SPECTRUM PHARMACEUTICALS INC
Form 10-Q
August 09, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

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 Number 000-28782

SPECTRUM PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**93-0979187**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
157 Technology Drive Irvine, California	**92618**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s Telephone Number, Including Area Code: (949) 788-6700

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 þ 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 in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ 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 þ

Indicate the number of shares outstanding of each of the issuer s classes of Common Stock as of the latest practicable date:

Class	**Outstanding at August 3, 2007**
Common Stock, $.001 par value	31,086,414

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SPECTRUM PHARMACEUTICALS, INC.
FORM 10-Q
For the Three-month and Six-month periods ended June 30, 2007
(Unaudited)

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

Statement Regarding Financial Information

The unaudited condensed consolidated financial statements of Spectrum Pharmaceuticals, Inc. included herein have been prepared by management pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States has been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to make the information presented not misleading.

We recommend that you read the unaudited condensed consolidated financial statements included herein in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, filed with the SEC on March 14, 2007.

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SPECTRUM PHARMACEUTICALS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2007	December 31, 2006
	(In Thousands, Except Share and Per Share Data)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 957	$ 519
Marketable securities	70,062	50,178
Accounts Receivable, net of allowance for doubtful accounts	94	1,150
Prepaid expenses and other current assets	652	440
Total current assets	71,765	52,287
Property and equipment, net	677	625
Other Assets	186	205
Total assets	$ 72,628	$ 53,117
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 2,452	$ 2,100
Accrued compensation	818	1,008
Accrued clinical study costs	3,653	3,125
Total current liabilities	6,923	6,233
Deferred revenue and other credits	1,019	1,035
Total liabilities	7,942	7,268
Commitments and Contingencies (Note 4)		
Minority Interest		20
Stockholders Equity:		
Preferred Stock, par value $0.001 per share, 5,000,000 shares authorized:		
Series B Junior Participating Preferred Stock, 1,000,000 shares authorized, no shares issued and outstanding		
Series D 8% Cumulative Convertible Voting Preferred Stock, 600 shares authorized, stated value $10,000 per share, issued and outstanding 49 shares at December 31, 2006		233
Series E Convertible Voting Preferred Stock, 2,000 shares authorized, stated value $10,000 per share, $2.0 million aggregate liquidation value, issued and outstanding, 170 shares at June 30, 2007 and December 31, 2006	1,048	1,048
Common stock, par value $0.001 per share, 100,000,000 shares authorized:		
	31	25

Issued and outstanding, 30,835,618 and 25,217,793 shares at June 30, 2007 and December 31, 2006, respectively		
Additional paid-in capital	284,931	251,880
Accumulated other comprehensive income	540	357
Accumulated deficit	(221,864)	(207,714)
Total stockholders equity	64,686	45,829
Total liabilities and stockholders equity	$ 72,628	$ 53,117

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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SPECTRUM PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three-Months Ended June 30, 2007	Three-Months Ended June 30, 2006	Six-Months Ended June 30, 2007	Six-Months Ended June 30, 2006
	(In Thousands, Except Share and Per Share Data)			
Revenues				
Licensing and milestone revenues	$ 4,032	$	$ 4,375	$
Total Revenues	$ 4,032	$	$ 4,375	$
Operating expenses:				
Research and development	7,160	4,028	12,201	7,751
General and administrative	2,957	1,468	5,448	2,863
Stock-based charges	943	4,180	2,228	5,568
Total operating expenses	11,060	9,676	19,877	16,182
Loss from operations	(7,028)	(9,676)	(15,502)	(16,182)
Other income, net	750	658	1,332	1,289
Net loss before minority interest in consolidated subsidiary	(6,278)	(9,018)	(14,170)	(14,893)
Minority interest in net loss of consolidated subsidiary	20		20	2
Net loss	$ (6,258)	$ (9,018)	$ (14,150)	$ (14,891)
Basic and diluted net loss per share	$ (0.22)	$ (0.37)	$ (0.53)	$ (0.62)
Basic and diluted weighted average common shares outstanding	28,442,904	24,231,045	26,875,518	23,930,671
Supplemental Information				
Stock-based charges Components:				
Research and development	$ 483	$ 3,884	$ 1,317	$ 4,786
General and administrative	460	296	911	782
Total stock based charges	$ 943	$ 4,180	$ 2,228	$ 5,568

The accompanying notes are an integral part of these
condensed consolidated balance sheets.

