ATHEROGENICS INC
Form DEF 14A
April 18, 2008

**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 þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule 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):

þ No fee required.

o 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:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 18, 2008

Dear Shareholder:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of AtheroGenics, Inc. to be held at the Westin Buckhead Atlanta, 3391 Peachtree Road, Atlanta, Georgia 30326, on Thursday, May 22, 2008 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 May 22, 2008**

NOTICE HEREBY IS GIVEN that the 2008 Annual Meeting of Shareholders of AtheroGenics, Inc. will be held at the Westin Buckhead Atlanta, 3391 Peachtree Road, Atlanta, Georgia 30326, on Thursday, May 22, 2008, at 9:00 a.m., Eastern Time, for the purposes of considering and voting upon:

1. A proposal to elect four Class II directors to serve until the 2011 Annual Meeting of Shareholders;

2. A proposal to approve the AtheroGenics, Inc. 2008 Equity Ownership Plan (the Plan );

3. A proposal to ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of AtheroGenics, Inc. for the fiscal year ending December 31, 2008; and

4. 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 24, 2008 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 18, 2008

**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 May 22, 2008**

We are providing this proxy statement to the shareholders of AtheroGenics, Inc. in connection with the solicitation of proxies by the board of directors of AtheroGenics, Inc. to be voted at the 2008 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 22, 2008, 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 18, 2008.

## 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 24, 2008.

### 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, 39,518,492 shares of common stock were outstanding and eligible to vote. Accordingly, 19,759,247 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 four directors (Proposal 1), shareholders may vote in favor of the nominees, withhold their votes as to all 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 four 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 approve the Plan (Proposal 2) and the proposal to ratify the audit committee s appointment of the independent registered public accounting firm (Proposal 3), shareholders may vote in favor of the proposal, vote against the proposal or abstain from voting. The vote required to approve Proposal 2 and Proposal 3 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.

If your shares of common stock are registered in your name, you are a stockholder of record. If your shares are in the name of your broker or bank, your shares are held in street name .

If you are a common stockholder of record and you do not sign and return your proxy card or attend the annual meeting and vote in person, your shares will not be voted and will not count in deciding the matters presented for stockholder consideration in this proxy statement.

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 Proposal 1 and Proposal 3 are discretionary.

As of March 24, 2008 (the record date for the annual meeting), the directors and executive officers of AtheroGenics beneficially owned or controlled approximately 1,302,152 outstanding shares of common stock of AtheroGenics, constituting approximately 3.3% 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 2008. 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, FOR the approval of the Plan 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.

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.

## PROPOSAL 1 ELECTION OF DIRECTORS

### Nominees

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 the 2010 annual meeting of shareholders. The directors in Class II, Dr. Alexander, Dr. Barker, Ms. Grayson and Dr. Scott, hold office until this 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 Dr. Alexander, Dr. Barker, Ms. Grayson and Dr. Scott for re-election as Class II directors to serve until the 2011 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 R. Wayne Alexander, M.D., Samuel L. Barker, Ph.D., Margaret E. Grayson, and William A. Scott, Ph.D. as Class II directors for a three-year term expiring at the 2011 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 24, 2008:

| Name | Age | Position |
|---|---|---|
| Russell M. Medford, M.D., Ph.D. | 53 | President, Chief Executive Officer and Director |
| Mark P. Colonnese | 52 | Executive Vice President, Commercial Operations and Chief Financial Officer |
| Joseph M. Gaynor, Jr. | 47 | Senior Vice President, General Counsel and Corporate Secretary |
| W. Charles Montgomery, Ph. D | 61 | Senior Vice President, Business Development and Alliance Management |
| Michael A. Henos | 58 | Chairman of the Board of Directors |
| R. Wayne Alexander, M.D., Ph.D.(1)(2) | 67 | Director |
| Samuel L. Barker, Ph.D.(1)(2) | 65 | Director |
| David Bearman(3) | 62 | Director |
| Vaughn D. Bryson(1) | 69 | Director |
| T. Forcht Dagi, M.D.(3) | 59 | Director |
| Margaret E. Grayson(3) | 61 | Director |
| Arthur M. Pappas(2) | 60 | Director |
| William A. Scott, Ph.D.(2) | 68 | Director |

(1) Member of the compensation committee.

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

(3) Member of the audit committee.

