities	4,009,563	5,508,206
Stockholders equity:		
Preferred stock	1,028	1,562
Common stock	30,935	29,469
Additional paid-in capital	139,426,629	137,739,954
Shareholder note receivable	(59,290)	
Accumulated deficit	(123,499,947)	(114,269,942)
Other comprehensive loss	(6,546)	(30,295)
Total stockholders equity	15,892,809	23,470,748
Total liabilities and stockholders equity	$ 19,902,372	$ 28,978,954

See accompanying notes.

INOVIO BIOMEDICAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30, 2006	2005	Nine Months Ended September 30, 2006	2005
Revenue:				
License fee and milestone payments	$ 204,699	$ 155,397	$ 526,815	$ 2,388,518
Revenue under collaborative research and development arrangements	254,137	275,509	762,718	1,304,539
Grant and miscellaneous revenue	116,993	293,574	646,979	944,959
Total revenue	575,829	724,480	1,936,512	4,638,016
Operating expenses:				
Research and development	2,185,931	2,413,044	5,808,251	9,273,048
General and administrative	1,870,378	1,288,490	5,511,949	4,322,212
Amortization of intangible assets	56,250	56,250	168,750	150,000
Charge for acquired in-process research and development				3,332,000
Total operating expenses	4,112,559	3,757,784	11,488,950	17,077,260
Loss from operations	(3,536,730)	(3,033,304)	(9,552,438)	(12,439,244)
Interest and other income	127,849	42,505	460,927	177,641
Net loss	(3,408,881)	(2,990,799)	(9,091,511)	(12,261,603)
Imputed and declared dividends on preferred stock	31,706	199,648	138,494	2,542,767
Net loss attributable to common stockholders	$ (3,440,587)	$ (3,190,447)	$ (9,230,005)	$ (14,804,370)
Amounts per common share basic and diluted:				
Net loss	$ (0.11)	$ (0.16)	$ (0.30)	$ (0.65)
Imputed and declared dividends on preferred stock	(0.00)	(0.01)	(0.00)	(0.13)
Net loss per share attributable to common stockholders	$ (0.11)	$ (0.17)	$ (0.30)	$ (0.78)
Weighted average number of common shares basic and diluted	30,902,644	19,083,983	30,368,822	18,913,237

Net loss for the three and nine month periods ended September 30, 2006 included stock-based compensation expense that the Company recorded as a result of the adoption of Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment, on January 1, 2006. Total compensation cost under SFAS No. 123(R) for our stock plans for the three and nine months ended September 30, 2006 was $320,702 and $1,158,647, respectively, of which $62,766 and $271,617 was included in research and development expenses and $257,936 and $887,030 was included in general and administrative expenses, respectively. The Company did not record stock-based compensation expense for the three and nine months ended September 30, 2005. As previously disclosed in the notes to the financial statements for the three and nine months ended September 30, 2005, net loss including pro forma stock-based compensation expense was $(3,546,838) and $(16,108,532), respectively. See Note 5 to the financial statements for additional information.

See accompanying notes.

INOVIO BIOMEDICAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Cash flows from operating activities:		
Net loss	$ (9,091,511)	$ (12,261,603)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	583,595	485,288
Amortization of intangible assets	168,750	150,000
Compensation for services paid in stock options	1,320,535	107,017
Compensation for services paid in common stock	50,000	
Amortization of deferred tax liabilities	(47,250)	
Charge for acquired in-process research and development		3,332,000
Deferred rent	(40,024)	(20,059)
Revenue from conversion of note payable	(10,814)	
Changes in operating assets and liabilities:		
Accounts receivable	(16,293)	154,393
Prepaid expenses and other current assets	(450,998)	(277,135)
Accounts payable and accrued expenses	(872,398)	(1,691,592)
Deferred revenue	(541,884)	165,926
Net cash used in operating activities	(8,948,292)	(9,855,765)
Cash flows from investing activities:		
Purchases of available-for-sale securities	(13,500,000)	
Proceeds from sales of available-for-sale securities	7,800,000	
Purchases of capital assets	(94,623)	(282,232)
Capitalization of patents and other assets	(496,625)	(302,224)
Acquisition of business, net of cash acquired		(2,341,028)
Net cash used in investing activities	(6,291,248)	(2,925,484)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	121,167	288,765
Payment of preferred stock cash dividend	(130,801)	(420,038)
Net cash used in financing activities	(9,634)	(131,273)
Effect of exchange rate changes on cash	22,500	
Decrease in cash and cash equivalents	(15,226,674)	(12,912,522)
Cash and cash equivalents, beginning of period	17,166,567	17,889,797
Cash and cash equivalents, end of period	$ 1,939,893	$ 4,977,275

