

XELR8 HOLDINGS, INC.
Form DEF 14A
September 04, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

XELR8 Holdings, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

XELR8 HOLDINGS, INC.
480 South Holly Street
Denver, Colorado 80246

**PROXY STATEMENT AND
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD NOVEMBER 12, 2007**

To the shareholders of XELR8 Holdings, Inc.:

The Annual Meeting of the shareholders of XELR8 Holdings, Inc. will be held at our executive offices located at 480 South Holly Street, Denver, Colorado 80246, at 10:00 A.M. on November 12, 2007, or at any adjournment or postponement thereof, for the following purposes:

1. To elect seven directors of the Company.
2. To increase the number of shares issuable under our Stock Incentive Plan from 2,200,000 shares to 3,000,000 shares.
3. To increase the number of shares issuable under our Distributor Stock Option Plan from 500,000 shares to 1,500,000 shares.
4. To transact such other business as may properly come before the meeting.

Details relating to the above matters are set forth in the attached Proxy Statement. All of our shareholders of record as of the close of business on September 24, 2007 will be entitled to notice of and to vote at such meeting or at any adjournment or postponement thereof.

All shareholders are cordially invited to attend the meeting. If you do not plan to attend the meeting, you are urged to sign, date and promptly return the enclosed proxy. A reply card is enclosed for your convenience. The giving of a proxy will not affect your right to vote in person if you attend the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

John D. Pougnet, *Chief Executive Officer*

October 1, 2007

PROXY STATEMENT

XELR8 HOLDINGS, INC.
480 South Holly Street
Denver, Colorado 80246
Telephone: (303) 316-8577

ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD NOVEMBER 12, 2007

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of XELR8 Holdings, Inc. (the Company, we, or us) (previously named VitaCube Systems Holdings, Inc. and Instanet, Inc.), a Nevada corporation, of \$.001 par value common stock (Common Stock) to be voted at the Annual Meeting of Shareholders of the Company (Annual Meeting) to be held at 10:00 A.M. on November 12, 2007, or at any adjournment or postponement thereof. We anticipate that this Proxy Statement and the accompanying form of proxy will be first mailed or given to all shareholders of the Company on or about October 1, 2007. The shares represented by all proxies that are properly executed and submitted will be voted at the meeting in accordance with the instructions indicated thereon. Unless otherwise directed, votes will be cast for the election of the nominees for directors hereinafter named, for increasing the shares authorized for issuance under our Stock Incentive Plan and the Distributor Stock Option Plan. The holders of a majority of the shares represented at the Annual Meeting in person or by proxy will be required to elect directors and approve any other proposed matters. Abstentions and broker non-votes will be treated as a no vote for purposes of determining whether approval of the proposal has been obtained. Any shareholder giving a proxy may revoke it at any time before it is exercised by delivering written notice of such revocation to us, by substituting a new proxy executed at a later date, or by requesting, in person, at the Annual Meeting, that the proxy be returned.

All of the expenses involved in preparing, assembling and mailing this Proxy Statement and the materials enclosed herewith and all costs of soliciting proxies will be paid by us. In addition to the solicitation by mail, proxies may be solicited by our officers and regular employees by telephone, telegraph or personal interview. Such persons will receive no compensation for their services other than their regular salaries. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the shares held of record by such persons, and we may reimburse such persons for reasonable out of pocket expenses incurred by them in so doing.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

The close of business on September 24, 2007 has been fixed by our Board of Directors as the record date (the record date) for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. On the record date, there were outstanding 15,197,170 shares of Common Stock. Each share of Common Stock entitles the holder thereof to one vote on each matter which may come before the Annual Meeting. Cumulative voting for directors is not permitted. A majority of the issued and outstanding shares entitled to vote, represented at the meeting in person or by proxy, constitutes a quorum at any shareholders meeting.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the ownership of our Common Stock as of the record date, by (i) each person who is known by us to own of record or beneficially more than 10% of our Common Stock, (ii) each of our directors and officers. Unless otherwise indicated, the stockholders listed in the table have sole voting and investment powers with respect to the shares of Common Stock. Shareholdings include shares held by family members. The addresses of the individuals listed below are in the Company's care at 480 South Holly Street, Denver, Colorado 80246 unless otherwise noted.

