

ATHEROGENICS INC  
Form 10-Q  
May 13, 2002

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 March 31, 2002

Commission File No. 0-31261

**ATHEROGENICS, INC.**

(Exact name of registrant as specified in its charter)

**Georgia**  
(State of incorporation)

**58-210832**  
(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 [ ]

As of May 9, 2002, there were 27,924,529 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**

|   | <b>March 31,<br/>2002</b> | <b>December 31,<br/>2001</b> |
|---|---------------------------|------------------------------|
| <b>ASSETS</b>   | (Unaudited)               | (Audited)                    |
| Current assets:   |                           |                              |
| Cash and cash equivalents                                     | \$ 32,580,844             | \$ 28,682,050                |
| Short-term investments  | 19,200,566                | 29,757,945                   |
| Prepaid expenses, note receivable and other current<br>assets | 524,584                   | 576,734                      |
|   | <hr/>                     | <hr/>                        |
| Total current assets  | 52,305,994                | 59,016,729                   |

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|   |               |               |
|---|---------------|---------------|
| Equipment and leasehold improvements:     |               |               |
| Laboratory equipment                      | 2,260,700     | 1,861,221     |
| Leasehold improvements                    | 1,492,539     | 1,420,579     |
| Computer and office equipment             | 1,063,638     | 968,329       |
| Construction in progress                  | --            | 309,384       |
|   | <hr/>         | <hr/>         |
|   | 4,816,877     | 4,559,513     |
| Accumulated depreciation and amortization | (1,818,683)   | (1,644,001)   |
|   | <hr/>         | <hr/>         |
|   | 2,998,194     | 2,915,512     |
| Long-term notes receivable                | 313,739       | 323,037       |
|   | <hr/>         | <hr/>         |
| Total assets                              | \$ 55,617,927 | \$ 62,255,278 |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|  |               |               |
|--|---------------|---------------|
| Current liabilities:   |               |               |
| Accounts payable   | \$ 828,187    | \$ 1,121,550  |
| Accrued research and development costs   | 1,518,376     | 1,307,435     |
| Accrued liabilities  | 581,793       | 541,809       |
| Accrued compensation   | 400,069       | 902,571       |
| Current portion of capitalized lease obligation  | 63,128        | 87,101        |
|  | <hr/>         | <hr/>         |
| Total current liabilities  | 3,391,553     | 3,960,466     |
| Shareholders' equity:  |               |               |
| Preferred stock, no par value: Authorized - 5,000,000 shares   | --            | --            |
| Common stock, no par value: Authorized - 100,000,000 shares; issued and outstanding - 27,912,861 and 27,834,773 shares at March 31, 2002 and December 31, 2001, respectively | 121,904,995   | 121,723,102   |
| Warrants   | 769,306       | 771,713       |
| Deferred stock compensation  | (2,623,006)   | (2,975,314)   |
| Accumulated deficit  | (67,841,702)  | (61,277,987)  |
| Accumulated other comprehensive income   | 16,781        | 53,298        |
|  | <hr/>         | <hr/>         |
| Total shareholders' equity   | 52,226,374    | 58,294,812    |
|  | <hr/>         | <hr/>         |
| Total liabilities and shareholders' equity   | \$ 55,617,927 | \$ 62,255,278 |
|  | <hr/>         | <hr/>         |

