

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

ATRIX LABORATORIES INC
Form 10-K405/A
May 31, 2001

1

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

----- 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 0-18231

ATRIX LABORATORIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

84-1043826
(I.R.S. Employer
Identification No.)

2579 MIDPOINT DRIVE FORT COLLINS, COLORADO 80525
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (970) 482-5868

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock \$.001 par value

(Title of Class)

Series A Preferred Stock Purchase Rights

(Title of Class)

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

--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |X|

The aggregate market value of voting stock held by non-affiliates of the Registrant as of March 8, 2001 was \$315,423,419.

The number of shares outstanding of the Registrant's common stock as of March 8, 2001 was 14,887,241.

Documents incorporated by reference:

Part III, Items 10, 11, 12, and 13 are incorporated by reference to the definitive Proxy Statement for the Registrant's Annual Meeting of Stockholders scheduled to be held on May 7, 2001

=====

2

EXPLANATORY NOTE

This Amendment on Form 10-K/A amends the Registrant's Annual Report on Form 10-K, as filed by the Registrant on March 14, 2001, and is being filed solely to include under Item 14 the audited financial statements required by Rule 3-09 of Regulation S-X of the Registrant's joint venture, Transmucosal Technologies Ltd. Transmucosal Technologies is a Bermuda company owned by the Registrant and Elan International Services Ltd., a wholly owned subsidiary of Elan Corporation plc, holding 80.1% and 19.9% (non-voting shares) of the shares, respectively. Except as otherwise stated herein, all other information contained in the original Report was current as of the date of filing of the Report on March 14, 2001 and has not been updated by this Amendment No. 1.

3

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Our following documents are filed as part of this Report:

1. Consolidated Financial Statements
Independent Auditors' Report
Consolidated Balance Sheets - December 31, 2000 and 1999
Consolidated Statements of Operations - Years Ended December 31, 2000, 1999, and 1998
Consolidated Statements of Changes in Shareholders' Equity - Years Ended December 31, 2000, 1999, and 1998

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

Consolidated Statements of Cash Flows - Years Ended
December 31, 2000, 1999, and 1998

Notes to the Consolidated Financial Statements

2. Consolidated Financial Statement Schedules

The following financial statements of Transmucosal Technologies Ltd., the Registrant's joint venture with Elan International Services Ltd., a wholly owned subsidiary of Elan Corporation plc, are filed as part of this Report.

Independent Auditors' Report

Balance Sheet as at December 31, 2000

Statement of Loss for the Period from July 14, 2000
(Date of Incorporation) to December 31, 2000

Statement of Changes in Shareholders' Equity for the
Period from July 14, 2000 (Date of Incorporation)
to December 31, 2000

Statement of Cash Flows for the Period from July 14,
2000 (Date of Incorporation) to December 31, 2000

Notes to the Financial Statements

Other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission have been omitted because they are not required under the related instructions or the information related is contained elsewhere in the financial statements.

4

3. Exhibits

The exhibits are set forth in the Exhibit Index.

(b) Reports on Form 8-K: No reports on Form 8-K were filed during the quarter ended December 31, 2000.

5

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

ATRIX LABORATORIES, INC.
AND SUBSIDIARIES
(Registrant)

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

Date: May 31, 2001

By: /s/ Brian G. Richmond

Brian G. Richmond
Chief Financial Officer

6

[KPMG LETTERHEAD]

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of Transmucosal Technologies Ltd. as at December 31, 2000 and the related statement of loss, changes in shareholders' equity and cash flows for the period from July 14, 2000 (Date of Incorporation) to December 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transmucosal Technologies Ltd. as at December 31, 2000 and the results of its operations and its cash flows for the period from July 14, 2000 (Date of Incorporation) to December 31, 2000 in conformity with United States generally accepted accounting principles.

/s/ KPMG

Chartered Accountants
Hamilton, Bermuda
April 20, 2001

7

TRANSMUCOSAL TECHNOLOGIES LTD.

