

ATHEROGENICS INC
Form DEF 14A
April 26, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ATHEROGENICS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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(3) Filing Party:

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April 25, 2007

Dear Shareholder:

You are cordially invited to attend the 2007 Annual Meeting of Shareholders of AtheroGenics, Inc. to be held at the Westin Buckhead Atlanta, 3391 Peachtree Road, Atlanta, Georgia 30326, on Thursday, May 17, 2007, at 9:00 a.m., Eastern Time.

The attached Notice of Annual Meeting and proxy statement describe the formal business to be transacted at the meeting. During the meeting, we will also report on the operations of AtheroGenics during the past year and our plans for the future. Directors and officers of AtheroGenics, as well as representatives from AtheroGenics independent registered public accounting firm, Ernst & Young LLP, will be present to respond to appropriate questions from shareholders.

Please mark, date, sign and return your proxy card in the enclosed envelope or submit a proxy through the internet by following the instructions on the proxy card at your earliest convenience. This will assure that your shares will be represented and voted at the meeting, even if you do not attend.

Sincerely,

MICHAEL A. HENOS
Chairman of the Board

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AtheroGenics, Inc.
8995 Westside Parkway
Alpharetta, Georgia 30004

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 17, 2007

NOTICE HEREBY IS GIVEN that the 2007 Annual Meeting of Shareholders of AtheroGenics, Inc. will be held at the Westin Buckhead Atlanta, 3391 Peachtree Road, Atlanta, Georgia 30326, on Thursday, May 17, 2007 at 9:00 a.m., Eastern Time, for the purposes of considering and voting upon:

1. A proposal to elect three Class I directors to serve until the 2010 Annual Meeting of Shareholders;
2. A proposal to ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of AtheroGenics for the fiscal year ending December 31, 2007; and
3. Such other business as properly may come before the annual meeting or any adjournments thereof. The board of directors is not aware of any other business to be presented to a vote of the shareholders at the annual meeting.

Information relating to the above matters is set forth in the attached proxy statement. Shareholders of record at the close of business on March 16, 2007 are entitled to receive notice of and to vote at the annual meeting and any adjournments thereof.

By Order of the Board of Directors.

MICHAEL A. HENOS
Chairman of the Board

Alpharetta, Georgia
April 25, 2007

PLEASE READ THE ATTACHED PROXY STATEMENT AND PROMPTLY COMPLETE, EXECUTE AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE OR SUBMIT A PROXY THROUGH THE INTERNET BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON IF YOU SO DESIRE.

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AtheroGenics, Inc.
8995 Westside Parkway
Alpharetta, Georgia 30004

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 17, 2007

We are providing this proxy statement to the shareholders of AtheroGenics, Inc. in connection with the solicitation of proxies by AtheroGenics to be voted at the 2007 Annual Meeting of Shareholders and at any adjournments of that meeting. The annual meeting will be held at the Westin Buckhead Atlanta, 3391 Peachtree Road, Atlanta, Georgia 30326, on Thursday, May 17, 2007, at 9:00 a.m., Eastern Time.

When used in this proxy statement, the terms we, us, our and AtheroGenics refer to AtheroGenics, Inc.

The approximate date on which we are first sending this proxy statement and form of proxy card to shareholders is April 25, 2007.

VOTING

General

The securities that can be voted at the annual meeting consist of common stock of AtheroGenics, no par value per share, with each share entitling its owner to one vote on each matter submitted to the shareholders. The record date for determining the holders of common stock who are entitled to receive notice of and to vote at the annual meeting is March 16, 2007.

Quorum and Vote Required

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock of AtheroGenics as of the record date is necessary to establish a quorum at the annual meeting and conduct business. As of the record date, 39,467,927 shares of common stock were outstanding and eligible to vote. Accordingly, 19,733,965 shares must be present at the annual meeting either in person or by proxy in order to hold the annual meeting and conduct business. Your shares will be counted as present at the annual meeting if you properly submit a proxy (even if you do not provide voting instructions) or attend the annual meeting and vote in person.

In voting on the proposal to elect three directors (Proposal 1), shareholders may vote in favor of the nominees, withhold their votes as to the nominees or withhold their votes as to specific nominees. The vote required to approve Proposal 1 is governed by Georgia law and is a plurality of the votes cast by the holders of shares entitled to vote, provided a quorum is present. This means the three nominees receiving the greatest number of votes will be elected. In accordance with Georgia law, votes that are withheld will be counted in determining whether a quorum is present but will have no other effect on the election of the directors.