*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. Dr. Medford serves on the Biotechnology Industry Organization (BIO) Board of Directors and the Emerging Companies Section Governing Body. He serves on the executive committee of the Georgia BioMedical Partnership and is a member of the House Georgia Bioeconomic Development Study Committee and the Southeast BIO Board of Directors. 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 Adjunct Clinical Professor 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.

*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 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 and Genoptix, Inc., a specialized laboratory service provider of diagnostic services to hematologists and oncologists.

*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. In 2001, he co-founded Clearview Projects, Inc., a multi-disciplinary advisory firm specializing in strategic assessment, corporate development and product alliances 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. 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. From 2006 until his retirement in 2007, Mr. Bearman served as 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 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. Mr. Bryson was Vice Chairman of Vector Securities International from 1994 to 1996. He serves as a board member for Clinical Products, LLC and NWS, 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. He served previously as a managing partner of Cordova Ventures, LLP, a venture firm in Atlanta. Prior to joining Cordova, Dr. Dagi served as director and principal of Access Partners, an early stage biotechnology fund. 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. Dr. Dagi is a director of privately-held IntelliDx, Inc. and Axela, Inc. He chairs the New Technologies Committee of the American College of Surgeons and is the vice chair of the Committee on Perioperative Care. He also serves as director of the Goergen Entrepreneurial Institute at the Wharton School of the University of Pennsylvania, and teaches biomedical entrepreneurship at the Harvard-MIT Division of Health Sciences and Technology.

*Margaret E. (Peg) Grayson* was elected to the AtheroGenics board of directors in July 2006. Ms. Grayson is President of Coalescent Technologies, a professional engineering firm that provides engineering products and services to the Department of Defense, federal agencies and commercial clients. She is also the President of Grayson & Associates, a management consulting and advisory practice for audit, policy and regulatory compliance. From 2005 until 2006, Ms. Grayson served as President of AEP Government Solutions Group and Executive Vice President and General Manager of AEP Networks. She served as President and CEO of V-ONE Corporation, 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 Chief Executive Officer of A. M. Pappas & Associates, LLC, a firm which manages life science venture capital funds. 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., CoLucid Pharmaceuticals and Lead Therapeutics, Inc. and is Vice Chairman of the Board of Directors of the North Carolina Biotechnology Center. 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. 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, 2007, the board of directors held six 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, 2007, the audit committee held eight meetings, the compensation committee held seven meetings and corporate governance and nominating committee held three 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 2007 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 and Ms. Grayson, 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. A copy of the audit committee charter is available on our website at www.atherogenics.com.

*Compensation Committee.* The compensation committee, which consists of Mr. Bryson, Chairman, Dr. Alexander and Dr. Barker, 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. A copy of the compensation committee charter is available on our website at www.atherogenics.com.

*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. 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 2009 annual meeting, this date would be December 19, 2008. 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 may contact an individual director, a committee of our board, the independent directors as a group, or our board as a group. All shareholder communications should be sent to the attention of our Corporate Secretary. This centralized process will assist our board in reviewing and responding to shareholder communications in an appropriate manner. The name of any specific intended board recipient (or recipients) should be noted in the communication. Communications may be sent by one of the following means:

Mail: AtheroGenics, Inc.,
8995 Westside Parkway,
Alpharetta, Georgia 30004
Fax: (678) 336-2570.

Our board has instructed our Corporate Secretary to forward such correspondence only to the intended recipients. Prior to forwarding any correspondence, however, the Corporate Secretary will review such correspondence and, in his discretion, will not forward certain items to a director if the communication is deemed to be of a commercial or frivolous nature or otherwise inappropriate for our board s consideration. In such cases, some of that correspondence may be forwarded elsewhere in our Company for review and possible response.

**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 June 2007, non-employee directors each received $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 chairman of 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. On June 30, 2007, each non-employee director was granted a non-qualified stock option in lieu of the annual cash compensation. The exercise price was equal to the fair market value of our common stock on the date of grant and the options vest monthly over one year. The number of option awards granted was: Mr. Henos 9,500 shares; Dr. Alexander 6,000 shares; Dr. Barker 6,000 shares; Mr. Bearman 6,000 shares; Mr. Bryson 5,500 shares; Dr. Dagi 5,000 shares; Ms. Grayson 5,000 shares; Mr. Pappas 6,000 shares; and Dr. Scott 5,000 shares. 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 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 2007.

