

ATHEROGENICS INC  
Form 10-Q  
November 02, 2005

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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2005

Commission File No. 0-31261

**ATHEROGENICS, INC.**

(Exact name of registrant as specified in its charter)

**Georgia**                      **58-2108232**  
(State of incorporation)      (I.R.S. Employer  
Identification Number)

**8995 Westside Parkway, Alpharetta, Georgia 30004**  
(Address of registrant's principal executive offices, including zip code)

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(Registrant's telephone number, including area code): **(678) 336-2500**

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ X ] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [ X ]

As of October 28, 2005 there were 37,972,109 shares of the registrant's common stock outstanding.

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**PART I. - FINANCIAL INFORMATION****Item 1. Financial Statements**

**ATHEROGENICS, INC.**  
**CONDENSED BALANCE SHEETS**  
**(Unaudited)**

**September      December**  
**30,                      31,**  
**2005                    2004**

**ASSETS**

Current assets:		
Cash and cash equivalents	\$	\$ 15,888,919
	100,263,078	
Short-term investments	96,463,799	51,035,096
Prepaid expenses	2,788,049	2,634,297
Notes receivable and other current assets	1,375,210	566,208
Total current assets	200,890,136	70,124,520
Equipment and leasehold improvements, net of		
accumulated depreciation and amortization	4,235,335	1,940,011
Debt issuance costs and other assets	7,739,838	2,397,796
Total assets	\$	\$ 74,462,327
	212,865,309	

**LIABILITIES AND SHAREHOLDERS'**  
**DEFICIT**

Current liabilities:		
Accounts payable	\$ 3,686,801	\$ 2,838,053
Accrued research and development	4,204,011	4,083,894
Accrued and other liabilities	1,573,417	2,243,515
Accrued compensation	1,002,575	1,239,247
Total current liabilities	10,466,804	10,404,709
Convertible notes payable and equipment loan,		
net of current portion	300,062,393	100,000,000
Shareholders' deficit:		
Preferred stock, no par value: Authorized - 5,000,000 shares	—	—
Common stock, no par value: Authorized - 100,000,000 shares;		
issued and outstanding - 37,971,936 and 37,368,658 shares	178,041,856	175,713,265

at September 30, 2005 and December 31, 2004, respectively		
Warrants	606,755	828,804
Deferred stock compensation	(89,544)	(324,607)
Accumulated deficit	(276,014,834)	(212,120,547)
Accumulated other comprehensive loss	(208,121)	(39,297)
Total shareholders' deficit	(97,663,888)	(35,942,382)
Total liabilities and shareholders' deficit	\$	\$ 74,462,327
	212,865,309	

*The accompanying notes are an integral part of these condensed financial statements.*

**ATHEROGENICS, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Revenues	\$ —	\$ —	\$ —	\$ —
Operating expenses:				
Research and development	20,459,188	16,636,708	55,995,126	44,483,900
General and administrative	2,082,075	1,410,175	6,134,624	4,841,784
Total operating expenses	22,541,263	18,046,883	62,129,750	49,325,684
Operating loss	(22,541,263)	(18,046,883)	(62,129,750)	(49,325,684)
Interest and other income	1,755,508	343,795	4,881,021	1,089,877
Interest expense	(2,271,597)	(1,300,028)	(6,645,558)	(3,895,169)
Net loss	\$ (23,057,352)	\$ (19,003,116)	\$ (63,894,287)	\$ (52,130,976)
Net loss per share -				
basic and diluted	\$ (0.61)	\$ (0.51)	\$ (1.69)	\$ (1.41)
Weighted average shares				
outstanding - basic and diluted	37,852,507	37,047,826	37,701,715	36,976,911

*The accompanying notes are an integral part of these condensed financial statements.*

**ATHEROGENICS, INC.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

**Nine months ended**  
**September 30,**  
**2005**                      **2004**

<b>Operating activities</b>		
Net loss	\$)	\$)
	(63,894,287	(52,130,976
Adjustments to reconcile net loss to net cash used		
in operating activities:		
Depreciation and amortization	721,730	1,077,359
Amortization of debt issuance costs	1,108,784	489,736
Changes in operating assets and liabilities:		
Notes receivable and other assets	(826,805)	49,063
Prepaid expenses	(153,752)	(550,044)
Accounts payable	145,714	1,788,288
Accrued research and development	120,117	2,411,702
Accrued compensation and other	(752,655)	(586,587)
liabilities		
Net cash used in operating activities	(63,531,154)	(47,451,459)
<b>Investing activities</b>		
Purchases of short-term investments	(151,889,430)	(65,073,344)
Sales and maturities of short-term investments	106,291,903	84,983,396