In voting on the proposal to ratify the audit committee's appointment of the independent registered public accounting firm (Proposal 2), shareholders may vote in favor of the proposal, vote against the proposal or abstain from voting. The vote required to approve Proposal 2 is governed by Georgia law, which provides that the proposal is approved if the number of votes cast for the proposal exceeds the number of votes cast against the proposal, provided a quorum is present. As a result, abstentions will be considered in determining whether a quorum is present but will not be

considered in determining the number of votes required to obtain the necessary vote to approve the proposal.

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Under the rules that govern most domestic stock brokerage firms, firms that hold shares in street name for beneficial owners may, to the extent that such beneficial owners do not furnish voting instructions with respect to any or all proposals submitted for shareholder action, vote in their discretion upon proposals which are considered discretionary proposals under those rules. These votes are considered as votes cast in determining the outcome of any discretionary proposal. Brokerage firms that have received no instructions from their clients as to non-discretionary proposals do not have discretion to vote on these proposals. If the brokerage firm returns a proxy card without voting on a non-discretionary proposal because it received no instructions, this is referred to as a broker non-vote on the proposal. Although these broker non-votes will be considered in determining whether a quorum exists at the annual meeting, they will not be considered as votes cast in determining the outcome of any proposal. AtheroGenics believes that Proposals 1 and 2 are discretionary.

As of March 16, 2007 (the record date for the annual meeting), the directors and executive officers of AtheroGenics beneficially owned or controlled approximately 1,366,322 outstanding shares of common stock of AtheroGenics, constituting approximately 3.5% of the outstanding common stock. AtheroGenics believes that these holders will vote all of their shares of common stock in favor of each of the two proposals.

We will announce preliminary voting results at the meeting. We will publish the final results in our quarterly report on Form 10-Q for the second quarter of 2007. We will file that report with the Securities and Exchange Commission, or SEC, and you can get a copy from:

our website at www.atherogenics.com by clicking on the Investor Relations link, followed by the SEC Filings link,

the SEC's website at www.sec.gov,

the SEC at (800) SEC-0330, or

Investor Relations of AtheroGenics, at 8995 Westside Parkway, Alpharetta, GA 30004.

Proxies

Shareholders should specify their choices with regard to each of the proposals on the enclosed proxy card. All properly executed proxy cards delivered by shareholders to AtheroGenics in time to be voted at the annual meeting and not revoked will be voted at the annual meeting in accordance with the specifications noted on the proxy cards. **In the absence of such specifications, the shares represented by a signed and dated proxy card will be voted FOR the election of the director nominees and FOR the ratification of the appointment of the independent registered public accounting firm.** If any other matters properly come before the annual meeting, the persons named as proxies will vote upon these matters according to their judgment.

Any shareholder delivering a proxy has the power to revoke it at any time before it is voted: (1) by giving written notice to the Corporate Secretary of AtheroGenics, at 8995 Westside Parkway, Alpharetta, GA 30004; (2) by executing and delivering to the Corporate Secretary a proxy card bearing a later date; or (3) by voting in person at the annual meeting. However, under the rules of the national securities exchanges, including the Nasdaq Global Market, or Nasdaq, any beneficial owner of AtheroGenics' common stock whose shares are held in street name by a brokerage firm that is a member of those organizations may revoke his or her proxy and vote his or her shares in person at the annual meeting only in accordance with applicable rules and procedures of those organizations, as employed by the beneficial owner's brokerage firm.

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In addition to soliciting proxies through the mail, we may solicit proxies through our directors, officers and employees in person and by telephone or facsimile. We may also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares held of record by them. AtheroGenics will bear all expenses incurred in connection with the solicitation of proxies.

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Pursuant to our amended and restated articles of incorporation and amended and restated bylaws, our board of directors is divided into three classes, with each director serving a three-year term. Directors are elected to serve until they resign or are removed, or are otherwise disqualified to serve, and until their successors are duly elected and qualified. The directors in Class I, Mr. Bearman, Mr. Bryson and Dr. Dagi, hold office until this annual meeting of shareholders. The directors in Class II, Dr. Alexander, Dr. Barker, Ms. Grayson and Dr. Scott, hold office until the 2008 annual meeting of shareholders. The directors in Class III, Mr. Henos, Dr. Medford and Mr. Pappas, hold office until the 2009 annual meeting of shareholders. No family relationships exist among any of our directors or executive officers.