| Name | Fees Earned or Paid in Cash ($) | Option Awards ($)(1) | Total ($) |
|---|---|---|---|
| Michael A. Henos | $ 47,500 | $ 144,116 | $ 191,616 |
| R. Wayne Alexander | 30,000 | 67,468 | 97,468 |
| Samuel L. Barker | 30,000 | 128,143 | 158,143 |
| David Bearman | 30,000 | 67,468 | 97,468 |
| Vaughn D. Bryson | 27,500 | 67,116 | 94,616 |
| T. Forcht Dagi | 25,000 | 66,765 | 91,765 |
| Margaret E. Grayson | 25,000 | 127,439 | 152,439 |
| Arthur M. Pappas | 30,000 | 67,468 | 97,468 |
| William A. Scott | 25,000 | 66,765 | 91,765 |

(1) Represents the compensation costs recognized for financial reporting purposes for the year ended December 31, 2007, 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 3, 2008 for a discussion of all assumptions made by AtheroGenics in determining the FAS 123(R) value of its option awards. The grant date fair value of the option received May 17, 2007 was $1.56 per share and the grant date fair value of the option received June 29, 2007 was $1.39 per share.

At December 31, 2007, the aggregate number of option awards outstanding was: Mr. Henos 172,800 shares; Dr. Alexander 130,900 shares; Dr. Barker 50,000 shares; Mr. Bearman 54,000 shares; Mr. Bryson 69,500 shares; Dr. Dagi 85,800 shares; Ms. Grayson 49,000 shares; Mr. Pappas 80,200 shares; and Dr. Scott 81,100 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 24, 2008 (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 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 24, 2008 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.

| | Common Stock Beneficially Owned | |
|---|---|---|
| **Beneficial Owner** | **Number of Shares** | **Percent of Class** |
| Visium Asset Management, LP.<br>950 Third Avenue<br>New York, New York 100022 | 3,378,526(1) | 8.4% |
| BNP Paribas Arbitrage SA<br>555 Croton Road, 4th Floor<br>King of Prussia, Pennsylvania | 2,983,500(2) | 7.6% |
| Firebird Global Master Fund, Ltd.<br>152 West 57th Street, 24th Floor<br>New York, New York 10019 | 2,137,563(3) | 5.4% |
| Russell M. Medford, M.D., Ph.D. | 1,938,241(4) | 4.9% |
| R. Wayne Alexander, M.D., Ph.D. | 565,800(5) | 1.4% |
| Mark P. Colonnese | 432,400(6) | 1.1% |
| Michael A. Henos | 271,217(7) | * |
| Vaughn D. Bryson | 145,949(8) | * |
| W. Charles Montgomery, Ph. D. | 144,000(9) | * |
| T. Forcht Dagi, M.D. | 123,312(10) | * |
| William A. Scott, Ph.D. | 122,067(11) | * |
| David Bearman | 98,600(12) | * |
| Arthur M. Pappas | 94,200(13) | * |
| Joseph M. Gaynor, Jr. | 75,900(14) | * |
| Samuel L. Barker, Ph.D. | 67,000(15) | * |
| Margaret E. Grayson | 40,167(16) | * |
| All directors and executive officers as a group (13 persons) | 4,118,853(17) | 10.4% |

* Less than one percent (1%) of outstanding shares.

(1) The amount shown and the following information was provided by Visium Asset Management, LP pursuant to a Schedule 13G dated February 14, 2008, indicating beneficial ownership as of February 12, 2008. The Schedule 13G indicates that Visium Asset Management, LP, JG Asset, LLC and Jacob Gottlieb each have sole voting and dispositive power with respect to 3,378,526 shares.

(2) The amount shown and the following information was provided by BNP Paribas Arbitrage SA indicating that BNP Paribas Arbitrage SA has sole voting and dispositive power with respect to 2,983,500 shares.

(3) The amount shown and the following information was provided by Firebird Global Master Fund, Ltd pursuant to a Schedule 13G/A dated February 13, 2008, indicating beneficial ownership as of December 31, 2007. The

Schedule 13G/A indicates that James Passin and Harvey Sawikin each have shared voting and dispositive power with respect to 2,137,563 shares.

(4) Includes 1,441,100 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.

(5) Includes 129,900 shares subject to options exercisable within 60 days and 100,000 shares owned by Jane Alexander, Dr. Alexander s spouse.

(6) Includes 407,400 shares subject to options exercisable within 60 days.