See accompanying notes.

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INOVIO BIOMEDICAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Inovio Biomedical Corporation (the Company , we or us) have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. The condensed consolidated balance sheet as of September 30, 2006, condensed consolidated statements of operations for the three and nine months ended September 30, 2006 and 2005, and the condensed consolidated statements of cash flows for the nine months ended September 30, 2006 and 2005, are unaudited, but include all adjustments (consisting of normal recurring adjustments) that we consider necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2006, shown herein are not necessarily indicative of the results that may be expected for the year ended December 31, 2006, or for any other period. These financial statements, and notes thereto, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005, included in our Form 10-K filed with the Securities and Exchange Commission (SEC) on March 16, 2006.

On January 25, 2005, we consummated the acquisition of Inovio AS, a Norwegian company. On September 30, 2005, we changed our corporate name from Genetronics Biomedical Corporation to Inovio Biomedical Corporation by filing a Certificate of Amendment to our Certificate of Incorporation with the State of Delaware. We also amended our Bylaws to reflect the name change. Effective April 4, 2005, our American Stock Exchange ticker symbol changed from GEB to INO. We conduct our business through our U.S. wholly-owned subsidiaries, Genetronics, Inc., which was incorporated in California on June 29, 1983, and Inovio AS, a company incorporated in Norway.

We are a San Diego-based biomedical company whose technology platform is based on medical devices that use Electroporation Therapy to deliver drugs and genes into cells. We are developing and seeking to commercialize medical therapies to address a number of diseases with critical unmet treatment needs using Electroporation Therapy.

Our Selective Electrochemical Tumor Ablation (SECTA) is designed for local treatment of solid tumors, with selective killing of cancer cells while preserving surrounding healthy tissue. We are moving our lead product, the MedPulser®, through pre-marketing studies for head and neck cancer and skin cancers in Europe, where it has CE Mark accreditation, a U.S. Phase III pivotal study for head and neck cancer, and a Phase I trial for breast cancer. Our system delivers electrical pulses to tumors injected with the generic drug bleomycin. The distinctive feature of the system, which uses a generator together with disposable needle applicators, is the preservation of healthy tissue at the margins of the tumor.

Merck & Co., Inc., Vical, University of Southampton and H. Lee Moffitt Cancer Center are conducting Phase I clinical studies of novel gene-based therapies and DNA vaccines delivered using our electroporation-based technology. Innogenetics and Pharmexa are conducting DNA vaccine clinical studies using our recently acquired DNAvax® technology.

We incurred a net loss attributable to common stockholders of $3,440,587 and $9,230,005 for the three and nine months ended September 30, 2006, respectively, and had working capital of $6,367,113 and an accumulated deficit of $123,499,947 as of September 30, 2006. Our ability to continue as a going concern is dependent upon our ability to obtain additional capital and eventually achieve profitable operations. We will continue to rely on outside sources of financing to meet our capital needs. The outcome of these matters cannot be predicted at this time. Further, there can be no assurance, assuming we successfully raise additional funds, that we will achieve positive cash flow. If we are not able to secure additional funding, we will be required to scale back our research and development programs, preclinical studies and clinical trials, and general and administrative activities and may not be able to continue in business. These unaudited condensed consolidated financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should we be unable to continue in business. Our unaudited condensed consolidated financial statements as of and for the period ended September 30, 2006 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business for the foreseeable future.

Certain reclassifications have been made to the financial statements for the three and nine months ended September 30, 2005 to conform to the three and nine months ended September 30, 2006 presentation.