Name and Address	Number of Shares(1)	Percent of Class(2)	
John B. McCandless Chairman	116,667	(3) *	
John D Pougnet Chief Executive Officer, Chief Financial Officer and Director	232,777	(4) 1.5	%
Douglas Ridley President and Director	257,500	(5) 1.7	%
John Hutchinson Vice President of IT and Web	125,000	(6) *	
Timothy Transtrum Vice President of Operations	144,375	(7) *	
Sanjeevkumar Javia Vice President of Product Development	340,000	(8) 2.2	%
Daniel Rumsey Director	30,000	(9) *	
Anthony Petrelli Director	88,000	(10)*	
AJ Robbins Director	66,667	(11)*	
Anthony DiGiandomenico Director	496,960	(12) 3.2	%
Total officer and director	1,897,945	11.3	%
Sanford D Greenberg	3,764,406	(13) 24.2	%
Total beneficial ownership	5,662,351	32.9	%

*Less than 1%

- (1) All entries exclude beneficial ownership of shares issuable pursuant to options that have not vested or that are not otherwise exercisable as of the date hereof and which will not become vested or exercisable within 60 days of September 24, 2007.
- (2) Percentages are rounded to nearest one-tenth of one percent. Percentages are based on 15,197,170 shares of common stock outstanding. Options that are presently exercisable or exercisable within 60 days are deemed to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage of any other person.
- (3) Comprised of 116,667 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007.
- (4) Comprised of 205,777 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007 and 27,000 shares held of record.
- (5) Comprised of 237,500 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007 and 20,000 shares held of record.
- (6) Comprised of 115,000 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007, and 10,000 shares held of record.
- (7) Comprised of 134,375 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007 and 10,000 shares held of record.
- (8) Comprised of 225,000 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007 and 115,000 shares held of record.

- (9) Comprised of 10,000 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007 and 20,000 shares held of record.
- (10) Comprised of 20,250 shares issuable pursuant to public warrants, 10,029 Class A warrants and 10,029 Class B warrants and 47,500 shares pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007.
- (11) Comprised of 66,667 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007.
- (12) Comprised of 323,493 shares issuable pursuant to public warrants and 160,000 shares pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007, and 66,800 shares held of record and 10,250 Class A warrants and 10,250 Class B warrants.
- (13) Includes shares either held directly or as custodian for a minor child and includes 375,000 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of September 24, 2007, and 3,389,406 shares held of record.

PROPOSAL 1
ELECTION OF DIRECTORS

At the Annual Meeting, our shareholders will elect five directors. Cumulative voting is not permitted in the election of directors. In the absence of instructions to the contrary, the person named in the accompanying proxy will vote in favor of the election of each of the persons named below as our nominees for directors. All of the nominees are presently members of the Board of Directors and their names and biographical information are set forth below. Each of the nominees has consented to be named herein and to serve if elected. It is not anticipated that any nominee will become unable or unwilling to accept nomination or election, but if such should occur, the person named in the proxy intends to vote for the election in his stead of such person as our Board of Directors may recommend. The table below also includes biographical information concerning our executive officers.

The following sets forth certain information regarding each of our directors and executive officers:

Name	Age	Position	Committee
John B. McCandless	59	Chairman	
John D. Pougnet	36	Chief Executive Officer, Chief Financial Officer and Director	
Douglas Ridley	51	President and Director	
Timothy Transtrum	44	Vice President Operations	
John Hutchinson	42	Vice President IT and Web	
Sanjeevkumar Javia	32	Vice President Product Development	
Daniel Rumsey	46	Director	Audit/Compensation/Nominating
Anthony Petrelli	55	Director	Compensation/Nominating
AJ Robbins	61	Director	Audit/Compensation/Nominating
Anthony DiGiandomenico	41	Director	Audit/Nominating

Directors hold office until the next annual meeting of stockholders following their election unless they resign or are removed as provided in the bylaws. Our Board of Directors has determined that our directors, other than Mr. McCandless, Pougnet and Ridley, are independent directors under the American Stock Exchange listing standards. Our officers serve at the discretion of our Board of Directors.

The following is a summary of our directors and executive officers business experience. The Board recommends a vote of FOR the election of each nominee below.

John B. McCandless, Director. Mr. McCandless was appointed as a director on February 19, 2004. He is currently providing consulting services to the Company as well as other nutrition and direct selling companies. From October 2003 until December 2006 Mr. McCandless served as the Vice President of Technical Services at Weider Nutrition International. Mr. McCandless provided operations and product consulting services to nutrition and direct selling companies as a consultant from November 2002 to October 2003, and from October 1995 to November 2002, he served as Senior Vice President and Chief Operating Officer for USANA Health Sciences, a health science company.