(7) Includes 171,217 shares subject to options exercisable within 60 days.

(8) Includes 68,583 shares subject to options exercisable within 60 days and 27,366 shares held in the Vaughn D. Bryson 2006 Grantor Retained Annuity Trust of which The Trust Company of Oxford is trustee. As the trustee, The Trust Company of Oxford exercises voting and investment power of these shares

(9) Includes 144,000 shares subject to options exercisable within 60 days.

(10) Includes 84,967 shares subject to options exercisable within 60 days.

(11) Includes 80,267 shares subject to options exercisable within 60 days.

(12) Includes 53,000 shares subject to options exercisable within 60 days.

(13) Includes 79,200 shares subject to options exercisable within 60 days.

(14) Includes 75,900 shares subject to options exercisable within 60 days.

(15) Includes 41,000 shares subject to options exercisable within 60 days and 10,000 shares held in the Sam L. Barker 2007 Trust and 10,000 shares held in the Judy A. Barker 2007 Trust of which Dr. Barker is trustee. As the trustee, Dr. Barker exercises voting and investment power of these shares.

(16) Includes 40,167 shares subject to options exercisable within 60 days.

(17) Includes 2,816,701 shares subject to options exercisable within 60 days.

## RELATED PERSON TRANSACTIONS

In accordance with our audit committee charter, our audit committee is responsible for reviewing the terms, conditions and arrangements involving any related party or potential conflict of interest transaction and for overseeing our code of business conduct and ethics, which includes disclosure requirements applicable to our employees and our directors relating to conflicts of interest. Accordingly, our audit committee is responsible for reviewing and approving the terms and conditions of all transactions that involve AtheroGenics, one of our directors or executive officers or any of their immediate family members. Other than as described below we have not entered into any such transactions since January 1, 2007 that meet the requirements for disclosure in this proxy statement. If there were to be such a transaction, we would need the approval of our audit committee prior to entering into such transaction.

At least annually, each director and executive officer completes a detailed questionnaire that asks questions about any business relationship that may give rise to a conflict of interest and all transactions in which AtheroGenics is involved and in which the executive officer, a director or a related person has a direct or indirect material interest. We also conduct a review, at least annually, of our financial systems to determine whether a director, or a company employing a director, engaged in transactions with us during the fiscal year.

**Emory University License Agreement**

In January 1995, we entered into a license agreement with Emory University. Under the terms of the Emory license 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 Emory 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 Emory 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 Emory license agreement. We paid a signing fee to Emory upon the execution of the Emory license 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.

## COMPENSATION DISCUSSION AND ANALYSIS

### The Compensation Committee

The compensation committee is responsible for setting the overall compensation strategy and compensation policies for our senior executive officers and directors, including determining the forms and amount of compensation appropriate to achieve our strategic objectives. The compensation committee s functions are more fully described in its charter which can be viewed at the investor relations page on our website at www.atherogenics.com. The charter of the compensation committee requires that the compensation committee be comprised of at least three members of the board of directors, and the compensation committee currently consists of Mr. Bryson, as Chairman, Dr. Alexander and Dr. Barker. As required by the charter, the board of directors has determined that each member of the compensation committee is independent as that term is defined under the rules and regulations of the SEC, and the applicable listing standards of Nasdaq.

### Named Executive Officers for 2007

The compensation committee reviews, analyzes and approves the compensation of our senior executive officers, including the Named Executive Officers or NEOs included in the tables set forth following this compensation discussion and analysis. The NEOs for 2007 include our chief executive officer, our chief financial officer, and the three other executive officers that had the highest total compensation for 2007, calculated in accordance with the rules and regulations of the SEC. Our NEOs are:

Russell M. Medford, M.D., Ph.D., President and Chief Executive Officer;

Mark P, Colonnese, Executive Vice President, Commercial Operations and Chief Financial Officer;

Robert A.D. Scott, M.D., Former Executive Vice President, Research & Development and Chief Medical Officer;

Joseph M. Gaynor, Jr., Senior Vice President, General Counsel and Corporate Secretary; and

W. Charles Montgomery, Ph.D., Senior Vice President, Business Development & Alliance Management.

Dr. Scott resigned as Executive President, Research & Development and Chief Medical Officer in October 2007. Following Dr. Scott s resignation, we had only four executive officers.

