

VITAL LIVING INC
Form 4
November 18, 2004

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SKYEPHARMA PLC

(Last) (First) (Middle)
105 PICADILLY
(Street)
LONDON W1J 7NJ, X0

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
VITAL LIVING INC [VTLV.OB]

3. Date of Earliest Transaction
(Month/Day/Year)
11/16/2004

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___X___ 10% Owner
___ Officer (give title below) ___ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
X Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| Common Stock | 10/15/2004 | | J(1) | V Amount 307,493 (1) | (A) or (D) Price 14,553,194 (2) | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|------------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| 12% Senior Secured Convertible Notes | \$ 0.25 ⁽³⁾ ₍₄₎ | 10/15/2004 | | J | 0 ₍₄₎ | 12/17/2003 | 12/17/2008 ⁽⁵⁾ | Common Stock | 4,000,000 _{(4) (6)} |
| Stock Purchase Warrants (right to buy) | \$ 0.25 ⁽³⁾ ₍₄₎ | 10/15/2004 | | J | 0 ₍₄₎ | 12/17/2003 | 12/16/2008 ⁽⁵⁾ | Common Stock | 4,000,000 ₍₄₎ |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| SKYEPHARMA PLC 105 PICADILLY LONDON W1J 7NJ, X0 | | X | | |

Signatures

/s/ Donald Nicholson, on behalf of
SkyePharma PLC

11/18/2004

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- The Issuer agreed with a majority of the holders of the Notes that effective October 15, 2004: (i) the conversion price of the 12% Senior Secured Convertible Notes and the exercise price of the Warrants would each be adjusted to \$0.25, as described in footnote (4) below; (ii) interest on the Notes would be payable in Common Stock of the Issuer, as described in footnote (6) below; and (iii) penalties payable under a Registration Rights Agreement, dated as of December 15, 2003, relating to the Common Stock underlying the Notes and Warrants, would concurrently be paid in shares of Common Stock of the Issuer rather than in cash, based on the trading price of the Common Stock in the trading days preceding October 15, 2004. As a result of (iii), 307,493 shares of Common Stock were issued to SkyePharma by the Issuer. SkyePharma consented to this transaction on November 16, 2004.
- (1) Includes 41,153 shares of Common Stock paid at the Issuer's election as interest in accordance with the terms of the Notes at the June 2004 interest payment date.
 - (2) Subject to adjustment in certain events.

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- The Issuer and a majority of the holders of the Notes agreed to adjust effective October 15, 2004 the conversion price of the Notes from \$0.95 to \$0.25, resulting in an increase in the number of shares issuable upon conversion of \$1,000,000 aggregate principal amount of the Notes from 1,052,632 shares to 4,000,000 shares of Common Stock, and the exercise price of the Warrants was adjusted from \$0.95 to \$0.25 and the number of shares issuable upon exercise of 1,000,000 Warrants was increased from 1,052,632 shares of Common Stock to 4,000,000 shares of Common Stock. As a result of standard anti-dilution adjustments in June and July 2004, the exercise price of the Warrants and the conversion price of the Notes had previously been reset to \$0.95 from \$1.00.
- (4)
 - (5) Subject to redemption after December 17, 2004 if the closing price per share of the Common Stock of the Issuer is at least \$3.00 for 10 consecutive trading days.
 - (6) All of the interest on the Notes commencing with the interest payment due in December 2004 is payable at the Issuer's sole option in Common Stock of the Issuer.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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