John D. Pougnet, Chief Executive Officer and Chief Financial Officer. Mr. Pougnet was appointed a Director on July 11, 2007 and Chief Executive Officer on October 11, 2006. Prior to that Mr. Pougnet was appointed as Chief Financial Officer in September 2005. Immediately prior to joining the Company, Mr. Pougnet was Assurance Senior Manager at KPMG, LLP, a global network of professional services firms providing Audit, Tax and Advisory services to both public and private companies from January 2003 to September 2005. Prior to this Mr. Pougnet operated an independent consulting business from August 2002 to June 2003. He also served as Vice President of Finance and Corporate Secretary at Future Beef Operations, LLC, from May 2001 to August 2002, where he was responsible for the strategic planning, development and leadership of the Corporate Finance department for this multi-state meat packing company. Prior to this, Mr. Pougnet was senior auditor with Deloitte & Touche from September 1996 to May 2001.

Douglas Ridley, President and Director. Mr. Ridley was appointed as a Director on January 1, 2004, and in June 2005 Mr. Ridley joined the Company as President. Mr. Ridley was an independent

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consultant to us from April 2003 until December 31, 2003. Mr. Ridley is currently President of Simply Because, a gift products network marketing company and since 1997, has been President of Chad Management Co., LLC, a nutritional products network marketing company.

Timothy Transtrum, Vice President of Operations. Mr. Transtrum joined us on February 2, 2004, as Operating Officer. Prior to that, he was President and Chief Operating Office for NutriHealth USA, a division of the global nutrition company Natural Health Holdings LTD, from May 2002 to February 2004. From February 1999 to May 2000, he served as Vice President of Operations and International Development for Oasis Wellness Network, a network marketing company. From February 1998 to February 2004, Mr. Transtrum also was President of TF Transtrum Associates, an operations and retention consulting firm. From 1991 to 1998, he worked for Melaleuca Inc., a network marketing company, during which time he became Director of International Operations.

John Hutchinson, Vice President of IT and Web. Mr. Hutchinson joined us in April 2007 and manages and oversees the Company's IT infrastructure and Website. Prior to joining the Company, Mr. Hutchinson was consultant to the Company from July 2005 to April 2006. From September 2001 to July 2005 Mr. Hutchinson was an employee of the Company.

Sanjeevkumar Javia, Vice President of Product Development. Mr. Javia joined us in July 2001 and manages and oversees product development and training and is a liaison to the Company's external scientific and medical research resources. Prior to joining the Company, Mr. Javia was the Director of Affiliate Publishers for Worldpages.com, an independent publisher from September 1998 to July 2001.

AJ Robbins, Director. Mr. Robbins was appointed as a director on July 10, 2006, and serves on our Audit and Compensation Committees. Mr. Robbins is currently the Managing Partner of AJ Robbins PC, which he founded in 1986. Mr. Robbins's practice focuses on accounting and auditing for corporate and securities work for both private and public companies. Mr. Robbins is a Certified Public Accountant registered in Colorado, New York and California as well as a member of the American Institute of Certified Public Accountants and registered with Public Company Accounting Oversight Board.

Daniel Rumsey, Director. Mr. Rumsey was appointed as a director on August 17, 2007, and serves on our Audit and Compensation Committees. Mr. Rumsey is active in advising boards, private equity and hedge funds and banks in connection with public and private financings, restructurings, turnarounds, mergers and acquisitions and crisis management. He has had extensive experience in senior management positions, including Chief Executive Officer, Chief Restructuring Officer, Chief Financial Officer and Chief Legal Officer. Currently, he serves as Chief Executive Officer and Chairman of the Board of Azzurra Holding Corporation (formerly P-Com, Inc.); as well as Chairman of the Board and Interim Chief Financial Officer of Prescient Applied Intelligence, a leading provider of supply chain and advanced commerce solutions for retailers and suppliers. He also serves on the Board of Dirt Motorsports, Inc. After beginning his career as an attorney with a private law firm, he served as a staff attorney at the U.S. Securities & Exchange Commission, working in the Division of Corporation Finance - Office of Chief Counsel. Prior executive postings have included Assistant General Counsel at Terra Industries; Associate General Counsel and Assistant Secretary of EchoStar Communications Corp.; Acting CFO and General Counsel of JustCare Development, LLC; CEO and President of Aspen Learning Systems; EVP, General Counsel and Secretary of Knowledge Kids Network, Inc.; and CEO, CFO, General Counsel and Secretary of P-Com, Inc. Mr. Rumsey is a graduate of the University of Denver and the University of Denver College of Law.