The board of directors has nominated Mr. Bearman, Mr. Bryson and Dr. Dagi for re-election as Class I directors to serve until the 2010 annual meeting of shareholders.

The nominees have consented to serve another term as directors if re-elected. If the nominees should be unavailable to serve for any reason (which is not anticipated), the board of directors may designate substitute nominees (in which event the persons named on the enclosed proxy card will vote the shares represented by all valid proxy cards for the election of such substitute nominee), allow the vacancies to remain open until a suitable candidate is located, or by resolution provide for a lesser number of directors.

The board of directors unanimously recommends that the shareholders vote FOR the proposal to re-elect David Bearman, Vaughn D. Bryson and T. Forcht Dagi, M.D. as Class I directors for a three-year term expiring at the 2010 Annual Meeting of Shareholders and until their successors have been duly elected and qualified.

Executive Officers and Directors

The following table sets forth certain information regarding our executive officers and directors as of March 1, 2007:

Name	Age	Position
Russell M. Medford, M.D., Ph.D.	52	President, Chief Executive Officer and Director
Mark P. Colonnese	51	Executive Vice President, Commercial Operations and Chief Financial Officer
Robert A. D. Scott, M.D.	53	Executive Vice President, Research and Development and Chief Medical Officer
Joseph M. Gaynor, Jr.	46	Senior Vice President, General Counsel and Corporate Secretary
W. Charles Montgomery, Ph. D.	60	Senior Vice President, Business Development and Alliance Management
Michael A. Henos(1)(4)	57	Chairman of the Board of Directors
R. Wayne Alexander, M.D., Ph.D.(1)(2)	65	Director
Samuel L. Barker, Ph.D.(2)	64	Director
David Bearman(3)	61	Director
Vaughn D. Bryson(1)	68	Director

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T. Forcht Dagi, M.D.(3)	58	Director
Margaret E. Grayson(3)	60	Director
Arthur M. Pappas(2)(3)	59	Director
William A. Scott, Ph.D.(2)	66	Director

(1) Member of the compensation committee.

(2) Member of the corporate governance and nominating committee.

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- (3) Member of the audit committee.
- (4) Mr. Henos resigned from the compensation committee on March 22, 2007 and the board of directors appointed Dr. Barker to fill the position.

Russell M. Medford, M.D., Ph.D. has served as a member of AtheroGenics' board of directors since our inception in 1993. Dr. Medford has been the President and Chief Executive Officer since 1995 after serving as Executive Vice President from 1993 to 1995. Dr. Medford is a director of Inhibitex, Inc., a clinical stage biopharmaceutical company. In addition to serving as Chairman of the Georgia Biomedical Partnership, Dr. Medford serves on the Board of Directors of Southeast BIO (SEBIO) and on BIO (Biotechnology Industry Organization) Emerging Companies Section Governing Body and Health Section Governing Body. He is an inaugural Fellow of the Council on Basic Cardiovascular Sciences of the American Heart Association and has held a number of academic appointments at the Emory University School of Medicine, most recently as Clinical Professor (adjunct) of Medicine. Dr. Medford is a molecular cardiologist whose research has focused on the molecular basis of cardiovascular disease. Dr. Medford received a B.A. from Cornell University, and an M.D. with Distinction and a Ph.D. in molecular and cell biology from the Albert Einstein College of Medicine. Dr. Medford completed his residency in internal medicine at the Beth Israel Hospital and served as a fellow in cardiology at the Brigham and Women's Hospital and Harvard Medical School, where he also served on the faculty of Medicine.

Mark P. Colonnese has served as Executive Vice President, Commercial Operations and Chief Financial Officer since May 2006. He had previously served as our Senior Vice President of Finance and Administration and Chief Financial Officer since 2002, and as our Vice President of Finance and Administration and Chief Financial Officer since 1999. Prior to joining us, Mr. Colonnese was at Medaphis Corporation from 1997 to 1998, serving most recently as Senior Vice President and Chief Financial Officer. Previously, Mr. Colonnese was Vice President of Finance and Chief Financial Officer and a member of the executive committee at AAIPharma Inc., a pharmaceutical development company, from 1993 to 1997. Mr. Colonnese served on the board of directors of Endeavor Pharmaceuticals, Inc. from 1994 to 1997. From 1983 to 1993, Mr. Colonnese held a number of executive and management positions at Schering-Plough Corporation. Mr. Colonnese holds an M.B.A. from Fairleigh Dickinson University and a B.S. magna cum laude from Ithaca College.