2. Principles of Consolidation

These unaudited condensed consolidated financial statements include the accounts of Inovio Biomedical Corporation and its wholly owned subsidiaries, Genetronics, Inc. and Inovio AS. All intercompany accounts and transactions have been eliminated.

3. Stockholders Equity

The following is a summary of our authorized and issued common and preferred stock as of September 30, 2006:

Authorized:	300,000,000 shares of common stock with a par value of $0.001 per share and 10,000,000 shares of preferred stock with a par value of $0.001 per share
Issued and Outstanding:	0 and 52 shares of Series A Preferred Stock, par value of $0.001 per share, as of September 30, 2006 and December 31, 2005, respectively.
	0 and 100 shares of Series B Preferred Stock, par value of $0.001 per share, as of September 30, 2006 and December 31, 2005, respectively.
	228 and 337 shares of Series C Preferred Stock, par value of $0.001 per share, as of September 30, 2006 and December 31, 2005, respectively.
	1,027,967 and 1,561,935 shares of Series D Preferred Stock, par value of $0.001 per share, as of September 30, 2006 and December 31, 2005, respectively.
	30,935,044 and 29,468,756 shares of common stock, par value of $0.001 per share, as of September 30, 2006 and December 31, 2005, respectively.

Preferred Stock

In January 2005, we consummated the acquisition of Inovio AS, a Norwegian company. As part of this acquisition, we issued 1,966,292 shares of Series D Preferred Stock. See note 6 to these unaudited condensed consolidated financial statements for further discussion of this acquisition.

In May 2004, we issued and sold shares of our Series C Preferred Stock to institutional and accredited investors for an aggregate of $10,901,333. At September 30, 2006, our outstanding Series C Preferred Stock was convertible into 335,461 shares of our common stock at a conversion price of $6.80 per share. The holders of our Series C Preferred Stock are entitled to receive an annual dividend at the rate of 6%, payable quarterly through June 30, 2007. These dividends are payable in cash unless the closing price of our common shares for the 20 trading days immediately preceding the dividend payment date is equal to or greater than the conversion price of such shares, in which event we may elect to pay the dividends to the holders in common stock. We paid cash dividends of $17,089 on September 30, 2006 to certain holders of our Series C Preferred Stock and accrued $14,571 for certain holders of our Series C Preferred Stock who participated in our October 2006 private placement and converted their Series C Preferred shares and accrued unpaid dividends into common stock. See Note 8 to these unaudited condensed consolidated financial statements for further discussion of this private placement.

At the closing of our May 2004 issuance and sale of our Series C Preferred Stock, we issued the investors warrants to purchase 561,084 shares of our common stock at an exercise price of $8.80 per share and to the placement agents warrants to purchase 152,519 shares of our common stock at $6.80 per share, in each case through May 10, 2009. None of these warrants had been exercised at September 30, 2006 and all were outstanding.

All of our Series A Preferred Stock and Series B Preferred Stock that we issued and sold on July 16, 2003 had been converted at September 30, 2006 and none were outstanding.

At the closing of our July 2003 issuance and sale of our Series A and Series B Preferred Stock, we issued to the investors warrants to purchase 2,433,073 shares of our common stock exercisable at $3.00 per share and to the placement agents warrants to purchase 477,060 shares of our common stock at an exercise price of between $2.40 and $2.80 per share, in each case through July 13, 2008. Of these July 2003 warrants, warrants to purchase 547,920 shares had been exercised at September 30, 2006, resulting in gross proceeds of $1,436,460.

Common Stock

In January 2005, we completed a private placement to accredited investors whereby we sold 1,540,123 shares of our common stock at a purchase price of $4.05 per share and issued warrants to purchase 508,240 shares of our common stock at an exercise price of $5.50 per share, which resulted in aggregate cash proceeds of $3,037,500. As of September 30, 2006, no warrants issued as part of this private placement had been exercised.

In connection with this private placement, investors holding shares of our Series C Preferred Stock exchanged shares representing an investment of $3,200,000 into 790,123 shares of the common stock resulting in no associated cash proceeds to us. We recorded an imputed dividend charge of $1,942,773 in January 2005, related to this exchange.