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

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

|   | <b>Three months ended</b> |                  |
|---|---------------------------|------------------|
|   | <b>2002</b>               | <b>March 31,</b> |
|   | <b>2001</b>               |                  |
|   | <hr/>                     | <hr/>            |
| Revenues:   |                           |                  |
| License fees  | \$ --                     | \$ 833,333       |
| Research and development  | --                        | 597,089          |
|   | <hr/>                     | <hr/>            |
| Total revenues  | --                        | 1,430,422        |
| Operating expenses:   |                           |                  |
| Research and development, excluding<br>amortization of deferred stock<br>compensation   | 5,385,614                 | 3,571,888        |
| General and administrative, excluding<br>amortization of deferred stock<br>compensation | 983,346                   | 948,651          |
| Amortization of deferred stock compensation   | 499,323                   | 794,817          |
|   | <hr/>                     | <hr/>            |
| Total operating expenses  | 6,868,283                 | 5,315,356        |
|   | <hr/>                     | <hr/>            |
| Operating loss  | (6,868,283)               | (3,884,934)      |
| Net interest income   | 304,568                   | 784,306          |
|   | <hr/>                     | <hr/>            |
| Net loss  | \$ (6,563,715)            | \$ (3,100,628)   |
|   | <hr/>                     | <hr/>            |
| Net loss per share - basic and diluted  | \$ (0.24)                 | \$ (0.13)        |
|   | <hr/>                     | <hr/>            |
| Weighted average shares outstanding<br>- basic and diluted                              | 27,876,269                | 23,939,682       |
|   | <hr/>                     | <hr/>            |

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

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

|  | <b>Three months ended</b> |                |
|--|---------------------------|----------------|
|  | <b>March 31,</b>          |                |
|  | <b>2002</b>               | <b>2001</b>    |
| <b>Operating activities:</b>   |                           |                |
| Net loss   | \$ (6,563,715)            | \$ (3,100,628) |
| Adjustments to reconcile net loss to net cash used in operating activities:                    |                           |                |
| Depreciation and amortization  | 174,682                   | 108,486        |
| Amortization of deferred stock compensation  | 499,323                   | 794,817        |
| Stock issued for services  | --                        | 18,437         |
| Changes in operating assets and liabilities:   |                           |                |
| Accounts receivable  | --                        | 359,560        |
| Prepaid expenses, notes receivable and other assets  | 61,448                    | 36,174         |
| Accounts payable   | (293,363)                 | (178,909)      |
| Accrued liabilities  | (251,577)                 | (59,974)       |
| Deferred revenues  | --                        | (833,333)      |
| Net cash used in operating activities  | (6,373,202)               | (2,855,370)    |
| <b>Investing activities:</b>   |                           |                |
| Purchases of equipment and leasehold improvements  | (257,364)                 | (336,947)      |
| Sales of short-term investments  | 10,520,862                | 18,513,742     |
| Net cash provided by investing activities  | 10,263,498                | 18,176,795     |
| <b>Financing activities:</b>   |                           |                |
| Payments on capital lease  | (23,973)                  | (45,187)       |
| Proceeds from the exercise of common stock options   | 32,471                    | 20,655         |
| Net cash provided by (used in) financing activities  | 8,498                     | (24,532)       |
| Increase in cash and cash equivalents  | 3,898,794                 | 15,296,893     |
| Cash and cash equivalents at beginning of period   | 28,682,050                | 26,463,070     |
| Cash and cash equivalents at end of period   | \$ 32,580,844             | \$ 41,759,963  |
| <b>Supplemental disclosures of cash flow information:</b>                                      |                           |                |
| Interest paid  | \$ 3,245                  | \$ 11,868      |
| Valuation adjustment for variable options and warrants issued for technology license agreement | 147,015                   | --             |

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

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**ATHEROGENICS, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited interim condensed financial statements reflect all adjustments (consisting solely of normal recurring adjustments) which management considers necessary for a fair presentation of the financial position, results of operations and cash flows of AtheroGenics for the interim periods. Certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the interim financial statements as permitted by the rules and regulations of the Securities and Exchange Commission. Interim results are not necessarily indicative of results for the full year.

The interim results should be read in conjunction with the financial statements and notes thereto included in AtheroGenics' Annual Report on Form 10-K for the year ended December 31, 2001. Shareholders are encouraged to review the Form 10-K for a broader discussion of AtheroGenics' opportunities and risks inherent in the business. Copies of the Form 10-K are available on request.