Robert A. D. Scott, M.D. has served as Executive Vice President, Research and Development and Chief Medical Officer since May 2006. He had previously served as our Senior Vice President of Clinical Development and Regulatory Affairs and Chief Medical Officer since 2002. From 1992 until joining AtheroGenics, Dr. Scott was with Pfizer Pharmaceutical Group, where he most recently served as Vice President and worldwide medical therapeutic head of the Cardiovascular and Metabolic Group. During his tenure at Pfizer, Dr. Scott also acted as Medical Director of Pfizer's Cardiovascular Risk Factors Group in the U.S., as well as Medical Director of Pfizer Laboratories South Africa. Before joining Pfizer, Dr. Scott served as medical advisor for Janssen Pharmaceutica, where he managed the clinical trial department at the company's South African affiliate. Dr. Scott holds a B.S. and an M.B. Ch.B. from the University of Cape Town and a Dip. Mid. COG from the University of South Africa.

Joseph M. Gaynor, Jr. has served as Senior Vice President, General Counsel and Corporate Secretary since July 2006. He had previously served as our Vice President, General Counsel and Secretary since 2005. From 1995 until joining AtheroGenics, Mr. Gaynor served as Vice President, General Counsel and Secretary for all U.S. subsidiaries of the Belgian pharmaceuticals group, UCB Pharma. In that role, Mr. Gaynor directed a legal department responsible for licensing and collaborations, mergers and acquisitions, healthcare regulatory and corporate compliance matters, and the strategic management of complex litigation. From 1989 to 1995, Mr. Gaynor served as Legal Counsel at Lanier Worldwide, Inc. and from 1986 to 1989 was an associate at the Atlanta law firm of Powell, Goldstein, Frazer & Murphy. Mr. Gaynor received a B.S. in Accounting and Finance from Miami University and his law degree from

Emory University School of Law in Atlanta, Georgia.

W. Charles Montgomery, Ph.D. has served as Senior Vice President, Business Development and Alliance Management since May 2006. He had previously served as our Vice President of Business Development since 2004. From 2002 until joining AtheroGenics, Dr. Montgomery was Vice President of Business Development and Portfolio Planning at Celera Genomics, a business segment of Applera Corporation that was developing

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new therapies to improve human health. From 1987 to 2001, he served in various senior positions for the DuPont Pharmaceuticals Company and the DuPont Merck Pharmaceutical Company, most recently as Vice President and Co-Head of Business Development and Strategic Planning. Dr. Montgomery has a B.S. in Chemistry from the Southern Methodist University in Dallas, Texas and received a Ph.D. in Organic Chemistry from the University of Minnesota.

Michael A. Henos has served as chairman of our board of directors since 1994 and was our Chief Financial Officer from 1994 to 1999. From 1993 to the present, Mr. Henos has served as managing general partner of Alliance Technology Ventures, L.P., a venture capital firm with \$250 million under management which principally invests in southeastern technology startup companies. Mr. Henos served as a general partner of Aspen Ventures, a \$150 million early stage venture capital partnership, from 1991 to 2001. Mr. Henos previously served as a vice president of 3i Ventures Corporation, the predecessor of Aspen Ventures, from 1986 to 1991. From 1984 to 1986, Mr. Henos served as a healthcare consultant with Ernst & Young, specializing in venture financing of startup medical technology companies. Before joining Ernst & Young, Mr. Henos served in a variety of operating management positions and co-founded and served as Chief Executive Officer of ProMed Technologies, Inc. Mr. Henos is the Chairman of the Board of Inhibitex, Inc., a clinical stage biopharmaceutical company.

R. Wayne Alexander, M.D., Ph.D. is our scientific co-founder and has served as a member of our board of directors since our inception in 1993. Dr. Alexander has been a Professor of Medicine since 1988 and Chairman of the Department of Medicine of Emory University School of Medicine and Emory University Hospital since 1999. From 1988 to 1999, Dr. Alexander served as the Director of the Division of Cardiology at the Emory University School of Medicine and Emory University Hospital. Prior to his appointment at Emory University School of Medicine, Dr. Alexander served as Associate Professor of Medicine at Harvard Medical School from 1982 to 1988. Dr. Alexander received his Ph.D. in physiology from Emory University and his M.D. from Duke University School of Medicine. Dr. Alexander completed his residency in internal medicine at the University of Washington and completed his fellowship in cardiology at Duke University.

