

ATHEROGENICS INC
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March 24, 2006

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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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March 24, 2006

Dear Shareholder:

You are cordially invited to attend the 2006 Annual Meeting of Shareholders of AtheroGenics, Inc. to be held at the Westin Buckhead Atlanta, 3391 Peachtree Road, Atlanta, Georgia 30326, on Wednesday, April 26, 2006, 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

AtheroGenics, Inc.
8995 Westside Parkway
Alpharetta, Georgia 30004
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held April 26, 2006

NOTICE HEREBY IS GIVEN that the 2006 Annual Meeting of Shareholders of AtheroGenics, Inc. will be held at the Westin Buckhead Atlanta, 3391 Peachtree Road, Atlanta, Georgia 30326, on Wednesday, April 26, 2006 at 9:00 a.m., Eastern Time, for the purposes of considering and voting upon:

1. A proposal to elect three Class III directors to serve until the 2009 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, 2006;
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 1, 2006 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
March 24, 2006

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.

AtheroGenics, Inc.
8995 Westside Parkway
Alpharetta, Georgia 30004
PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS
To Be Held April 26, 2006

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 2006 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 Wednesday, April 26, 2006, 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 March 24, 2006.

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 1, 2006.

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, 39,345,181 shares of common stock were outstanding and eligible to vote. Accordingly, 19,678,591 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.

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 1, 2006 (the record date for the annual meeting), the directors and executive officers of AtheroGenics beneficially owned or controlled approximately 1,225,518 outstanding shares of common stock of AtheroGenics, constituting approximately 3.1% 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.

Proxies

Shareholders should specify their choices with regard to each of the two 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: (i) by giving written notice to the Secretary of AtheroGenics, at 8995 Westside Parkway, Alpharetta, GA 30004; (ii) by executing and delivering to the Secretary a proxy card bearing a later date; or (iii) by voting in person at the annual meeting. However, under the rules of the national securities exchanges and the Nasdaq National Market (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.

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.

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, 2006 (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 (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.

Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days after March 1, 2006 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
Atticus Management, LLC 152 West 57th Street, 45th Floor New York, New York 10019	5,592,660(1)	14.2%
Wellington Management Company, LLP 75 State Street Boston, Massachusetts 02109	5,223,157(2)	13.8%
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	4,936,300(3)	13.0%
Farallon Capital Partners, L.P. One Maritime Plaza, Suite 1325 San Francisco, California 94111	3,400,000(4)	9.0%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	3,353,300(5)	8.5%
Eastbourne Capital Management, L.L.C. 1101 Fifth Avenue, Suite 160 San Rafael, California 94901	3,119,842(6)	8.2%
Columbia Wanger Asset Management, L.P. 227 West Monroe Street, Suite 3000 Chicago, Illinois 60606	2,005,300(7)	5.3%
Russell M. Medford, M.D., Ph.D.	1,679,961(8)	4.3%
R. Wayne Alexander, M.D., Ph.D.	524,800(9)	1.3%
Mark P. Colonnese	303,220(10)	*
Michael A. Henos	217,300(11)	*
Vaughn D. Bryson	137,832(12)	*
Robert A. D. Scott, M.D.	105,780(13)	*
T. Forcht Dagi, M.D.	83,145(14)	*
William A. Scott, Ph.D.	81,900(15)	*
David Bearman	57,600(16)	*
Arthur M. Pappas	45,200(17)	*
W. Charles Montgomery, Ph. D	43,500(18)	*

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Joseph M. Gaynor, Jr.

*

All directors and executive officers as a group (13 persons)	3,280,238(19)	8.3%
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* Less than one percent (1%) of outstanding shares.