**2. Recently Issued Accounting Standards**

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") Nos. 141, *Business Combinations* and SFAS 142, *Accounting for Goodwill and Other Intangibles* ("SFAS 141" and "SFAS 142"). SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and provides new criteria for determining whether an acquired intangible asset should be recognized separately from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. Intangible assets that have finite lives will continue to be amortized over their useful lives. The adoption of SFAS 141 and SFAS 142 has had no impact on AtheroGenics' financial statements.

In October 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, ("SFAS 144") which is applicable to financial statements issued for fiscal years beginning after December 15, 2001. SFAS 144 establishes a new method of accounting and reporting for the impairment of long-lived assets other than goodwill and intangible assets. The statement provides a single accounting model for long-lived assets to be disposed of and changes the criteria required to classify an asset as held-for-sale. The adoption of SFAS 144 has had no impact on AtheroGenics' financial statements.

**3. Net Loss per Share**

SFAS No. 128, *Earnings per Share*, requires presentation of both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed in the same manner as basic earnings per share except that diluted earnings per share reflects the potential dilution that would occur if outstanding options and

warrants were exercised. Because AtheroGenics reported a net loss for all periods presented, shares associated with stock options and warrants are not included because they are antidilutive. Basic and diluted net loss per share amounts are the same for these periods.

#### **4. Deferred Stock Compensation**

During 2000 and 1999, in connection with the grant of certain options to employees and directors, AtheroGenics recorded non-cash deferred stock compensation of \$12,093,928 and \$1,895,160, respectively, representing the difference between the exercise price and the deemed fair value of AtheroGenics' common stock on the dates these stock options were granted. These amounts are included as a reduction of shareholders' equity and are being amortized over the vesting periods of the individual options, generally four years, using the graded vesting method. The graded vesting method provides for vesting of portions of the overall award at interim dates and results in higher vesting in earlier years than straight-line vesting. The fair value of AtheroGenics common stock for purposes of this calculation was determined based on the business factors underlying the value of common stock on the date such option grants were made. During the three months ended March 31, 2002, AtheroGenics recorded a total of \$392,010 of amortization of deferred stock compensation, as compared to \$794,817 during the same period in

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the prior year. Through March 31, 2002, the deferred stock compensation has been decreased by \$1,395,735 for options that were forfeited.

During 2001, in connection with the grant of certain warrants as part of a licensing agreement with National Jewish Medical and Research Center and options granted for the addition of new members to our Scientific Advisory Board, AtheroGenics recorded non-cash deferred stock compensation of \$1,092,000. The fair value of the warrants and options for purposes of this calculation was determined by using the Black Scholes model. These amounts are included as a reduction of shareholders' equity and are being amortized over the vesting periods of the individual warrants and options, generally four years, using the graded vesting method. At March 31, 2002, AtheroGenics recorded an additional \$147,015 in deferred stock compensation to properly reflect the current fair market value of these warrants and options. During the three months ended March 31, 2002, AtheroGenics recorded a total of \$107,313 of amortization of deferred stock compensation for these warrants and options.

At March 31, 2002, AtheroGenics had a total of \$2,623,006 remaining to be amortized over the vesting periods of all stock options and warrants.

#### **5. Bank Credit Agreements**

On March 6, 2002, AtheroGenics entered into a revolving credit facility with Silicon Valley Bank for up to a maximum amount of \$5,000,000 to be used for working capital requirements. Under the terms of the facility, interest on advances is charged at the Bank's prime rate plus 1.50% per year, provided that certain liquidity levels are maintained; otherwise interest will be charged at prime rate plus 2.0% per year. Amounts borrowed under the revolving credit facility may be repaid and reborrowed at any time and from time to time during the term of the facility. The revolving line of credit terminates on September 5, 2004 and all outstanding amounts and accrued interest will be due and payable on that date. As of March 31, 2002, there was no outstanding balance under the revolving credit facility.