Balance Sheet

December 31, 2000
(Expressed in United States Dollars)

Liabilities
Accounts payable and accrued expenses \$ 269,931

Total liabilities 269,931

Shareholders' equity

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

Share capital (Note 5)	12,000
Share premium (Note 6)	14,988,000
Retained deficit	(15,269,931)

Total shareholders' equity	(269,931)

Total liabilities and shareholders' equity	\$ --

See accompanying notes to financial statements

8

TRANSMUCOSAL TECHNOLOGIES LTD.

Statement of Loss

Period from July 14, 2000 (Date of Incorporation) to December 31, 2000
(Expressed in United States Dollars)

Expenses	
Research and development (Note 3)	\$ 251,482
License fee (Note 4)	15,000,000
General and administrative	18,449

Total operating expenses	15,269,931

Net loss	\$ (15,269,931)
	=====

See accompanying notes to financial statements

9

TRANSMUCOSAL TECHNOLOGIES LTD.

Statement of Changes in Shareholders' Equity

Period from July 14, 2000 (Date of Incorporation) to December 31, 2000
(Expressed in United States Dollars)

Share Capital	
Balance at beginning of period	\$ --
Shares issued during the period (Note 5)	12,000

Balance at end of period	12,000

Share premium	
Balance at beginning of period	--
Share premium during the period (Note 6)	14,988,000

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

Balance at end of period	14,988,000

Retained deficit	
Balance at beginning of period	--
Net loss for the period	(15,269,931)

Balance at end of period	(15,269,931)

Total shareholders' equity	\$ (269,931)
	=====

See accompanying notes to financial statements

10
TRANSMUCOSAL TECHNOLOGIES LTD.

Statement of Cash Flows

Period from July 14, 2000 (Date of Incorporation) to December 31, 2000
(Expressed in United States Dollars)

Cash flows from operating activities	
Net loss	\$ (15,269,931)
Adjustments to reconcile net income to net cash provided by operating activities	
Accounts payable and accrued expenses	269,931

Cash used by operating activities	(15,000,000)

Cash flows from financing activities	
Proceeds from issuance of shares	15,000,000

Cash provided by financing activities	15,000,000

Net increase in cash and cash equivalents	--
Cash and cash equivalents at beginning of period	--

Cash and cash equivalents at end of period	\$ --
	=====

See accompanying notes to financial statements

11
TRANSMUCOSAL TECHNOLOGIES LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

1. General

Transmucosal Technologies Ltd. (the "Company") was incorporated in Bermuda on July 14, 2000 as Atrix Newco, Ltd. The Company is owned by Atrix Laboratories, Inc. ("Atrix") and Elan International Services Ltd. ("EIS"), a wholly-owned subsidiary of Elan Corporation plc, holding 80.1% and 19.9% (non-voting shares) of the shares respectively. On December 14, 2000 the Company changed its name to Transmucosal Technologies Ltd.

The primary objective of the Company is to carry on the business of the development, testing, registration, manufacturing, commercialization, and licensing of "Products" (as defined in the Subscription, Joint Development and Operating Agreement ("JDOA") dated July 18, 2000) between EIS, Atrix and the Company. The focus of the collaborative venture will be to develop the "Products" using the Elan Intellectual Property, the Atrix Intellectual Property and the Atrix Technology pursuant to the JDOA.

2. Significant accounting policy

The Company follows accounting principles generally accepted in the United States. Significant accounting policies are as follows:

(a) Going concern

These financial statements have been prepared on the basis that the Company is a going concern. The Company's ability to continue operating is dependent on achieving profitable operations and/or receiving additional development funding. It is the view of management that the Company will be a going concern based on additional development funding as described in Note 7.

(b) Research and development costs

Research costs are charged as an expense of the period in which they are incurred. Development costs are deferred to future periods if certain criteria relating to future benefits are satisfied and if the costs do not exceed the expected future benefits.

(c) Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

3. Related party transactions

The following table summarizes the Company's related party transactions for the period:

Research and development costs to shareholder	\$251,482
--	-----------

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12

TRANSMUCOSAL TECHNOLOGIES LTD.