- (1) The amount shown and the following information was provided by Atticus Management, LLC pursuant to a Schedule 13G/ A dated February 14, 2006, indicating beneficial ownership as of December 31, 2005. The Schedule 13G/ A indicates that Atticus Management, LLC has sole voting and dispositive power with respect to 5,592,660 shares. According to the Schedule 13G/ A, Timothy R. Barakett holds shared voting and dispositive power over the shares held by Atticus Management, LLC.
- (2) The amount shown and the following information was provided by Wellington Management Company, LLP pursuant to a Schedule 13G/ A dated February 14, 2006, indicating beneficial ownership as of December 30, 2005. The Schedule 13G/ A indicates that Wellington Management Company, LLP is an investment advisor registered under Section 203 of the Investment Advisor Act of 1940 and has indicated that it has shared voting power with respect to 4,769,087 shares and shared dispositive power with respect to 5,187,157 shares as a result of acting as an investment advisor to various clients.
- (3) The amount shown and the following information was provided by FMR Corp. pursuant to a Schedule 13G/ A dated February 14, 2006, indicating beneficial ownership as of December 31, 2005. The Schedule 13G/ A indicates that FMR Corp., on behalf of certain of its direct and indirect subsidiaries, and Fidelity Management and Research Company, on behalf of certain of its direct and indirect subsidiaries (collectively, Fidelity), indirectly held the indicated number of shares. The beneficial ownership of the shares arises in the context of passive investment activities by the various investment accounts managed by Fidelity, and the Board of Trustees of the Fidelity Funds has sole voting and dispositive power over all of the shares indicated. According to the Schedule 13G/ A, Edward C. Johnson 3d and FMR Corp. also hold sole voting and dispositive power over the shares held by Fidelity.
- (4) The amount shown and the following information was provided by Farallon Capital Management, L.L.C. pursuant to a Schedule 13G/ A dated October 11, 2005, indicating beneficial ownership as of September 30, 2005. The Schedule 13G/ A indicates that Farallon Capital Management, L.L.C. and Farallon Partners, L.L.C., on behalf of certain of its partnerships (collectively, Farallon), indirectly held the indicated number of shares. The beneficial ownership of the shares arises in the context of passive investment activities by the various investment accounts managed by Farallon, and Farallon has shared voting and dispositive power over all of the shares indicated. According to the Schedule 13G/ A, Chun R. Dung, Joseph F. Downes, William F. Duhamel, Charles E. Ellwein, Richard B. Fried, Monica R. Landry, William F. Mellin, Stephen L. Millham, Rajiv A. Patel, Derek C. Schrier, Thomas F. Steyer and Mark C. Wehrly also hold shared voting and dispositive power over the shares held by Farallon.
- (5) The amount shown and the following information was provided by T. Rowe Price Associates, Inc. pursuant to a Schedule 13G/ A dated February 14, 2006, indicating beneficial ownership as of December 31, 2005. The Schedule 13G/ A indicates that T. Rowe Price Associates, Inc. is an investment advisor registered under Section 203 of the Investment Advisor Act of 1940 and has indicated that it has sole voting power with respect to 831,400 shares and sole dispositive power with respect to 3,353,300 shares as a result of acting as an investment advisor to various clients.
- (6) The amount shown and the following information was provided by Eastbourne Capital Management, L.L.C. pursuant to a Schedule 13G dated February 9, 2006, indicating beneficial ownership as of December 31, 2005. Richard John Barry and Black Bean Offshore Master Fund, L.P., have shared voting and dispositive power over 3,119,842 and 2,075,735, respectively, of the shares held by Eastbourne Capital Management, L.L.C.
- (7) The amount shown and the following information was provided by Columbia Wanger Asset Management, L.P. pursuant to a Schedule 13G dated February 14, 2006, indicating beneficial ownership as of December 31, 2005. The Schedule 13G indicates that Columbia Wanger Asset Management, L.P., an investment advisor registered under Section 203 of the Investment Advisor Act of 1940, and WAM Acquisition GP, Inc., its general partner, had shared voting and dispositive

power with regard to 2,005,300 shares as a result of Columbia Wanger Asset Management, L.P. acting as an investment advisor to various clients.

- (8) Includes 1,205,320 shares subject to options exercisable within 60 days and 100,000 shares owned by Medford Future Fund, LLLP, a family limited liability limited partnership of which Dr. Medford is the general partner. As the general partner, Dr. Medford exercises voting and investment power over these shares.
- (9) Includes 88,900 shares subject to options exercisable within 60 days and 100,000 shares owned by Jane Alexander, Dr. Alexander's spouse.
- (10) Includes 303,220 shares subject to options exercisable within 60 days.
- (11) Includes 87,300 shares subject to options exercisable within 60 days.
- (12) Includes 28,000 shares subject to options exercisable within 60 days.
- (13) Includes 105,780 shares subject to options exercisable within 60 days.
- (14) Includes 56,800 shares subject to options exercisable within 60 days.
- (15) Includes 40,100 shares subject to options exercisable within 60 days.
- (16) Includes 57,600 shares subject to options exercisable within 60 days.
- (17) Includes 38,200 shares subject to options exercisable within 60 days.
- (18) Includes 43,500 shares subject to options exercisable within 60 days.
- (19) Includes 2,054,720 shares subject to options exercisable within 60 days.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In January 1995, we entered into a license agreement with Emory University. Under the terms of this agreement, Emory granted to us an exclusive right and license to make, use and sell products utilizing inventions claimed in several patents developed by employees of Emory. The Emory employees who developed the licensed patents include Russell M. Medford, M.D., Ph.D., our President, Chief Executive Officer and director, and R. Wayne Alexander, M.D., Ph.D., a member of our board of directors. The license agreement required us to make royalty payments to Emory based on certain percentages of net revenue we derive from sales of products utilizing inventions claimed in the licensed patents and from sublicensing of the licensed patents. The license agreement also provided for milestone payments to Emory upon the occurrence of certain events relating to the development of products utilizing the licensed patents. Drs. Alexander, Medford and/or Margaret K. Offermann, M.D., Ph.D., Dr. Medford's wife, will receive a portion of our payments to Emory under the license agreement. We paid a signing fee to Emory upon the execution of this agreement and an additional amount for achievement of the first and second milestone under the agreement. The Emory license agreement was amended in August 2005 to eliminate any further milestone payments and to provide that Emory will receive a percentage of any milestone payments or royalties received by AtheroGenics related to the development and sale of products utilizing the Emory patents.

