

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

VIPONT ROYALTY INCOME FUND LTD

CIK: **809873** | IRS No.: **841071052** | State of Incorpor.: **CO** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16124** | Film No.: **95536278**
SIC: **2833** Medicinal chemicals & botanical products

Mailing Address
2579 MIDPOINT DR
FORT COLLINS CO 80525

Business Address
2579 MIDPOINT DRIVE
FORT COLLINS CO 80525
3034825868

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended
March 31, 1995

Commission File No.
0-16124

VIPONT ROYALTY INCOME FUND, LTD.

(Exact name of registrant as specified in its charter)

Colorado

84-10710523

(State of Incorporation)

(I.R.S. Employer
Identification Number)

2579 Midpoint Drive
Fort Collins, Colorado

80525

(Address of principal
executive offices)

(Zip Code)

(970) 482-5868

(Registrant'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 ---

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VIPONT ROYALTY INCOME FUND, LTD.
BALANCE SHEETS
MARCH 31, 1995 AND DECEMBER 31, 1994
(Unaudited)

ASSETS

<TABLE>
<CAPTION>

<S>
CURRENT ASSETS:
Cash and cash equivalents

	March 31, 1995	December 31, 1994
	-----	-----
<C>	<C>	<C>
\$	---	---
	-----	-----

TOTAL	\$	---	\$	---
	=====		=====	
LIABILITIES AND PARTNERS' DEFICIT				
CURRENT LIABILITIES:				
Accounts payable - general partner	\$	138,220	\$	131,900
	-----		-----	
Total current liabilities		138,220		131,900
	-----		-----	
PARTNERS' EQUITY (DEFICIT)				
General partner		102,465		102,465
Limited partners (5,175 units authorized, issued and outstanding)		8,901,000		8,901,000
Accumulated deficit		(9,141,685)		(9,135,365)
	-----		-----	
Total partners' deficit		(138,220)		(131,900)
	-----		-----	
TOTAL	\$	---	\$	---
	=====		=====	

</TABLE>

See notes to financial statements.

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VIPONT ROYALTY INCOME FUND, LTD.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1994
(Unaudited)

<TABLE>
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	1995	1994
	-----	-----
	<C>	<C>
EXPENSES		
General and administrative expenses	\$ 6,320	\$ 11,541
	-----	-----
NET LOSS	\$ (6,320)	\$ (11,541)
	=====	=====
NET LOSS PER LIMITED PARTNERSHIP INTEREST	\$ (1.21)	\$ (2.21)
	=====	=====

</TABLE>

See notes to financial statements.

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VIPONT ROYALTY INCOME FUND, LTD.
 STATEMENTS OF CHANGES IN PARTNERS' DEFICIT
 FOR THE THREE MONTHS ENDED MARCH 31, 1995
 (Unaudited)

<TABLE>
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	General Partner 1%	Limited Partners 99%	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
BALANCE, December 31, 1994	\$ 11,113	\$ (143,013)	\$ (131,900)
Net Loss	(63)	(6,257)	(6,320)
	-----	-----	-----
BALANCE, March 31, 1995	\$ 11,050	\$ (149,270)	\$ (138,220)
	=====	=====	=====

</TABLE>

See notes to financial statements.

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VIPONT ROYALTY INCOME FUND, LTD.
 STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1994
 (Unaudited)

<TABLE>
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	1995	1994
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (6,320)	\$ (11,541)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Accounts payable - general partner	6,320	11,541
	-----	-----
Cash used in operating activities	---	---
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	---	---
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	---	---
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ ---	\$ ---
	=====	=====

</TABLE>

See notes to financial statements.

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VIPONT ROYALTY INCOME FUND, LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1994

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited financial statements of Vipont Royalty Income Fund, Ltd. (the "Partnership") have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal occurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 1994, filed with the Securities and Exchange Commission in the Partnership's Annual Report on Form 10-K.

NOTE 2. RELATED PARTY TRANSACTIONS

A Special Meeting of the limited partners of the Partnership was held on October 14, 1992, to consider a proposal (the "Proposal") to authorize Atrix Laboratories, Inc., the general partner of the Partnership (the "General Partner"), to amend various documents between the Partnership and the General Partner (the "Partnership Documents") to share in certain royalties and/or proceeds from the sale of rights related to a Perio Product. The Proposal was approved by the limited partners at the Special Meeting held on October 14, 1992.

Prior to the amendment of the Partnership Documents, the General Partner was not entitled to participate in royalties from the sale of the Perio Product-Sanguinarine, other than from its General Partner's Interest in the Partnership. As a result of the approval of the Proposal, and in consideration for its funding of clarifying studies, the Phase III clinical studies and a New Drug Application ("NDA") filing, if any, Atrix Laboratories, Inc., as General Partner of the Partnership, will be entitled to participate in royalties and/or proceeds from the sale of rights related to a Perio Product containing sanguinarine. Further, the Partnership will not be required to pay any of the future costs for the development of a Perio Product containing sanguinarine, a Perio Product containing doxycycline, or a Perio Product without an active agent, or for filing for regulatory approval, including a NDA for the same.