In September 2005, another holder of our Series C Preferred Stock exchanged shares representing an investment of $160,000 into 39,506 shares of our common stock.

On December 30, 2005, we completed a private placement resulting in $15,795,080 in gross cash proceeds through the sale of our common stock to institutional and accredited investors that included Merck & Co. Inc. and Vical Inc., two of our strategic partners. At the closing, we issued to the investors an aggregate of 9,892,735 shares of common stock and warrants to purchase an aggregate of 3,462,451 shares of common stock, and received in exchange (1) gross cash proceeds of $15,795,080 (2) an aggregate of 734 shares of outstanding Series A, B and C Cumulative Convertible Preferred Stock; and (3) 1,142,593 shares of our outstanding common stock. In addition, we issued to the investors five-year warrants to purchase 35% of the number of shares of common stock they acquired in the offering at an exercise price of approximately $2.93 per share. As a result of the use by these existing holders of our Preferred Stock and Common Stock to acquire our shares and warrants in this private placement, we recorded a non-cash imputed dividend charge of $8,329,112 in our consolidated statement of operations for the year ended December 31, 2005.

In June 2006, we issued 86,956 common shares to a licensing company in exchange for various patents and other assets and a $50,000 shareholder note receivable.

In July 2006, we issued 25,000 common shares to an outside consulting company in payment of a non-refundable retainer in connection with the engagement of its services and agreed to deliver an additional 24,261 shares of our common stock in payment of such retainer if we did not terminate the engagement as of mid-October 2006.

Warrants

In addition to warrants granted in connection with our preferred stock offerings, as discussed above, we have issued the following warrants that were outstanding as of September 30, 2006.

In connection with the leasing of our new corporate headquarters, we issued a warrant to purchase 50,000 shares of our common stock at $5.00 per share to the landlord of this leased facility in December 2004. This warrant is exercisable through December 6, 2009. This warrant was valued on the date of issuance using the Black-Scholes pricing model. The fair value of this warrant, $120,913, is being recognized ratably over the five-year term of the lease as rent expense.

On September 15, 2000, we entered into an exclusive license agreement with the University of South Florida Research Foundation, Inc. (USF), whereby USF granted us an exclusive, worldwide license to USF s rights in patents and patent applications generally related to needle electrodes (the License Agreement). Pursuant to the License Agreement, we granted USF and its designees a warrant to acquire 150,000 common shares for $9.00 per share. This warrant expires on September 14, 2010. At the date of grant, 75,000 shares underlying the warrant vested, and the remaining shares will vest upon the achievement of certain milestones. The 75,000 non-forfeitable vested shares underlying the warrant were valued at $553,950 using the Black-Scholes pricing model and were recorded as capitalized license fees in other assets with a credit to additional paid-in capital. The remaining 75,000 shares underlying the warrant are forfeitable and will be valued at the fair value on the date of vesting using the Black-Scholes pricing model.

In June 2002 we granted warrants to a placement agent to acquire 166,250 shares of common stock for $1.88 per share. In September 2003, warrants to purchase 30,000 shares of common stock were exercised totaling $56,400 in gross proceeds. In March 2005, warrants to purchase 136,250 shares of common stock were exercised for $256,150 in gross proceeds.

Stock Options

We have one stock option plan, our 2000 Stock Option Plan (the 2000 Plan), pursuant to which we grant stock options to executive officers, directors, employees and consultants. The plan was adopted on July 31, 2000, approved by the stockholders on August 7, 2000 and approved by the stockholders as amended through May 5, 2006. As amended, the 2000 Plan covers 4,750,000 common shares for issuance upon exercise of options granted and to be granted. Under the 2000 Plan, we had 814,744 shares of common stock available for future grants and options to purchase 2,877,527 shares outstanding at September 30, 2006. The options granted and available for future grant under the 2000 Plan generally have a term of ten years and vest over a period of three years. The 2000 Plan terminates by its terms on July 30, 2010.