Samuel L. Barker, Ph.D., was elected to the AtheroGenics board of directors in July 2006. Dr. Barker also serves on the Governance and Nominating Committee of the Board. In 2001, he co-founded Clearview Projects, Inc., a multi-disciplinary advisory firm specializing in strategic thinking, corporate development transactions, product alliances, product strategy/development and executive management, with a focus on the global healthcare sector. He served as President and CEO of Clearview Projects from 2003-2004. From 1990 until his retirement in 1999, Dr. Barker held several executive positions at Bristol Myers-Squibb. These positions included serving as Executive Vice President, Worldwide Franchise Management and Strategy from 1998 to 1999. From 1992 through November 1997 he served as President, United States Pharmaceuticals and from 1990 to 1992 as President, Bristol Myers Squibb Intercontinental Commercial Operations. Dr. Barker has been the Chairman of the Board of Lexicon Genetics, Inc., since March 2005 and serves on the Board of Directors of Cadence Pharmaceuticals, Inc. in San Diego, California. He is an Advisor to Symphony Capital, a private equity partnership. He is a member of the Board of Trustees, the Cancer Institute of New Jersey. Dr. Barker received a B.S. from Henderson State College, and holds graduate degrees from the University of Arkansas and Purdue University.

David Bearman joined our board of directors in November 2002 and was also appointed to serve as the chairman of the Audit Committee. Since March 2006, Mr. Bearman has been the Senior Vice President and Chief Financial Officer of Home Depot Supply, a distributor of construction, repair and maintenance products. From March 2003 until March 2006, Mr. Bearman served in a similar capacity with Hughes Supply Company, Inc. before its acquisition by The Home Depot, Inc. From 1998 until his retirement in 2001, Mr. Bearman served as the Senior Vice President and Chief Financial Officer of NCR Corporation, a global technology company, and as a member of the NCR Executive Committee. From 1989 to 1998, Mr. Bearman served as the Executive Vice President and Chief Financial Officer of Cardinal Health, Inc., a provider of products and services to healthcare providers and manufacturers.

Vaughn D. Bryson has served as a member of our board of directors since February 2000. Mr. Bryson was a 32-year employee of Eli Lilly & Company and served as President and Chief Executive Officer of Eli

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Lilly from 1991 to 1993. Mr. Bryson was Executive Vice President of Eli Lilly from 1986 until 1991 and served as a member of Eli Lilly's board of directors from 1984 until his retirement in 1993. He serves as the President of Clinical Products, Ltd., a medical foods company that he founded in 1999. Mr. Bryson was Vice Chairman of Vector Securities International from 1994 to 1996. He is also a director of Amylin Pharmaceuticals Inc. Mr. Bryson received a B.S. degree in Pharmacy from the University of North Carolina and completed the Sloan Program at the Stanford University Graduate School of Business.

T. Forcht Dagi, M.D., M.P.H., F.A.C.S., F.C.C.M. has served as a member of our board of directors since 1999. Dr. Dagi is a partner at HLM Venture Partners in Boston. Previously, since 1996, he served as a Managing Partner of Cordova Ventures, LLP, a venture firm with over \$250 million under management. Prior to joining Cordova, Dr. Dagi served as director and principal of Access Partners, an early stage biotechnology fund. Dr. Dagi serves as a director of privately-held Encelle, Inc. He chairs the New Technologies Committee of the American College of Surgeons and the Ethics Committee of the American Association of Neurological Surgeons. Dr. Dagi currently serves as director of the Goergen Entrepreneurial Institute and of the Alumni Advisory Board of the Wharton School. Dr. Dagi teaches biomedical entrepreneurship at the Harvard-MIT Department of Health Sciences and Technology, and serves as Senior Advisor to the National Institutes of Health in the Commercialization Assistance Program. Dr. Dagi holds an A.B. from Columbia College, an M.D. and an M.P.H. from Johns Hopkins, an M.T.S. from Harvard University, and an M.B.A. from the Wharton School of the University of Pennsylvania. Dr. Dagi trained in neurosurgery at the Massachusetts General Hospital and Harvard University, where he was a Neuroresearch Foundation Fellow and Joseph P. Kennedy, Jr., Fellow. He is a diplomat of the American Board of Neurological Surgeons and a Fellow of the American College of Surgeons and the College of Critical Care Medicine.