Anthony Petrelli, Director. Mr. Petrelli was appointed as a director on August 17, 2007, and serves on our Compensation Committee. Mr. Petrelli has been engaged in the areas of corporate finance, investment banking underwriting, sales management and securities trading for more than 30 years. Mr. Petrelli joined Neidiger, Tucker, Bruner, Inc. in May of 1987 and currently serves as Senior Vice President and a member of the Board of Directors. He is also its Managing Director of Corporate Finance/Investment Banking and oversees public and private offerings for micro-,

small- and mid-cap market companies. In addition, he has served on the National Association of Securities Dealers, Inc. (NASD) Statutory Disqualification Committee; been a member and Vice Chairman of the

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NASD National Adjudicatory Council; member and Chairman of the NASD District Business Surveillance Committee; a member of the Task Force on Future of Shared State and Federal Securities Regulation for the North American Securities Administrators Association, Inc.; and is a current board member and past Chairman of the Regional Investment Banking Association.

Anthony DiGiandomenico, Director. Mr. DiGiandomenico was appointed as a director on May 25, 2004, and serves on our Audit Committee. Mr. DiGiandomenico co-founded MDB Capital Group LLC, a NASD member broker-dealer, in 1997 and serves as a managing director of the firm. From 1990 to 1995, he served as President and Chief Executive Officer of the Digian Company, a real estate development company. He currently serves on the Board of Directors of Orion Acquisition Corp. II, a corporation which files reports pursuant to the Securities Exchange Act of 1934, which was formed in 1995 to acquire an operating business by purchase, merger or otherwise.

There are no family relationships between or among our executive officers and directors.

BOARD OF DIRECTORS

Board Committees

The standing committees of the Board of Directors are comprised of the Audit Committee, Compensation Committee and the Nominating Committee.

The Audit Committee oversees our conduct of the financial reporting processes, including (i) reviewing with management and the outside auditors the audited financial statements included in our Annual Report, (ii) reviewing with the outside auditors the interim financial results included in our quarterly reports filed with the SEC, (iii) discussing with management and the outside auditors the quality and adequacy of internal controls, and (iv) reviewing the independence of the outside auditors.

The Compensation Committee is comprised of Messrs. Petrelli, Robbins and Rumsey. At the direction of the full Board, the Compensation Committee reviews and makes recommendations with respect to compensation of our directors, executive officers and senior management. The Compensation Committee administers our Stock Incentive Plan. The Compensation Committee met once during 2006 and approved various other matters by unanimous written consent.

The Nominating Committee is comprised of Messrs. Petrelli, Rumsey, Robbins and DiGiandomenico. At the direction of the full Board, the Nominating Committee review, investigate qualified nominees for election to the Board when vacancies occur and makes recommendations with respect to the nomination of directors. The Nominating Committee met once in 2006. The Board has not adopted any charter or formal procedures with respect to its consideration of director nominees.

The Nominating Committee strives to identify and attract director nominees with a variety of experience who have the business background and personal integrity to represent the interests of all shareholders. Although the Board has not established any specific minimum qualifications that must be met by a director nominee, factors considered in evaluating potential candidates include educational achievement, managerial experience, business acumen, financial sophistication, insurance industry expertise and strategic planning and policy-making skills. Depending upon the current needs of the Board, some factors may be weighed more or less heavily than others in the Board's deliberations. The Board evaluates the suitability of a potential director nominee on the basis of written information concerning the candidate, discussions with persons familiar with the background and character of the candidate and personal interviews with the candidate.

Attendance at Meetings

The Board held six meetings during 2006. Various matters were also approved by the unanimous written consent of the directors during the last fiscal year. Each director attended at least 80% of the aggregate of (i) the total number of meetings of the Board and (ii) the total number of meetings held by all committees of the Board on which such director served. We have no formal policy with respect to the attendance of Board members at the annual meeting of shareholders but encourage all incumbent directors and director nominees to attend each annual meeting of shareholders.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The objective of the Company's compensation program is to attract, retain and reward management that demonstrates the required skill to develop the Company into a leader in the nutrition and network marketing field. Through the development of the Company's business plan, the compensation program is designed to incentivize management in the creation of shareholder value. The compensation program has been designed to reward executives for establishing the Company in the network marketing field, developing products that can be successfully sold in that channel and creating shareholder wealth.

Currently the Company has used two elements of compensation for management, current compensation, in the form of cash, and long-term equity compensation in the form of grants of stock option awards. The Company has also used the award of options to replace cash compensation for employees and the issuance of stock as a method of fulfilling its obligations under employment contracts. As the Company has not been profitable since its inception, the Company has not had a cash bonus program, but rather relied on the potential of the long-term awards as incentives to compensate its executives. Typically the current compensation is set at a base level, with variances based on the achievement of certain benchmarks.