### Compensation Philosophy, Policies and Principles

As a research-based pharmaceutical company focused on the discovery, development and commercialization of novel drugs for the treatment of chronic inflammatory diseases, our long-term success depends on our ability to discover, develop and market innovative medicines. To be successful, we must attract, motivate and retain highly talented individuals within all levels of our company who are committed to our long-term success. To this end, the compensation committee s philosophy is to implement programs that are designed to:

Provide competitive compensation that will attract, retain and reward highly qualified executives who contribute to our long-term success. The compensation committee believes compensation should reflect the value of the job in the marketplace and views this as a key to attracting and retaining a highly skilled work force.

Align management s interests with shareholders by including long-term equity incentives in executive compensation.

Provide compensation that rewards performance. Our programs should deliver compensation reflective of individual and company performance. Where individual and/or company performance exceeds expectations or falls short of expectations, compensation should reflect these results.

Provide compensation that encourages the long-term focus required for success in the pharmaceutical industry. To this end, all employees receive a mix of base salary, short-term incentive compensation (in the form of an annual cash bonus) and long-term equity based compensation; however, employees at higher levels have an increasing proportion of their compensation tied to longer-term performance because they are in a position to have greater influence on long-term results.

Provide compensation and benefit programs that are fair and equitable. While programs and individual pay levels will always reflect differences in job responsibilities, geographies and marketplace considerations, the overall structure of compensation and benefit programs should be broadly similar across the organization.

Orchestrate compensation and benefit programs to motivate and inspire employee behavior that fosters a high-performance culture that maximizes the opportunity for achievement of our business goals and objectives.

**Process**

***Determining Compensation***

The compensation committee believes that a successful compensation program requires analysis and review of both overall company performance and individual contributions and accomplishments. With regard to overall company performance, senior management recommends operating objectives to the compensation committee for consideration and approval. The compensation committee then selects operating objectives which it believes strongly correlate to key goals and enhanced shareholder value over time. These overall company goals are then sent to the full Board for final approval. Individual performance for each NEO (other than the Chief Executive Officer) is evaluated by the Chief Executive Officer and communicated to the compensation committee as a basis for determining compensation for each such NEO. The compensation committee separately evaluates the individual performance of our Chief Executive Officer in connection with determining the appropriate level of compensation for the Chief Executive Officer. The performance of each NEO is evaluated based on his or her contribution to our overall company performance, including the achievement of the overall company objectives and other individual accomplishments.

***Role of Executives in Establishing Compensation***

Generally, the Chief Executive Officer makes recommendations to the compensation committee in connection with the establishment of base salary and bonus compensation amounts for other senior executives. The compensation committee establishes the Chief Executive Officer s base salary and bonus compensation without input from management. Also, as discussed above, management recommends to the compensation committee the operating criteria for performance-based bonuses applicable to our senior executives; however, the compensation committee makes the final determinations regarding the appropriate criteria for these awards. The compensation committee regularly invites the Chief Executive Officer, the Chief Financial Officer and other senior executives to attend compensation committee meetings in order to receive operating information from these officers and to discuss goals, objectives and performance. The compensation committee does not delegate any of its duties to management and holds executive sessions without the members of management present.

***Role of Compensation Consultants and Benchmarking***

To meet its compensation objectives discussed above, the compensation committee seeks to achieve an appropriate balance of (1) the compensation paid to a particular individual and the compensation paid to other executives at comparable companies and (2) salary and incentive compensation. In an attempt to attain these goals, the compensation committee regularly reviews competitive data on executive compensation. To this end, the compensation committee has authority to retain and terminate any compensation consultant to be used to assist in the evaluation of our compensation practices. The compensation committee engaged James F. Reda & Associates, LLC to serve as its compensation consultant and to compile data for a group of competitive companies. These companies were identified by James F. Reda & Associates with input from management and approved by the compensation committee. The competitive market group included pharmaceutical companies similarly-situated to us with at least one pharmaceutical product in development. Annual revenue levels and market capitalization were also used in formulating the market group.

**Components of Executive Compensation**

Our executive compensation program consists of the following primary components:

- base salary;
- annual cash bonus; and
- long-term incentives in the form of stock options.

In addition, our compensation program includes certain health and welfare benefits. Each component is described in more detail below. In determining compensation for our senior executive officers, we use the competitive data discussed above to ensure that these officers receive a level of compensation and a mix of compensation components that is fair and competitive; however, we do not target our overall compensation package or mix of compensation components to meet any specified ranges within this competitive data.