In addition, on March 6, 2002, AtheroGenics entered into an equipment loan facility with Silicon Valley Bank for up to a maximum amount of \$2,500,000 to be used to finance existing and new equipment purchases. Under the terms of the facility, AtheroGenics may request up to six equipment advances until September 6, 2002. The interest rate on the equipment advances will be equal to the greater of (1) the Bank's prime rate plus 3.0% or (2) 7.5% per year and will



be fixed at the time of each advance. Amounts borrowed under the equipment loan facility will be repaid in 33 equal installments of principal and interest beginning on the first business day of the month following an advance. As of March 31, 2002, there was no outstanding balance under the equipment loan facility.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following should be read with the financial statements and related footnotes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in AtheroGenics' Annual Report on Form 10-K. The results discussed below are not necessarily indicative of the results to be expected in any future periods. The following discussion contains forward-looking statements that are subject to risks and uncertainties which could cause actual results to differ from the statements made.*

### **OVERVIEW**

Since our operations began in 1994, we have focused on the discovery, development and commercialization of novel drugs for the treatment of chronic inflammatory diseases, such as atherosclerosis, rheumatoid arthritis and asthma. Based on our proprietary vascular protectant technology platform, we have advanced three drug candidates into development, and are progressing on a number of other pre-clinical programs. Our lead drug candidate, AGI-1067, is currently in Phase IIb clinical trials for the treatment and prevention of post-angioplasty restenosis and atherosclerosis. Our second drug candidate, AGIX-4207, has completed initial Phase I clinical trials in both oral and intravenous formulations to assess the safety and tolerability for the treatment of rheumatoid arthritis, and we are designing Phase II clinical trials. Our third drug candidate, AGI-1096, is in Phase I clinical trials to assess the safety and tolerability of this compound, which is being developed for the prevention of solid organ transplant rejection.

To date, we have devoted substantially all of our resources to research and development. We have not received any commercial revenues from product sales. Revenues have been derived from certain license fees of a non-recurring nature received in connection with entering into an exclusive license agreement. This exclusive license agreement

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was terminated in October 2001. We expect to incur significant losses in most years prior to deriving any product revenue as we continue to increase research and development costs. We have incurred significant losses since we began operations in 1994 and as of March 31, 2002, we had an accumulated deficit of \$67.8 million. We cannot assure you that we will become profitable. We expect that losses will fluctuate from quarter to quarter and that these fluctuations may be substantial. Our ability to achieve profitability depends upon a variety of factors, including our ability, alone or with others, to complete the successful development of our product candidates, to obtain required regulatory clearances, and to manufacture and market our future products.

### **RESULTS OF OPERATIONS**

#### **Comparison of the Three Month Periods Ended March 31, 2002 and 2001**

##### *Revenues*

There were no revenues during the three months ended March 31, 2002, compared to \$1.4 million in the three months ended March 31, 2001. Last year's revenue of \$1.4 million was due to the amortization of the remaining \$5.0 million license fee payment and research and development revenue attributable to a license agreement that was terminated in October 2001.

*Expenses*

*Research and Development.* Research and development expenses were \$5.4 million for the three months ended March 31, 2002, compared to \$3.6 million for the three months ended March 31, 2001. The increase of \$1.8 million, or 51%, reflects higher costs associated with conducting clinical trials for AGI-1067, AGIX-4207 I.V. and AGI-1096. Drug discovery activities related to our MEKK anti-inflammation technology platform have also contributed to the increase in research expenses.

*General and Administrative.* General and administrative expenses were \$983,346 for the three months ended March 31, 2002, compared to \$948,651 for the three months ended March 31, 2001. The slight increase of \$34,695, or 4%, in expenses was due to the impact of ordinary increases in compensation and administrative operating costs.

*Amortization of Deferred Stock Compensation.* In 2000 and 1999, we recorded non-cash deferred stock compensation totaling approximately \$14.0 million for options granted with exercise prices below the deemed fair value for financial reporting purposes of our common stock on their respective grant dates. In June 2001, we recorded non-cash deferred stock compensation totaling approximately \$1.1 million for certain warrants granted in connection with a licensing agreement with National Jewish Medical and Research Center and options granted to new members of our Scientific Advisory Board. Amortization of deferred stock compensation was \$499,323 for the three months ended March 31, 2002, compared to \$794,817 for the three months ended March 31, 2001. This deferred stock compensation is being amortized using the graded vesting method, which results in higher amortization in the earlier years.