The cash compensation enables the Company to attract management with the required skills and experience while the awards of stock options are used as a method of retaining executives for long term growth. Additionally, the Company has used the awards of stock and options as a method of reducing cash outflow

The Company has determined the amount of short and long term compensation based on a number of factors: level of experience of the employee in his or her respective field, prevailing market rates for individuals performing similar functions at competing companies in a similar industry and stage of development of the Company. The Company has attempted to evenly balance the compensation between current and long-term for its executives, with the long-term award requiring some form of vesting, typically over a two or four year period. During the current year, the executives that were granted what is typically a long-term compensation award, stock options, in lieu of short term cash compensation, were vested into their options over a year long period. The Company has also used options on a performance basis for certain individuals, with the achievement of certain goals resulting in the vesting in the options. When evaluating the compensation of executives on an annual basis, the Company has reviewed past compensation received by the executive in both current and long-term awards when determining any additional awards.

Each element of the compensation program is designed to further the Company's goals of attracting and retaining high caliber individuals with the experience to grow the Company and ultimately create and increase shareholder wealth. The incentive based awards were directly tied to the achievement of an objective, whereas the other awards that were based on the vesting period were used as a mechanism to retain skilled executives. In the performance based awards, where either long-term awards are vested or there is an increase in current cash compensation, it is the practice of the Company to link the overall objectives of the Company with the respective objectives for that executive and his or her ability to exercise influence over the outcome.

The following table sets forth information with respect to compensation earned by the executive officers of the Company for 2006 and 2005.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)(7)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(1)	Total (\$)
John Pougnet, Chief Executive Officer and Chief Financial Officer(4)	2006	116,891	0	0	138,878	0	0	0	255,769
	2005	40,385	0	0	0	0	0	0	40,385
Earnest Mathis, Jr., (2)	2006	91,269	0	0	59,988	0	0	9,231	160,488
	2005	122,845	0	0	0	0	0	9,831	132,676
Sanford D. Greenberg, Founder(5)	2006	95,192	0	540,000	59,988	0	0	15,231	710,411
	2005	150,000	0	0	0	0	0	18,000	168,000
Douglas Ridley, President(3)	2006	163,814	0	0	0	0	0	0	163,814
	2005	100,962	25,000	0	0	0	0	0	125,962
David Litt, (6)	2006	145,817	0	0	0	0	0	5,308	151,125
	2005	173,077	25,000	0	0	0	0	462	198,539
Timothy Transtrum, Vice President of Operations	2006	122,209	0	0	0	0	0	5,225	127,434
	2005	130,000	0	0	0	0	0	0	130,000
Sanjeevkumar Javia, Vice President of Product Development	2006	107,936	0	0	0	0	0	0	107,936
	2005	102,714	0	0	0	0	0	0	102,714

(1) Includes auto allowance.

(2) Mr. Mathis joined the Company in March 2005 as Chief Executive Officer. On October 11, 2006 he resigned his position as Chief Executive Officer and remained as Chairman. Mr. Mathis was replaced as Chief Executive Officer by Mr. John Pougnet. On July 9, 2007 Mr. Mathis resigned from the Board.

(3) Mr. Ridley joined the Company in June 2005.

(4) Mr. Pougnet joined the Company in September 2005 as Chief Financial Officer. On October 11, 2006 he replaced Mr. Mathis as Chief Executive Officer.

(5) On November 17, 2006 the Company agreed to issue to Mr. Greenberg 1,500,000 shares of its common stock in return for an amendment to his current employment agreement pursuant to which he will forfeit all future base salary amounting to \$396,923 due under the agreement and 250,000 vested options in exchange for the issuance of the shares and payment of a sales commission equal to 1% of the net sales until 2019.

(6) Mr. Litt resigned from the Company on March 28, 2007.

(7) The company uses a Black-Scholes option-pricing model (Black-Scholes model) to estimate the fair value of the stock option grant. The use of a valuation model requires the company to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the historical volatility of the company's stock price. In the future the average expected life will be based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. Currently it is based on the simplified approach provided by SAB 107. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of the grant. The following were the factors used in the Black Scholes model to calculate the compensation expense:

	For the year ended December 31, 2006	
Stock price volatility	93.4% to 94.1	%
Risk-free rate of return	4.76% to 5.02	%
Annual dividend yield	0	%

Expected life

3 to 4.5 Years

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