In 2005, we had a sublease agreement with Inhibitex, Inc. for a portion of our office and laboratory space. The monthly lease payments averaged approximately \$14,200 in 2005. The lease term expired December 31, 2005. Dr. Medford, our President and Chief Executive Officer, and Mr. Henos, the Chairman of our board of directors, are both directors of Inhibitex.

PROPOSAL 1 ELECTION OF DIRECTORS

Nominees

Pursuant to our amended and restated articles of incorporation and amended and restated bylaws, as amended, 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 the 2007 annual meeting of shareholders. The directors in Class II, Dr. Alexander 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 this annual meeting of shareholders. No family relationships exist among any of our directors or executive officers. Class II currently has two vacancies while the board of directors seeks appropriate candidates to fill the seats. Pursuant to AtheroGenics' articles of incorporation, a vote of the majority of the board of directors may fill these vacancies. Any director chosen to fill either of these vacancies will hold office for the remaining term of the Class II directors.

The board of directors has nominated Mr. Henos, Dr. Medford and Mr. Pappas for re-election as Class III directors to serve until the 2009 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 Michael A. Henos, Russell M. Medford, M.D., Ph.D. and Arthur M. Pappas as Class III directors for a three-year term expiring at the 2009 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, 2006:

Name	Age	Position
Russell M. Medford, M.D., Ph.D.	51	President, Chief Executive Officer and Director
Mark P. Colonnese	50	Senior Vice President of Finance and Administration, and Chief Financial Officer
Robert A. D. Scott, M.D.	52	Senior Vice President of Clinical Development and Regulatory Affairs and Chief Medical Officer
Joseph M. Gaynor, Jr.(1)	45	Vice President, General Counsel and Secretary
W. Charles Montgomery, Ph. D	59	Vice President of Business Development
Michael A. Henos(2)	56	Chairman of the Board of Directors
R. Wayne Alexander, M.D., Ph.D.(3)	64	Director
David Bearman(4)	60	Director
Vaughn D. Bryson(2)(3)	67	Director
T. Forcht Dagi, M.D.(4)	57	Director
Arthur M. Pappas(3)(4)	58	Director
William A. Scott, Ph.D.(2)	65	Director

(1) Mr. Gaynor joined AtheroGenics in June 2005.

(2) Member of the compensation committee.

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

(4) Member of the audit committee.

Russell M. Medford, M.D., Ph.D. has served as a member of AtheroGenics' board of directors since the Company's 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 Southeastern Life Sciences Association (SELSA) Board of Directors and the Biotechnology Industry Organization's (BIO) Emerging Companies 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 Senior Vice President of Finance and Administration and Chief Financial Officer since January 2002. He had previously served 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. joined AtheroGenics in August 2002 as Senior Vice President of Clinical Development and Regulatory Affairs and Chief Medical Officer. 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. joined AtheroGenics in June 2005 as Vice President, General Counsel and Secretary. 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. joined AtheroGenics in February 2004 as Vice President of Business Development. 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 develops 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.

David Bearman joined our board of directors in November 2002 and was also appointed to serve as the chairman of the Audit Committee. Mr. Bearman has served as the Executive Vice President and Chief Financial Officer of Hughes Supply, Inc., a distributor of construction, repair and maintenance products, since March 2003. 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 and served in a consulting role from February 2000 until February 2004. Mr. Bryson was a 32-year employee of Eli Lilly & Company and served as President and Chief Executive Officer of Eli 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., Chiron Corporation and ICOS Corporation. 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. Since 1996, Dr. Dagi has been 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 AviGenics, Inc., Encelle, Inc. and ICORE, 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. He chairs the Scientific Advisory Board for Oxford Finance Corporation, and serves as a member of the Scientific Advisory Boards of Vengrowth, Inc., Aegera, Inc., and GB Therapeutics, Inc. 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.

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., Syntonix Pharmaceuticals, BrainCells, Inc. and CoLucid. 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 and served in a consulting role as our Vice President of Research from May 2000 to May 2001. 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. 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, 2005, the board of directors held ten 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, 2005, the audit committee held nine meetings, the compensation committee held six 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 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 2005 Annual Meeting of Shareholders, eight of the directors then in office were in attendance.