Margaret E. (Peg) Grayson was elected to the AtheroGenics board of directors in July 2006. Ms. Grayson also serves on the Audit Committee of the Board. She is the President of Grayson & Associates, a management consulting and advisory practice for audit, policy and regulatory compliance and is an Assistant Professor of Finance and Accounting at Hartwick College in New York. Ms. Grayson served as President of AEP Government Solutions Group and Executive Vice President of AEP Networks. She served as President and CEO of V-ONE Corporation from 2000, before it combined with AEP Networks in 2005. Prior to joining V-ONE, Ms. Grayson served as Chief Financial Officer for SPACEHAB, Inc., and for Sirius Satellite Radio, dba, CD Radio, Inc. in Washington, D.C. She is a member of the National Infrastructure Advisory Council (NIAC), serving at the request of President George W. Bush, and provides advice to the Secretary of Homeland Security and the President on the security of our Nation's critical infrastructure. Ms. Grayson is a member of the Financial Executives Institute of Washington D.C., the Potomac Officers Club and has been named to Maryland's Top 100 Women. She is a member of the Dean's Advisory Council for the School of Management at the State University of New York, and the Advisory Board for the Center of Excellence in Information Assurance at SUNY Buffalo. Ms. Grayson holds an M.B.A. from the University of South Florida and a B.S. in Accounting from the State University of New York at Buffalo.

Arthur M. Pappas has served as a member of our board of directors since June 1995. Mr. Pappas is Managing Partner of A. M. Pappas & Associates, LLC, a life science venture capital firm. Prior to founding the firm in 1994, Mr. Pappas held senior level positions at several multinational pharmaceutical companies. He was an executive member of the board of directors of Glaxo Holdings plc, now GlaxoSmithKline, for which he was responsible for international operations including research, development and manufacturing. Mr. Pappas has held various senior executive positions with Abbott Laboratories International, Merrell Dow Pharmaceuticals and the Dow Chemical Company, in the United States and internationally. Mr. Pappas is a director of privately held Genstruct, Inc., BrainCells, Inc. and CoLucid Pharmaceuticals. Mr. Pappas received a B.S. in biology from Ohio State University and an M.B.A. in finance from Xavier University.

William A. Scott, Ph.D. has served as a member of our board of directors since 1997. Dr. Scott served as Chief Executive Officer and a member of the board of directors of Physiome Sciences, Inc., a company that specializes in

the design of computer models of human organs, from 1997 to 1999. From 1983 to 1996, Dr. Scott held numerous positions at the Bristol-Myers Squibb Research Institute, most recently as Senior Vice President of Drug Discovery from 1990 until 1996. Dr. Scott has served as an Adjunct Professor at the Rockefeller University since 1983 and as an Associate Dean and Associate Professor at Rockefeller University.

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Dr. Scott has been a director of Avalon Pharmaceuticals, Inc., a clinical stage biopharmaceutical company, since 1999 and Deltagen, Inc., a provider of drug discovery tools, since 2001.

Board Meetings and Committees

During the year ended December 31, 2006, the board of directors held five meetings. The board has also established three committees: an audit committee, a compensation committee and a corporate governance and nominating committee. During the year ended December 31, 2006, the audit committee held eight meetings, the compensation committee held four meetings and corporate governance and nominating committee held four meetings. Each director attended at least 75% of the aggregate meetings of the board of directors and any committee on which he or she served. Our board of directors has determined that, except for Dr. Medford, all of our directors are independent as defined by the listing standards of Nasdaq.

All members of the board of directors are strongly encouraged, but not required, to attend AtheroGenics' annual meetings of shareholders. At our 2006 Annual Meeting of Shareholders, all of the directors then in office were in attendance.

Audit Committee. The audit committee, which consists of Mr. Bearman, Chairman, Dr. Dagi, Ms. Grayson and Mr. Pappas, is responsible for appointing and overseeing the performance of our independent registered public accounting firm, overseeing our accounting and financial reporting process and reviewing the scope, results and costs of the audits and other services provided by our independent registered public accounting firm. The audit committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The audit committee members are independent directors and meet applicable audit committee independence requirements of Nasdaq listing standards and SEC regulations. The board of directors has determined that Mr. Bearman is an audit committee financial expert.