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SPECTRUM PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six-Months Ended June 30, 2007	Six-Months Ended June 30, 2006
	(In Thousands, Except Share and Per Share Data)	
Cash Flows From Operating Activities:		
Net loss	$ (14,150)	$ (14,891)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	123	96
Stock-based compensation	2,228	2,252
Fair value of common stock issued in connection with drug license		3,316
Minority interest in subsidiary	(20)	(2)
Changes in operating assets and liabilities:		
Decrease in Accounts Receivable	1,056	50
Decrease in other assets	(176)	(260)
Increase in accounts payable and accrued expenses	850	720
Decrease in accrued compensation and related taxes	(190)	(134)
Decrease in deferred revenue and other credits	(16)	(24)
Net cash used in operating activities	(10,295)	(8,877)
Cash Flows From Investing Activities:		
Purchases of marketable securities	(19,718)	(15,522)
Purchases of property and equipment	(175)	(142)
Net cash provided by (used in) investing activities	(19,893)	(15,664)
Cash Flows From Financing Activities:		
Proceeds from issuance of common stock and warrants, net of related offering costs and expenses	30,012	
Proceeds from exercise of warrants	519	17
Proceeds from exercise of stock options	95	
Net cash provided by financing activities	30,626	17
Net increase (decrease) in cash and cash equivalents	438	(24,524)
Cash and cash equivalents, beginning of period	519	28,750
Cash and cash equivalents, end of period	$ 957	$ 4,226
Supplemental Cash Flow Information:		
Interest paid	$	$ 3

Income taxes paid	$	$ 1
Schedule of Non-Cash Investing and Financing Activities:		
Fair value of common stock issued in connection with drug license	$	$ 3,316
Fair value of restricted stock granted employees and directors	$	$ 338
Fair value of warrants issued to consultants and placement agents	$	$ 407
Fair value of stock issued to match employee 401k contributions	$ 85	$ 75
Preferred stock dividends paid with common stock	$ 12	$ 55

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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SPECTRUM PHARMACEUTICALS, INC.
Notes to Condensed Consolidated Financial Statements
June 30, 2007
(Unaudited)

1. Business and Basis of Presentation

Business

Spectrum Pharmaceuticals, Inc. (the Company) is a biopharmaceutical company engaged in the business of acquiring and advancing a diversified portfolio of drug candidates, with a focus on oncology, urology and other critical health challenges for which there are few other treatment options.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared on a consistent basis in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the 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 GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and consolidation and elimination entries) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2006.

2. Summary of Significant Accounting Policies and Estimates

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and of our wholly-owned and majority-owned subsidiaries. As of June 30, 2007, we had two subsidiaries: Spectrum Pharmaceuticals GmbH, a wholly-owned inactive subsidiary incorporated in Switzerland in April 1997; and NeoJB, LLC (NeoJB), 80% owned, organized in Delaware in April 2002. We have eliminated all significant intercompany accounts and transactions.

Investments by outside parties in our consolidated subsidiary are recorded as Minority Interest in Consolidated Subsidiary in our accounts, and stated net after allocation of income and losses in the subsidiary.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent obligations in the financial statements and accompanying notes. Our most significant assumptions are employed in estimates used in determining values of financial instruments and accrued obligations, as well as in estimates used in applying the revenue recognition policy and estimating stock-based charges. The estimation process requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. Actual results could differ materially from our estimates.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities, as reported in the balance sheets, are considered to approximate fair value given the short term maturity and/or liquidity of these financial instruments.

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SPECTRUM PHARMACEUTICALS, INC.
Notes to Condensed Consolidated Financial Statements
June 30, 2007
(Unaudited)

Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents and marketable securities primarily consist of bank checking deposits, short-term treasury securities, institutional money market funds, corporate debt and equity, municipal obligations, including market auction debt securities, government agency notes, and certificates of deposit. We classify highly liquid short-term investments, with insignificant interest rate risk and maturities of 90 days or less at the time of acquisition, as cash and cash equivalents. Other investments, which do not meet the above definition of cash equivalents, are classified as either held-to-maturity or available-for-sale marketable securities, in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* Investments that we intend to hold for more than one year are classified as long-term investments.

Concentrations of Credit Risk

All of our cash, cash equivalents and marketable securities are invested at two major financial institutions. To a limited degree these investments are insured by the Federal Deposit Insurance Corporation (FDIC) and by third party insurance. However, these investments are not insured against the possibility of a complete loss of earnings or principal and are inherently subject to the credit risk related to the credit worthiness of the underlying issuer. We believe that such risks are mitigated because we invest only in investment grade securities. We have not incurred any significant credit risk losses related to such investments.