Notes to Financial Statements

December 31, 2000

4. License fee

During fiscal 2000, the Company paid a license fee to Elan Corporation plc in the amount of \$15,000,000 to acquire rights to certain Elan intellectual property. This license fee which is nonrefundable has been expensed in the current fiscal period.

5. Share capital

Voting common shares, of par value US\$1.00 per share	
6,000 shares authorised;	
6,000 shares issued and outstanding	\$ 6,000
Non-voting convertible preferred shares, of par value	
US\$1.00 per share	
6,000 shares authorised;	
6,000 shares issued and outstanding	6,000

	\$ 12,000
	=====

At any time after July 18, 2002, each holder of the preferred shares shall have the right to convert all, or a portion, of such preferred shares into common shares on a one-to-one basis, as outlined in the Bye-laws of the Company.

6. Share premium

Share premium represents amounts contributed by shareholders in excess of the par value of the shares subscribed for.

7. Development funding

It is estimated that the Company may require an initial research and development budget of approximately \$10 million, within the first 24 to 36 months from the date of incorporation, to commence development of the Products based upon the Elan Technology, Atrix Technology and/or Company Technology. The Development Funding shall be applied to the Company's research and development costs associated with development of the products.

8. Taxes

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempted from taxation until the year 2016.

13

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Reorganization dated November 24, 1998 by and among Atrix Laboratories, Inc., Atrix Acquisition Corporation and ViroTex Corporation.(5)
2.2	Certificate of Merger of Atrix Acquisition Corporation into ViroTex Corporation dated November 24, 1998.(5)
3.1	Amended and Restated Certificate of Incorporation(6)
3.2	Eighth Amended and Restated Bylaws.(8)
4.1	Form of Common Stock Certificate.(1)
4.2	Indenture, dated November 15, 1997, by and among the Registrant and State Street Bank and Trust Company of California, N.A., as trustee thereunder.(3)
4.3	Form of Note (included in Indenture, see Exhibit 4.2).
4.4	Rights Agreement (including form of Right Certificate, as Exhibit A, and form of Summary of Rights, as Exhibit B)(4)
4.5	Warrant to purchase 6,750 shares of Atrix Common Stock issued to Gulfstar Investments, Limited(6)
4.6	Certificate of Designation of the Series A Preferred Stock filed with the State of Delaware on September 25, 1998.(9)
4.7	Certificate of Designations of Preferences and Rights of Series A Convertible Exchangeable Preferred Stock filed with the State of Delaware on July 18, 2000.(10)
4.8	Registration Rights Agreement, dated as of July 18, 2000, between Registrant and Elan International Services, Ltd., or EIS.(10)
4.9	Warrant dated as of July 18, 2000, issued by Registrant to EIS.(10)
4.10	Convertible Promissory Note, dated as of July 18, 2000, issued by Registrant to EIS.(10)
10.1	Employment Agreement between Registrant and John E. Urheim dated June 4, 1993.(1)
10.2	Lease Agreement dated May 11, 1991 between the Registrant and GB Ventures.(1)
10.3	Agreement dated December 16, 1996 between the Registrant and