Compensation Committee. The compensation committee, which consists of Mr. Bryson, Chairman, Dr. Alexander and Mr. Henos, reviews and approves the compensation and benefits for our executive officers, administers our equity ownership plans, and makes recommendations to the board of directors regarding these matters. The members of the compensation committee are independent under Nasdaq listing standards.

Corporate Governance and Nominating Committee. The corporate governance and nominating committee, which consists of Dr. Alexander, Chairman, Dr. Barker, Mr. Pappas and Dr. Scott, oversees all aspects of our corporate governance functions on behalf of the board, including identifying and reviewing the qualifications of candidates to recommend for nomination to the board of directors, reviewing the composition of the board and its committees, monitoring board effectiveness, ensuring compliance with applicable Nasdaq and SEC requirements and making other recommendations to the board regarding matters related to our directors. The corporate governance and nominating committee members are independent directors under Nasdaq listing standards. A copy of the corporate governance and nominating committee charter and our corporate governance guidelines are available on our website at www.atherogenics.com.

The corporate governance and nominating committee has not established any specific minimum qualifications that must be met for recommendation for a position on the board of directors. In considering potential candidates, the committee will include in their assessment attributes that they believe will be most beneficial to the functioning of the board. These attributes, as well as others that are deemed necessary or appropriate, include fulfillment of necessary independence requirements, the highest ethical standards and integrity, an ability to provide wise, informed and thoughtful counsel to senior management on a range of issues and individual backgrounds that provide a diverse experience and knowledge commensurate with our needs.

The corporate governance and nominating committee will use its network of contacts and may also engage a consulting or professional search firm to assist in locating qualified candidates for the board of directors. In 2006, a third-party search firm was contracted to assist in finding qualified candidates to fill the vacancies on the board of directors. The committee will also consider nominations submitted by the

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shareholders using the procedures set forth in our bylaws. To recommend a nominee, a shareholder must submit the following information to the committee:

the nominee's name, age, business address and residence address;

the nominee's principal occupation or employment;

the shareholder's name and address;

the number of shares of our common stock beneficially owned by the nominee and by the shareholder; and

any other information that would be required to be disclosed in the proxy statement pursuant to Regulation 14A under the Exchange Act.

This information must be received by the corporate governance and nominating committee at least 120 days prior to the anniversary of the date on which AtheroGenics first mailed its proxy materials for the prior year's annual meeting of shareholders. For the proxy materials relating to the 2008 annual meeting, this date would be December 27, 2007. All notices should be sent to AtheroGenics, Inc., c/o Corporate Secretary, 8995 Westside Parkway, Alpharetta, Georgia 30004. The corporate governance and nominating committee may request other information from the nominee or shareholder to evaluate the nominee or comply with Regulation 14A or other applicable rules and regulations, including Nasdaq requirements, which information must be provided within the time frame provided by the committee for the nominee to be considered. Nominees recommended by a shareholder will be evaluated on the same basis as other nominees.

Communication with the Board of Directors

Shareholders and other interested parties may communicate with the board by writing to the attention of the Board of Directors c/o Corporate Secretary, AtheroGenics, Inc., 8995 Westside Parkway, Alpharetta, Georgia 30004.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

Director Compensation

Prior to September 2006, non-employee directors each received \$30,000 in base annual compensation payable in equal quarterly installments, plus \$5,000 for each additional committee membership unless serving as the chairman of the applicable committee, \$10,000 for the chairman of the compensation committee and the corporate governance and nominating committee, \$15,000 for the chairman of the audit committee and \$40,000 for the chairman of the board of directors. Upon initial election to the board of directors, each non-employee director was granted a non-qualified stock option to acquire 24,000 shares of common stock. The exercise price was equal to the fair market value of our common stock on the date of grant and the options vested one-third at the time of election and one-third on each of the first and second anniversaries of election. The chairman and non-employee directors also received annually 36,000 and 16,000, respectively, non-qualified stock options. The exercise price is equal to the fair market value of our common stock on the date of grant and the options vest monthly over one year. In addition, we reimbursed all of our directors for ordinary and necessary travel expenses to attend board and committee meetings.