The Proposal as approved, allows the General Partner to share in royalties and/or proceeds from the sale of rights related to the Perio Product-Sanguinarine and the Partnership to share in royalties and/or proceeds from the sale of rights related to the Perio Product with or without an active agent, on a percentage basis representing the ratio of the total costs, including but not limited to all costs for testing, development and securing regulatory approval, if ever, of the Perio Product with or without an active agent to the amount that each party has contributed. In determining the Partnership's contribution, the General Partner will credit the Partnership with \$10,350,000, the gross amount raised in the Partnership's initial public offering of Units.

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VIPONT ROYALTY INCOME FUND, LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1994

The Partnership has ongoing general and administrative expenses related to its status as a public partnership; for example, annual reports on Form 10-K and quarterly reports on Form 10-Q. Further, the Partnership is required to prepare tax returns and provide certain communications to the limited partners. It is estimated that the cost of preparing, filing, and mailing the various reports, including an annual audit, will be approximately \$30,000 for the year ending December 31, 1995. The General Partner has agreed to advance funds to the Partnership to pay these expenses for the year ending December 31, 1995, pursuant to Article 4 of the Amended and Restated Agreement of Limited Partnership. Such advances will only be due and payable, if ever, from the Partnership's share of royalties and/or proceeds from the sale of rights to the Perio Product.

The Partnership is required to pay the General Partner \$12,000 annually for management fees. The Partnership owed the General Partner \$138,000 at March 31, 1995 for fees and expenses incurred on behalf of the Partnership.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1995 COMPARED TO
THREE MONTHS ENDED MARCH 31, 1994

There were no research expenses in the three months ended March 31, 1995 and March 31, 1994. All funds for research were exhausted prior to the current period.

General and administrative expenses decreased to \$6,320 for the three months ended March 31, 1995, from \$11,541 during the three months ended March 31, 1994. These expenses included the General Partner's management fee of \$1,000 per month and out-of-pocket administrative expenses of the Partnership including accounting and legal fees associated with being a public partnership. The decrease was related to lower expenditures for accounting and legal fees in the current year as fewer administrative activities were required.

Net loss for the three months ended March 31, 1995, was \$6,320 compared with \$11,541 for the three months ended March 31, 1994. The net loss was the result of the Partnership's normal administration expenses related to being a public partnership. The decrease was related to lower expenditures for accounting and legal fees in the current period as fewer administrative activities were required.

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LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1995, the Partnership had no cash or short-term investments. The funding provided to the General Partner by the Partnership to develop and test the Perio Product-Sanguinarine was exhausted prior to September 30, 1991. The Partnership Documents were amended at a Special Meeting held on October 14, 1992, to allow the Partnership and the General

Partner to share in royalties or proceeds from the sale of rights. The Partnership and the General Partner will share the royalties and/or proceeds related to the Perio Product on a percentage basis, representing the ratio of the total costs, including but not limited to all costs for testing, development, and securing regulatory approval, if ever. Therefore, the Partnership is not required to repay the General Partner funds previously advanced.

However, the Partnership has ongoing general and administrative expenses related to its status as a public partnership; for example, annual reports on Form 10-K and quarterly reports on Form 10-Q. Further, the Partnership is required to prepare tax returns and provide certain communications to the limited partners. It is estimated that the cost of preparing, filing, and mailing the various reports, including an annual audit, will be approximately \$30,000 for the fiscal year ending December 31, 1995. The General Partner has agreed to advance funds to the Partnership to pay these expenses for the year ending December 31, 1995, pursuant to Article 4 of the Amended and Restated Agreement of Limited Partnership. Such advances will only be due and payable, if ever, from the Partnership's share of royalties and/or proceeds from the sale of rights to the Perio Product.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

27. Financial Data Schedule.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the period covered by this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIPONT ROYALTY INCOME FUND, LTD.
(Registrant)

By: ATRIX LABORATORIES, INC.
Its General Partner

May 9, 1995

By: /s/ John E. Urheim

Mr. John E. Urheim, Vice Chairman of
the Board of Directors and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>

<S>

/s/ John E. Urheim

<C>

John E. Urheim

<C>

May 9, 1995

Vice Chairman and
Chief Executive Officer
of the General Partner

/s/ Kimberly A. Marks

Kimberly A. Marks
Corporate Controller,
Assistant Secretary, and
Assistant Treasurer
of the General Partner

May 9, 1995

</TABLE>

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EXHIBIT INDEX

<TABLE>

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Exhibit No.

Exhibit Description

Page

<S>

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27

Financial Data Schedule.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM (A) THE PARTNERSHIP'S FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH (B) FINANCIAL STATEMENTS.

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