Patents and Licenses

We own or license all the intellectual property that forms the basis of our business model. We expense all licensing and patent application costs as they are incurred.

Revenue Recognition

We follow the provisions as set forth by current accounting rules, which primarily include Staff Accounting Bulletin (SAB) 104, *Revenue Recognition*, and Emerging Issues Task Force (EITF) No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*. Generally, revenue is recognized when evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed and determinable, and collectibility is reasonably assured.

Upfront fees representing non-refundable payments received upon the execution of licensing or other agreements are recognized as revenue upon execution of the agreements where we have no significant future performance obligations and collectibility of the fees is reasonably assured. Milestone payments, which are generally based on developmental or regulatory events, are recognized as revenue when the milestones are achieved, collectibility is reasonably assured, and we have no significant future performance obligations in connection with the milestone. In those instances where we have collected fees or milestone payments but have significant future performance obligations related to the development of the drug product, we record deferred revenue and recognize it over the period of our future obligations.

Revenue from sales of product is recognized upon shipment of product when title and risk of loss have transferred to the customer, and provisions for estimates, including promotional adjustments, price adjustments, returns, and other potential adjustments are reasonably determinable. Such revenue is recorded, net of such estimated provisions, at the minimum amount of the customer s obligation to us. We state the related accounts receivable at net realizable value, with any allowance for doubtful accounts charged to general operating expenses.

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SPECTRUM PHARMACEUTICALS, INC.
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June 30, 2007
(Unaudited)

Research and Development

Research and development expenses are comprised of the following types of costs incurred in performing research and development activities: personnel expenses, facility costs, contract services, license fees and milestone payments, costs of clinical trials, laboratory supplies and drug products, and allocations of corporate costs. We expense all research and development activity costs in the period incurred. We review and accrue clinical study expenses based on factors such as estimates of work performed, patient enrollment, completion of patient studies and other events. Accrued clinical study costs are subject to revisions as trials progress to completion. Revisions are charged to expense in the period in which the facts that give rise to the revision become known.

Basic and Diluted Net Loss Per Share

In accordance with FASB Statement No. 128, *Earnings Per Share* , we calculate basic and diluted net loss per share using the weighted average number of common shares outstanding during the periods presented, and adjust the amount of net loss, used in this calculation, for preferred stock dividends declared during the period.

We incurred a net loss in each period presented, and as such, did not include the effect of potentially dilutive common stock equivalents in the diluted net loss per share calculation, as their effect would be anti-dilutive for all periods. Dilutive common stock equivalents would include the common stock issuable upon the conversion of preferred stock and the exercise of warrants and stock options that have conversion or exercise prices below the market value of our common stock at the measurement date. As of June 30, 2007 and 2006, all potentially dilutive common stock equivalents amounted to approximately 15 million shares.

The following data show the amounts used in computing basic loss per share for the three-month and six-month periods ended June 30, 2007 and 2006.

	Three-Months Ended June 30, 2007	Three-Months Ended June 30, 2006	Six-Months Ended June 30, 2007	Six-Months Ended June 30, 2006
	(In Thousands, Except Share and Per Share Data)			
Net loss	$ (6,258)	$ (9,018)	$ (14,150)	$ (14,891)
Less:				
Preferred dividends paid in cash or stock	(10)	(29)	(12)	(55)
Income available to common stockholders used in computing basic earnings per share	$ (6,268)	$ (9,047)	$ (14,162)	$ (14,946)
Weighted average shares outstanding	28,442,904	24,231,045	26,875,518	23,930,671
Basic and diluted net loss per share	$ (0.22)	$ (0.37)	$ (0.53)	$ (0.62)

Accounting for Stock-Based Employee Compensation

Effective January 1, 2006, we adopted SFAS No. 123(R), *Share-Based Payment,* using the modified prospective method and, accordingly, did not restate the consolidated statements of operations for periods prior to January 1, 2006. This pronouncement amended SFAS No. 123, *Accounting for Stock-Based Compensation*, and superseded Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. Under SFAS No. 123(R), we measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in our consolidated statements of operations over the service period that the awards are expected to vest. As

permitted under SFAS No. 123(R), we have elected to recognize compensation cost for all options with graded vesting on a straight-line basis over the vesting period of the entire option.

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In estimating the fair value of stock-based compensation, we use the closing market price of our common stock for stock awards, and the Black-Scholes Option Pricing Model for stock options and warrants. We estimate future volatility based on past volatility of our common stock, and we estimate the expected length of options based on several criteria, including the vesting period of the grant and the expected volatility.