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After September 2006, non-employee directors each receive \$40,000 in base annual compensation payable in equal quarterly installments, plus \$10,000 for each additional committee membership unless serving as the chairman of the applicable committee, \$15,000 for the chairman of the compensation committee, \$10,000 for the corporate governance and nominating committee, \$20,000 for the chairman of the audit committee and \$55,000 for the chairman of the board of directors. Upon initial election to the board of directors, each non-employee director is granted a non-qualified stock option to acquire 24,000 shares of common stock. The

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exercise price is equal to the fair market value of our common stock on the date of grant and the option vests one-third at the time of election and one-third on each of the first and second anniversaries of election. The chairman and non-employee directors also receive annually 40,000 and 20,000, respectively, non-qualified stock options. The exercise price is equal to the fair market value of our common stock on the date of grant and the options vest monthly over one year. In addition, we reimburse all of our directors for ordinary and necessary travel expenses to attend board and committee meetings.

The following table sets forth all of the compensation awarded to, earned by or paid to AtheroGenics non-employee directors during 2006.

Name	Fees Earned or Paid in Cash (\$)	Option Awards \$(1)	Total (\$)
Michael A. Henos	\$ 82,500	\$ 295,725	\$ 378,225
R. Wayne Alexander	41,250	131,433	172,683
Samuel L. Barker	20,204	26,608	46,812
David Bearman	48,750	131,433	180,183
Vaughn D. Bryson	47,500	131,433	178,933
T. Forcht Dagi	38,750	131,433	170,183
Margaret E. Grayson	20,204	26,608	46,812
Arthur M. Pappas	45,000	131,433	176,433
William A. Scott	42,500	131,433	173,933

- (1) Represents the compensation costs recognized for financial reporting purposes for the year ended December 31, 2006, excluding estimated forfeitures, in accordance with Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, or FAS 123(R). See Note 1 *Description of Business and Significant Accounting Policies - Stock-Based Compensation* in our Annual Report on Form 10-K filed March 7, 2007 for a discussion of all assumptions made by AtheroGenics in determining the FAS 123(R) value of its option awards.

At December 31, 2006, the aggregate number of option awards outstanding was: Mr. Henos 123,300 shares; Dr. Alexander 104,900 shares; Dr. Barker 24,000 shares; Mr. Bearman 28,000 shares; Mr. Bryson 44,000 shares; Dr. Dagi 72,800 shares; Ms. Grayson 24,000 shares; Mr. Pappas 54,200 shares; and Dr. Scott 56,100 shares.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information provided to us by each of the following as of March 1, 2007 (unless otherwise indicated) regarding their beneficial ownership of our common stock:

each person who is known by us to beneficially own more than 5% of our common stock;

our Chief Executive Officer and each of the executive officers named in the Summary Compensation Table in this proxy statement;

each of our directors; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, or SEC, and includes voting and investment power with respect to the securities. Except as indicated by footnote, and subject to applicable community property laws, the persons and entities named in the table below have sole voting and sole investment power with respect to the shares set forth opposite each person's or entity's name.

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Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days after April 13, 2007 are deemed outstanding for purposes of computing the percentage ownership of the person holding such options or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the address for each of the individuals listed in the table is c/o AtheroGenics, Inc., 8995 Westside Parkway, Alpharetta, Georgia 30004.

Beneficial Owner	Common Stock Beneficially Owned	
	Number of Shares	Percent of Class
OppenheimerFunds, Inc. Two World Financial Center 225 Liberty Street, 11th Floor New York, New York 10281	5,700,500(1)	14.4%
Atticus Capital, LP 152 West 57th Street, 45th Floor New York, New York 10019	5,577,060(2)	14.1%
Wellington Management Company, LLP 75 State Street Boston, Massachusetts 02109	5,523,359(3)	14.0%
Eastbourne Capital Management, LLC. 1101 Fifth Avenue, Suite 160 San Rafael, California 94901	4,501,455(4)	11.4%
Meditor Group Ltd. 79 Front Street Hamilton, Bermuda DO HM11	3,739,600(5)	9.5%
Bank of America Corporation. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, North Carolina 28255	2,397,789(6)	6.1%
D.E. Shaw Valence Portfolios, LLC. 120 W. 45th Street, Tower 45, 39th Floor New York, New York 10036	2,236,083(7)	5.7%
Barclays Global Investors, NA 1101 Fifth Avenue, Suite 160 San Rafael, California 94901	2,088,121(8)	5.3%
Russell M. Medford, M.D., Ph.D.	1,809,341(9)	4.6%
R. Wayne Alexander, M.D., Ph.D.	540,800(10)	1.4%
Mark P. Colonese		