*Net Interest Income*

Net interest income was \$304,568 for the three months ended March 31, 2002 as compared to net interest income of \$784,306 for the three months ended March 31, 2001. The decrease in net interest income is a reflection of lower average interest rates.

**LIQUIDITY AND CAPITAL RESOURCES**

Since inception, we have financed our operations primarily through private placements of preferred stock and our initial public offering of 6.9 million shares of our common stock that raised net proceeds of \$49.4 million. In June 2001, we completed a private placement of 3.6 million shares of our common stock that raised net proceeds of \$18.9 million. At March 31, 2002, we had cash, cash equivalents and short-term investments of \$51.8 million, compared with \$58.4 million at December 31, 2001. Working capital at March 31, 2002 was \$48.9 million, compared to \$55.1 million at December 31, 2001. The decrease in cash, cash equivalents, short-term investments and working capital is primarily due to the use of funds for operating purposes and purchases of equipment.

Net cash used in operating activities was \$6.4 million for the three months ended March 31, 2002, compared to \$2.9

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million for the three months ended March 31, 2001. The increase in the use of cash in operating activities is principally due to increased expenditures for the CART-2 Phase IIB study for AGI-1067 and Phase I clinical trials for AGIX-4207 I.V. and AGI-1096.

Net cash provided by investing activities was \$10.3 million for the three months ended March 31, 2002, compared to \$18.2 million provided by investing activities for the three months ended March 31, 2001. Net cash provided by investing activities during the three months ended March 31, 2002 and 2001 consisted primarily of the sales of short-term investments, with the proceeds reinvested in cash equivalents, partially offset by the purchase of equipment and leasehold improvements.

Net cash provided by financing activities was \$8,498 for the three months ended March 31, 2002, compared to \$24,532 used in financing activities for the three months ended March 31, 2001. Net cash provided by financing activities in the three months ended March 31, 2002 consisted primarily of proceeds from the exercise of common stock options offset by capital lease payments. Net cash used in financing activities in the three months ended March 31, 2001 consisted primarily of capital lease payments offset by proceeds from the exercise of common stock options. In March 2002, we entered into a revolving credit facility with Silicon Valley Bank in the amount of up to \$5.0 million to be used for working capital requirements. In addition, we entered into an equipment loan facility with Silicon Valley Bank in the amount of up to \$2.5 million to be used to finance existing and new equipment purchases. At March 31, 2002 there were no outstanding balances on either the revolving credit facility or the equipment loan facility.

As collateral for the revolving credit facility and for the equipment loan facility, AtheroGenics granted to Silicon Valley Bank a security interest in all of its assets other than its intellectual property, and granted a negative pledge on its intellectual property.

Based upon the current status of our product development and commercialization plans, we believe that our existing cash and cash equivalents, along with our revolving credit facility and equipment loan facility with Silicon Valley Bank, will be adequate to satisfy our capital needs for at least the next 12 months. However, our actual capital requirements will depend on many factors, including:

- the status of product development;
- the time and cost involved in conducting clinical trials and obtaining regulatory approvals;
- the costs of filing, prosecuting and enforcing patent and other intellectual property claims;
- competing technological and market developments; and
- our ability to market and distribute our future products and establish new licensing agreements.