***Base Salary***

Our base salary program is designed to provide competitive base cash compensation. The compensation committee, in connection with recommendations from the Chief Executive Officer, annually reviews and approves base salaries for our senior executive officers. The compensation committee considers factors which include a review of the competitive data described above, individual performance over time and each individual s role and responsibilities within our organization when setting base salaries. The compensation committee sets base salaries that are appropriate given the performance, experience and credentials of the relevant officer.

The compensation committee approved the base salaries for the NEOs, as set forth in the following table:

| Name | 2006 Base Salary | 2007 Base Salary |
|---|---|---|

| | | | | |
|---|---|---|---|---|
| Russell M. Medford, M.D., Ph.D. | $ | 383,454 | $ | 483,454 |
| Mark P. Colonnese | | 309,058 | | 328,640 |
| Robert A.D. Scott, M.D. | | 310,324 | | 328,640 |
| Joseph M. Gaynor, Jr. | | 265,000 | | 286,000 |
| W. Charles Montgomery, Ph.D. | | 280,134 | | 296,400 |

Dr. Scott resigned as Executive President, Research & Development and Chief Medical Officer in October 2007.

Historically, the only annual base salary increases approved by the compensation committee have been cost of living increases and those increases are effective January 1st of each year. The compensation committee does, however, increase base salaries in connection with promotions as the compensation committee believes that additional base compensation is appropriate as the senior executive officer incurs additional responsibilities and obligations within our organization. The compensation committee also makes changes in base salary as a result of its analysis of compensation at comparable companies. The increase in the 2007 base salary of Dr. Medford is attributable to recognition of his long-term performance as Chief Executive Officer and to conclusions from an analysis, conducted by the compensation committees independent consultant, of compensation of chief executive officers of comparable companies. Based on these factors, the compensation committee effected a $100,000 increase in Dr. Medford s annual salary. The increases in the 2007 base salaries of Mr. Colonnese, Dr. Scott, Mr. Gaynor and Dr. Montgomery are attributable to cost of living increases and annualization of increases given during 2006.

***Annual Cash Bonuses***

Annual cash bonus payments are designed to motivate and retain senior executive officers by providing at-risk compensation contingent upon achieving certain company objectives, which are in turn key objectives related to increasing shareholder value. Typically, management recommends to the compensation committee the target ranges of bonus payouts under our annual cash bonus program (expressed as a percentage of the applicable officer s base salary) and the appropriate objectives upon which payment of the annual cash bonus is to be determined. The compensation committee takes into account management s recommendations with respect to these items, but the compensation committee makes the final determinations as to the appropriate target bonus levels and performance objectives. The compensation committee generally acts with respect to these matters at the beginning of our fiscal year. Our performance objectives have historically been operating in nature and focused on overall company performance as opposed to any specific individual objectives. The compensation committee does have the discretion, however, to take into account individual contributions to company performance and achievement of overall company objectives when awarding annual cash bonus compensation. For 2007, our performance objectives included, among others, reporting ARISE study results within certain time parameters. Subsequent to ARISE results, goals were amended to reflect those results, and included expanding the AGI-1067 program into the diabetes therapeutic area, which involved the commencement and completion of enrollment for the ANDES clinical trial, as well as conceiving and conducting operational restructuring activities and certain discovery research objectives. Our bonus targets typically range between 25% to 38% of the applicable officer s base salary. For 2007, the executive officers received only 75% of the 2007 bonus target, despite the fact that management achieved their pre-specified objectives, recognizing that the accomplishments were not reflected in the company s stock price, and as such, did not result in increased value for our shareholders. The 2007 bonus targets for our named executive officers can be seen below in the Grant of Plan Based Awards table set forth in the section entitled *Executive Compensation.*

In 2006, in the interest of shareholder value, we proposed, and management agreed, to forego their annual bonuses for that year until after the results of the ARISE trial were known. In 2007, despite the achievement of their main target objective for 2006, that being concluding a properly-conducted ARISE trial within established timelines, bonuses were awarded substantially below target levels for Mr. Colonnese, Mr. Gaynor and Dr. Montgomery, and not at all to Dr. Medford, due to the failure of AGI-1067 to achieve the trial s scientific primary endpoint. Dr. Scott was awarded a bonus slightly above his target level to recognize his efforts associated with the trial s conduct.