The 2000 Plan supersedes all of our previous stock option plans, which include our 1995 Stock Option Plan, under which we had options to purchase 5,000 shares outstanding at September 30, 2006 and our 1997 Stock Option Plan, under which we had options to purchase 70,498 shares outstanding on September 30, 2006.

We account for options granted to non-employees in accordance with Emerging Issues Task Force (EITF) No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, and Statement of Financial Accounting Standard (SFAS) No. 123(R), *Share-Based Payment*. The fair value of these options at the measurement dates was estimated using the Black-Scholes pricing model. Total stock-based compensation for options granted to non-employees for the three and nine months ended September 30, 2006, was $65,604 and $161,889, respectively. Total stock-based compensation for options granted to non-employees for the three and nine months ended September 30, 2005, was $11,750 and $107,017, respectively.

The following table summarizes the stock options outstanding at September 30, 2006:

	Options outstanding			**Options exercisable**	
Exercise price	**Options outstanding**	**Weighted-average remaining contractual life (in years)**	**Weighted-average exercise price**	**Options exercisable**	**Weighted-average exercise price**
$1.00-$2.00	550,063	5.94	$ 1.49	550,063	$ 1.49
$2.01-$4.00	1,732,465	8.25	$ 2.76	905,902	$ 2.72
$4.01-$6.00	479,999	7.43	$ 4.92	350,309	$ 4.99
$6.01-$8.00	115,000	6.55	$ 6.31	105,625	$ 6.30
$8.01-$22.00	75,498	1.98	$ 12.18	75,498	$ 12.18
	2,953,025	7.46	$ 3.25	1,987,397	$ 3.33

At September 30, 2006, the aggregate intrinsic value of options outstanding was $781,926, the aggregate intrinsic value of options exercisable was $709,940 and the weighted average remaining contractual term of options exercisable was 6.7 years.

Stock option activity under our stock option plans was as follows:

	Number of shares	Weighted-average exercise price
Balance, December 31, 2005	2,383,888	$ 3.55
Granted	859,250	2.54
Exercised	(83,378)	1.45
Cancelled	(206,735)	4.44
Balance, September 30, 2006	2,953,025	$ 3.25

The weighted average exercise price was $5.07 for the 125,937 options which expired during the nine months ended September 30, 2006.

The weighted average grant date fair value per share was $1.99 and $2.17 for options granted during the three and nine months ended September 30, 2006, respectively, and $2.59 and $3.06 for options granted during the three and nine months ended September 30, 2005, respectively.

The aggregate intrinsic value of options exercised was $16,150 and $71,924 during the three and nine months ended September 30, 2006, respectively, and $0 and $18,664 during the three and nine months ended September 30, 2005, respectively.

4. Net Loss Per Share

Net loss per share is calculated in accordance with SFAS No. 128, *Earnings Per Share*. Basic loss per share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated in accordance with the treasury stock method and reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted to common stock. Since the effect of the assumed exercise of common stock options and other convertible securities was anti-dilutive for all periods presented, basic and diluted loss per share are the same.

5. Share-Based Compensation

Effective January 1, 2006 we adopted SFAS No. 123(R) using the modified prospective application method. Accordingly, stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee s requisite service period. Because we elected to use the modified prospective application method, results for prior periods have not been restated. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123(R). We have applied the provisions of SAB No. 107 in our adoption of SFAS No. 123(R).

We estimate the fair value of stock options granted using the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility and expected option life. We amortize the fair value of the awards on a straight-line basis. All options grants are amortized over the requisite service period of the awards. Expected volatility is based on historical volatility. The expected life of options granted is calculated using the simplified method based on the terms and conditions of the options as provided in SAB No. 107. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant. The forfeiture rate is based on historical data and we record share-based compensation expense only for those awards that are expected to vest.

For the purpose of calculating pro-forma information under SFAS No. 123 for periods prior to January 1, 2006, we accounted for forfeitures as they occurred. Assumptions used in the Black-Scholes model are presented below:

	Nine Months Ended September 30, 2006	2005
Risk-free interest rate	4.74% - 4.96 %	3.97 %
Expected volatility		