Comprehensive Loss

Comprehensive loss consists of net loss and other gains and losses affecting shareholders equity that, under generally accepted accounting principles, are excluded from net loss. For the Company, such items consist primarily of unrealized gains and losses on marketable equity investments and foreign currency translation gains and losses.

3. Products and Strategic Alliances

Our key products under development that represent nearer term revenue and/or development expense potential and related business alliances are described in detail in our Annual Report on Form 10-K for the year ended December 31, 2006.

The following is a brief update of the most advanced products under development as of June 30, 2007:

Satraplatin: During the six-month period ended June 30, 2007, we received $4 million from GPC Biotech in connection with the filing and acceptance of a New Drug Application (NDA) by the U.S. Food and Drug Administration (FDA). We paid Johnson Matthey an aggregate of $1 million in milestone payments, $500,000 on the filing of the NDA and $500,000 upon the acceptance of the NDA.

ISO-Vorin (LFA): During the six-month period ended June 30, 2007, we continued progression toward submitting a response to certain chemistry and manufacturing questions raised by the FDA during the review of the NDA. In July 2007, we filed with the FDA an amendment to the NDA to address such questions.

EOquin®: The pilot safety study that was requested by the FDA was completed. Subsequently, under a Special Protocol Assessment procedure, we received concurrence from the FDA for the design of the Phase 3 study protocol for EOquin in non-invasive bladder cancer. The development plan for EOquin calls for two Phase 3 clinical studies. The first study began during the second quarter of 2007, and the second study is anticipated to begin in the second half of 2007.

Ozarelix: In January 2007, we initiated a Phase 2b study of ozarelix for the treatment of benign prostatic hypertrophy after the FDA cleared our Investigation New Drug application, and concurred with the study protocol. On April 30, 2007, we completed enrollment of the trial with 78 patients.

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(Unaudited)

4. Commitments and Contingencies

Facility and Equipment Leases

As of June 30, 2007, we were obligated under a facility lease and several operating equipment leases.

Minimum lease requirements for each of the next five years and thereafter, under the property and equipment operating leases, are as follows:

Year ending December 31:	Lease Commitments Amounts In Thousands
2007 (Remainder of Year)	$ 242
2008	$ 494
2009	$ 253
2010	$ 5
2011	$
Thereafter	$
	$ 994

Licensing Agreements

Almost all of our drug product candidates are being developed pursuant to license agreements, which provide us with rights to certain territories to, among other things, develop, sublicense, and sell the drugs. With regard to one of our drug product candidates, satraplatin, we have out-licensed our rights to GPC Biotech. We are required to use commercially reasonable efforts to develop the drugs, are generally responsible for all development, patent filing and maintenance costs, sales, marketing and liability insurance costs, and are generally contingently obligated to make milestone payments to the licensors if we successfully reach development and regulatory milestones specified in the agreements. In addition, we are obligated to pay royalties and, in some cases, milestone payments based on net sales, if any, after marketing approval is obtained from regulatory authorities. Par Pharmaceutical Companies, Inc. is responsible for marketing our generic sumatriptan injection product and we will share the profits.

The potential contingent development and regulatory milestone obligations under all our licensing agreements are generally tied to progress through the FDA approval process, which approval significantly depends on positive clinical trial results. The following list is typical of milestone events: conclusion of Phase 2 or commencement of Phase 3 clinical trials, filing of new drug applications in each of the United States, Europe and Japan, and approvals from each of the regulatory agencies in those jurisdictions.

Given the uncertainty of the drug development process, we are unable to predict with any certainty when any of the milestones will occur. Accordingly, the milestone payments represent contingent obligations that will be recorded as expense when the milestone is achieved. Our potential contingent cash development and regulatory milestone obligations aggregate approximately $50 million as of June 30, 2007, assuming such milestones are achieved. We will correspondingly be entitled to receive cash development and regulatory milestone payments from our partners of approximately $16 million. We may achieve certain milestones over the next twelve months, thereby obligating us to issue up to 375,000 shares of our common stock and to pay up to approximately $2 million in cash. Certain of these milestones will entitle us to receive approximately $3 million from our partners.