#### **FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides a safe harbor for forward-looking statements made by or on behalf of AtheroGenics. AtheroGenics and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in this report and our other filings with the Securities and Exchange Commission and in our reports to our shareholders. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "will" and similar expressions identify forward-looking statements. All statements which address operating performance, events or developments that we expect or anticipate will occur in the future, such as projections about our future results of operations or our financial condition, research, development and commercialization of our product candidates and anticipated trends in our business, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performance, and speak only as of their dates. AtheroGenics undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following are some of the factors that could affect our financial performance or could cause actual results to differ materially from those expressed or implied in our forward-looking statements:

- AGI-1067, AGIX-4207, AGIX-4207 I.V. and AGI-1096 may fail in clinical trials;
- our ability to generate positive cash flow in light of our history of operating losses;
- our ability to successfully develop our other product candidates;
- our ability to commercialize our product candidates if we fail to demonstrate adequately their safety and efficacy;
- possible delays in our clinical trials;
- our inability to predict whether or when we will obtain regulatory approval to commercialize our product candidates or the timing of any future revenue from these product candidates;
- our ability to protect adequately or enforce our intellectual property rights or secure rights to third party patents;
- the ability of our competitors to develop and market anti-inflammatory products that are more effective, have fewer side effects or are less expensive than our current or future product candidates;
- third parties' failure to synthesize and manufacture our product candidates could delay our clinical trials or hinder our commercialization prospects;
- our ability to create sales, marketing and distribution capabilities or enter into agreements with third parties to perform these functions;
- our ability to attract, retain and motivate skilled personnel and cultivate key academic collaborations;
- our inability to obtain additional financing on satisfactory terms, which could preclude us from developing or marketing our products;
- our ability to obtain an adequate level of reimbursement or acceptable prices for our products; and
- if plaintiffs bring product liability lawsuits against us, we may incur substantial financial loss or may be unable to obtain future product liability insurance at reasonable prices, if at all, either of which could diminish our ability to commercialize our future products.

The foregoing list of important factors is not exclusive.

### **Item 3. Quantitative And Qualitative Disclosures About Market Risk**

Market risk represents the risk of loss that may impact our financial position, operating results or cash flows due to changes in U.S. interest rates. This exposure is directly related to our normal operating activities. Our cash, cash equivalents and short-term investments are invested with high quality issuers and are generally of a short-term nature. Interest rates payable on our lease obligations are generally fixed. As a result, we do not believe that near-term changes in interest rates will have a material effect on our future results of operations.

## **PART II - OTHER INFORMATION**

### **Item 2. Changes in Securities and Use of Proceeds**

The Securities and Exchange Commission declared our Registration Statement on Form S-1 (File No. 333-31140) effective August 8, 2000. The net proceeds from the sale of the 6,900,000 shares of common stock registered pursuant to the Registration Statement (including the exercise of the underwriters' over-allotment option) were \$49.4 million after deducting underwriting discounts of \$3.9 million and offering expenses of \$1.9 million.

We expect to use the proceeds from our initial public offering for research and development activities, including clinical trials, process development and manufacturing support, and for general corporate purposes, including working

capital. A portion of the proceeds may be used to acquire or invest in complementary businesses, products or technologies. As of March 31, 2002, the proceeds have been applied toward:

- purchases of fixed assets and leasehold improvements, \$1.9 million;
- operating activities, \$19.2 million; and
- investments in highly liquid, interest bearing, investment grade securities, \$28.3 million.

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

Exhibit No.

- 10.20(a)\* Revolving Promissory Note dated March 6, 2002 between AtheroGenics, Inc. and Silicon Valley Bank.
- 10.20(b)\* Equipment Term Note dated March 6, 2002 between AtheroGenics, Inc. and Silicon Valley Bank.
- 10.20(c)\* Loan and Security Agreement dated March 6, 2002 between AtheroGenics, Inc. and Silicon Valley Bank.
- 10.20(d)\* Negative Pledge Agreement dated March 6, 2002 between AtheroGenics, Inc. and Silicon Valley Bank.

\* Filed herewith.

(b) Reports on Form 8-K

None.

**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.

Date: May 10, 2002

**ATHEROGENICS, INC.**

By: /s/MARK P. COLONNESE

MARK P. COLONNESE

Senior Vice President of Finance and Administration and  
Chief Financial Officer (Principal Accounting and  
Financial Officer)