Audit Committee. The audit committee, which consists of Mr. Bearman, Chairman, Dr. Dagi 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. The audit committee members are independent directors and meet applicable audit committee independence requirements of the 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 Dr. Scott, Chairman, Mr. Bryson 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 Mr. Bryson, Chairman, Dr. Alexander and Mr. Pappas, 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 top 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 2005, 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 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 2007 annual meeting, this date would be November 24, 2006. 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.

Shareholder Communication with the Board of Directors

Shareholders 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.

Director Compensation

Non-employee directors each receive \$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 is granted a non-qualified stock option to acquire 24,000 shares of common stock. The 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 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 reimburse all of our directors for ordinary and necessary travel expenses to attend board and committee meetings.

EXECUTIVE COMPENSATION

The following table summarizes the compensation paid to or earned during the years ended December 31, 2005, 2004 and 2003 by our Chief Executive Officer and each of our four most highly compensated executive officers whose total salary and bonus exceeded \$100,000 for services rendered to us in all capacities during 2005, 2004 and 2003. The executive officers listed in the table below are referred to as the named executive officers.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation	All Other Compensation(1)
		Salary	Bonus	Securities Underlying Options (Number of Shares)	
Russell M. Medford, M.D., Ph.D.	2005	\$ 368,706	\$ 365,108		\$ 13,575
President and Chief Executive Officer	2004	354,525	134,720	140,000	13,323
	2003	337,672	128,304	120,000	12,433
Mark P. Colonnese	2005	283,820	229,470		11,525
Senior Vice President of Finance and Administration and Chief Financial Officer	2004	272,904	76,429	60,000	10,081
	2003	255,050	67,843	57,000	8,604
Robert A. D. Scott, M.D.	2005	286,741	130,288		11,474
Senior Vice President of Drug Development and Regulatory Affairs and Chief Medical Officer	2004	275,713	77,200	60,000	11,174
	2003	250,000	77,000	66,000	132,453(2)
Joseph M. Gaynor, Jr.(4)	2005	125,000	156,250(3)	50,000	1,420
Vice President, General Counsel and Secretary					
W. Charles Montgomery, Ph.D.	2005	260,000	140,000		11,712
Vice President of Business Development	2004	210,256	122,500(3)	100,000	144,412(2)

- (1) Includes a 401(k) plan matching contribution by us for 2005, 2004 and 2003, respectively, in the amounts of \$6,500, \$6,479 and \$6,000 for Dr. Medford; \$7,000, \$6,500 and \$6,000 for Mr. Colonnese and \$6,500, \$6,500 and \$6,000 for Dr. Scott and for 2005, \$7,000 for Dr. Montgomery and \$313 for Mr. Gaynor. Also includes premiums for long-term disability insurance and term life insurance paid by us for 2005, 2004 and 2003, respectively, in the amounts of \$7,075, \$6,844 and \$6,433 for Dr. Medford; \$4,525,

- \$3,581 and \$2,604 for Mr. Colonnese and \$4,974, \$4,674 and \$4,650 for Dr. Scott, and for 2005 and 2004, respectively, \$4,712 and \$1,971 for Dr. Montgomery and for 2005, \$1,107 for Mr. Gaynor.
- (2) Includes reimbursement for moving and relocation expenses paid by us for 2003 in the amount of \$122,491 for Dr. Scott and for 2004 in the amount of \$142,441 for Dr. Montgomery.
- (3) Includes a signing bonus for 2005 in the amount of \$50,000 for Mr. Gaynor and for 2004 in the amount of \$60,000 for Dr. Montgomery.
- (4) Mr. Gaynor joined AtheroGenics in June 2005.

Option Grants in Year Ended December 31, 2005

The following table sets forth information concerning the individual grants of stock options to each of the named executive officers during the fiscal year ended December 31, 2005. All options were granted under our 2004 Equity Ownership Plan. Each option has a ten-year term, subject to earlier termination if the optionee's service with us terminates. Options vest at the rate of 25% on the first anniversary of the vesting commencement date and 2%-3% monthly thereafter in 36 installments. All options were granted with exercise prices equal to the fair market value on the date of the grant.

Name	Individual Grant		Exercise		Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
	No. of Securities Underlying Options Granted (#)(1)	Percent of Total Options Granted to Employees in Fiscal Year (2)	Price (\$/Share)	Expiration Date	5%	10%
Russell M. Medford, M.D., Ph.D.			\$		\$	\$
Mark P. Colonnese						
Robert A. D. Scott, M.D.						
Joseph M. Gaynor, Jr.	50,000					