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(Unaudited)

Service Agreements

In connection with the research and development of our drug products, we have entered into contracts with numerous third party service providers, such as clinical trial centers, clinical research organizations, data monitoring centers, and with drug formulation, development and testing laboratories. The financial terms of these agreements are varied and generally obligate us to pay in stages, depending on achievement of certain events specified in the agreements, such as contract execution, reservation of service or production capacity, actual performance of service, or the successful accrual and dosing of patients. As of each period end, we accrue for all non-cancelable installment amounts that we are likely to become obligated to pay.

Employment Agreements

We have entered into employment agreements with two of our named executive officers, Dr. Shrotriya, President and Chief Executive Officer, and Dr. Lenaz, Chief Scientific Officer, expiring December 31, 2007 and July 1, 2008, respectively. The employment agreements automatically renew for a one-year term unless either party gives written notice of such party s intent not to renew the agreement at least 90 days prior to the commencement of the next year. The employment agreements require each officer to devote his full working time and effort to the business and affairs of the Company during the term of the agreement. The employment agreements provide for a minimum annual base salary with annual increases, periodic bonuses and option grants as determined by the Compensation Committee of the Board of Directors and provide for severance payments, and accelerated vesting of options, upon termination of employment under certain circumstances.

Litigation

At June 30, 2007, we were in dispute with GPC Biotech. In December 2006, we filed a demand for arbitration to address our exclusion from participating in sublicense income received by GPC Biotech, and to address other non-monetary material violations of our license agreement with GPC Biotech, and GPC Biotech answered and counterclaimed. The arbitration hearing was conducted in Boston, Massachusetts, between July 6 and July 13, 2007. Final arguments are scheduled for August 21, 2007, some time after which we expect a decision to issue.

It is not possible to determine with any degree of certainty the ultimate outcome of the arbitration. Since an adverse outcome is considered to be remote, no loss contingency has been recorded in the accompanying financial statements. Conversely, no gain contingency has been recorded in the event we are successful in our demands.

We are party to various other legal proceedings arising from the ordinary course of business. Although the ultimate resolution of these various proceedings cannot be determined at this time, we do not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on our future consolidated results of operations, cash flows or financial condition.

5. Stockholders Equity

Common Stock

On May 11, 2007, we sold 5,134,100 shares of our common stock at a purchase price of $6.25 per share for net cash proceeds of approximately $30 million, after placement agent fees and other offering costs of approximately $2,100,000. No warrants were issued in connection with this offering.

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SPECTRUM PHARMACEUTICALS, INC.
Notes to Condensed Consolidated Financial Statements
June 30, 2007
(Unaudited)

Common Stock Reserved for Future Issuance

As of June 30, 2007, approximately 15 million shares of common stock were issuable upon conversion or exercise of rights granted under prior financing arrangements and stock options and warrants, as follows:

Conversion of Series E preferred shares	340,000
Exercise of stock options	5,295,292
Exercise of warrants	9,703,831
Total shares of common stock reserved for future issuances	15,339,123

In the event that all the foregoing options and warrants were exercised, we would receive up to approximately $94 million from the issuance of shares of our common stock.

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SPECTRUM PHARMACEUTICALS, INC.
Notes to Condensed Consolidated Financial Statements
June 30, 2007
(Unaudited)

Stock-Based Compensation

As of June 30, 2007, approximately 3.3 million incentive award shares were available for grant under our stock-based incentive award plan. Stock-based awards generally vest over periods of up to four years and have a ten-year life.

Presented below is a summary of activity, for all of our stock-based incentive award plans, during the six-month period ended June 30, 2007:

Stock Options:

During the six-month period ended June 30, 2007, the Compensation Committee granted stock options at exercise prices equal to or greater than the quoted price of our common stock as of the grant dates. The weighted average grant date fair value of stock options granted during the six-month period ended June 30, 2007 was estimated at approximately $3.50, using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility (based on the historical volatility of our common stock) of 68.0%; risk free interest rate of 4.7%; and an expected life of five years.

	Common Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Term (In Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at beginning of year	4,640,252	$ 5.86		
Granted	740,200	$ 5.80		
Expired	(2,222)	$16.10		
Forfeited	(7,500)	$ 5.12		
Exercised	(75,438)	$ 1.26		
Outstanding, at the end of period	5,295,292	$ 5.92	**7.53**	**$ 9,838**
Vested and expected to vest, at end of period	5,105,861	$ 5.92	**7.49**	**$ 9,515**
Exercisable, at the end of period	3,400,980	$ 5.99	**6.92**	**$ 6,610**

The aggregate intrinsic value in the table above represents the total difference between the Company s closing common stock price of $7.17 on June 30, 2007 and the exercise price, multiplied by the number of all in-the-money options, that would have been received by the option