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

- Block Drug Corporation ("Block Agreement").(2)
- 10.3A First Amendment to Block Agreement dated June 10, 1997.(6)**
- 10.3B Second Amendment to Block Agreement dated July 31, 1997.(6)**
- 10.3C Third Amendment to Block Agreement dated February 4, 1998.(6)**
- 10.3D Fourth Amendment to Block Agreement dated January 12, 1999.(6)**
- 10.3E Fifth Amendment to Block Agreement dated January 27, 1999.(6)**
- 10.3F Sixth Amendment to Block Agreement dated September 24, 1999.(7)**
- 10.4 Registration Rights Agreement, dated as of November 15, 1997, by and among Registrant and NationsBanc Montgomery Securities, Inc. and SBC Warburg Dillon Read, Inc.(3)
- 10.5 Amended and Restated Performance Stock Option Plan, as amended.(6)
- 10.6 Non-Qualified Stock Option Plan, as amended.(6)
- 10.7 Non-Employee Director Stock Incentive Plan.(8)
- 10.8 Employment Agreement between Registrant and Dr. J. Steven Garrett dated April 17, 1995.(6)
- 14
- 10.10 Employment Agreement between Registrant and Dr. David W. Osborne dated November 24, 1998.(6)
- 10.11 Employment Agreement between Registrant and Dr. Richard L. Jackson dated November 1, 1998.(6)
- 10.12 Personal Services Agreement between Registrant and David R. Bethune dated August 10, 1999.(8)
- 10.13 Agreement between Registrant and John E. Urheim dated August 2, 1999.(8)
- 10.14 Stock Purchase Agreement, dated as of August 8, 2000, by and between Registrant and Pfizer Inc.(11)
- 10.15 Collaborative Research Agreement, dated as of August 8, 2000, by and between Registrant and Pfizer Inc.(11)**
- 10.16 License and Royalty Agreement, dated as of August 8, 2000, by and between Registrant and Pfizer Inc.(11)**
- 10.17 Collaboration, Development and Supply Agreement dated as of August 28, 2000 between Registrant and Geneva Pharmaceuticals, Inc.(12)**
- 10.18 Securities Purchase Agreement, dated as of July 18, 2000,

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

- between Registrant and EIS.(10)**
- 10.19 Newco Registration Rights Agreement, dated as of July 18, 2000, among Registrant, Atrix Newco Ltd., or Newco, and EIS.(10)
- 10.20 Subscription, Joint Development and Operating Agreement, dated as of July 18, 2000, among EIS, Registrant, Newco and Elan Pharma International Limited, or EPIL.(10)**
- 10.21 Company License Agreement, dated as of July 18, 2000, among Registrant, Newco and Elan Corporation plc, or Elan.(10)**
- 10.22 EPIL License Agreement, dated as of July 18, 2000 among Elan, EPIL, Newco and Registrant.(10)**
- 10.23 Collaboration, License and Supply Agreement, dated as of December 8, 2000, by and between Registrant and Sanofi-Synthelabo Inc.(13)**
- 10.24 Stock Purchase Agreement, dated as of December 29, 2000, by and between Registrant and Sanofi-Synthelabo.(13)
- 10.25 2000 Stock Incentive Plan***
- 21 Subsidiaries of the Registrant***
- 23 Consent of Deloitte & Touche LLP***
- 23.1 Consent of KPMG*

* Filed herewith.

** Confidential treatment requested.

*** Previously filed with, and incorporated by reference to, the original Annual Report on Form 10-K for the fiscal year ended December 31, 2000, as filed with the Securities and Exchange Commission on March 14, 2001.

(1) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1993, as filed with the Securities and Exchange Commission.

(2) Incorporated by reference to Registrant's Current Report on Form 8-K dated December 16, 1996, as amended on May 20, 1998, as filed with the Securities and Exchange Commission.

(3) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 6, 1997, as filed with the Securities and Exchange Commission on December 9, 1997.

(4) Incorporated by reference to Registrant's Registration Statement on Form 8-A, file number 000-18231.

(5) Incorporated by reference to Registrant's Current Report on Form 8-K dated November 24, 1998, as filed with the Securities and Exchange Commission.

Edgar Filing: ATRIX LABORATORIES INC - Form 10-K405/A

- (6) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, as filed with the Securities and Exchange Commission.
- (7) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, as filed with the Securities and Exchange Commission.
- (8) Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, as filed with the Securities and Exchange Commission.
- (9) Incorporated by reference to Registrant's Registration Statement on Form 8-A, as filed with the Securities and Exchange Commission on October 1, 1998, file number 000-18231.
- (10) Incorporated by reference to Registrant's Current Report on Form 8-K dated July 18, 2000, as filed with the Securities and Exchange Commission on August 4, 2000.
- (11) Incorporated by reference to Registrant's Current Report on Form 8-K dated August 8, 2000, as filed with the Securities and Exchange Commission on September 7, 2000.
- (12) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, as filed with the Securities and Exchange Commission.
- (13) Incorporated by reference to Registrant's Current Report on Form 8-K dated December 29, 2000, as filed with the Securities and Exchange Commission on February 23, 2001, Commission No. 000-18231.