***Long-Term Incentives***

The compensation committee believes equity-based compensation performs an essential role in retaining and motivating our executive officers by providing them incentives that are linked to our long-term success and maximizing shareholder value. The compensation committee believes the grant of such equity-based compensation further aligns the interests of our executive officers with those of its shareholders. The compensation committee determines the appropriate level of equity-based compensation by reference to the competitive data discussed above, the executive s position and role within our organization and historical grants to the applicable executive. Individual contributions to overall company performance and achievement of company objectives may also be taken into account.

Historically, the granting of stock options to executive officers has been a major component of executive compensation. The compensation committee believes that stock option awards provide a significant link to company performance and maximizing shareholder value as the award will have value only if the market value of the company s common stock increases above the exercise price of the option and the individual remains employed with the company over the vesting period. Stock options are granted to employees annually, typically in December of each year. These option awards are approved by the compensation committee and have a grant date as of the last business day of the year in which the grant occurs. The grants do not fall within a period of 30 days before the release of company earnings. Grants are not issued until approved by the compensation committee. These awards are issued at the fair market value of a share of our common stock as of the last business day of the year, which value is determined by reference to the closing price of a share of our common stock on Nasdaq on such date. The awards generally vest four years from the date of the grant and expire ten years from the date of the grant.

In light of the recent publicity surrounding the back-dating of stock options, we reviewed our option grant history and grant procedures and did not find any material issues with respect to our historical or current practices. We have implemented policies and procedures designed to safeguard against this issue. For example, grants of options to an employee are approved by the compensation committee (or the full board of directors in the absence of compensation committee approval) with such action occurring on or prior to the date of grant. In addition, grants made to newly hired employees are effective as of the last business day of the month in which the employee is hired.

***Retention Payment***

We recently put in place a special payment program for our employees to aid in retention. In connection with this program, the compensation committee of our board of directors approved in November 2007 retention payments in the amounts listed below for our NEOs. The payments are to be paid in three installments, of 25%, 25% and 50%, according to predefined events related to the ANDES clinical trial. The executives must be employed by the company at the time each payment is due to be made in order to receive that payment. The final payment is scheduled to be made upon completion of ANDES. The retention payments for the executive officers are:

| **Name** | **Value** |
|---|---|
| Mark P. Colonnese | $ 131,456 |
| Robert A.D. Scott, M.D. | 131,456 |
| Joseph M. Gaynor, Jr. | 114,400 |
| W. Charles Montgomery, Ph.D. | 118,560 |

***Employee Benefits***

We provide employee benefits to our senior executive officers that are offered to all of our employees. These include matching contributions in connection with our 401(k) Plan, the payment of premiums for long-term disability and life insurance policies, and other health-related benefits including medical, dental, life and accidental death or disability insurance plans. The compensation committee has reviewed the benefits provided to the senior executive officers in 2007 and believes that they are reasonable and appropriate. Additional information on the aggregate incremental cost to us of providing these benefits to the NEOs in 2007 is shown in the Summary Compensation Table. We do not provide our senior executive officers with any perquisites.

***Change of Control and Severance Arrangements***

We have entered into employment agreements with our NEOs which provide for the payment of severance to these employees in connection with certain terminations of their employment, including terminations in connection with a change of control. These severance and change of control provisions are discussed below.

We have included provisions regarding change of control in our employment agreements because we want our senior executives to act in the best interest of our company in the event of a potential change of control and to remove any potential influence of personal financial concerns. Further, we believe these provisions are consistent with market practices for similarly situated executives and assist us in retaining highly talented individuals. In addition, the trigger requiring the payment of severance is that there be both a change of control and a termination of the current level of employment. This is often referred to as a double trigger. The double-trigger largely ensures that we will become obligated to make payments under these provisions only if the applicable executive s employment terminates following a change of control and further supports our goal of aligning the interests of our executives with those of our shareholders. In addition, our 1997, 2001 and 2004 Equity Ownership Plans generally provide for accelerated vesting if, within 24 months of a change of control, the grantee s employment is terminated through a constructive discharge or involuntary termination. For additional detail regarding these severance payments, see the section below entitled *Potential Payments Upon Termination or Change in Control.*

These agreements also provide for severance payments in connection with a termination of the NEO without cause, non-renewal of the executive s employment agreement or a constructive termination. We believe the severance amounts provided under these circumstances are appropriate, taking into account the time it is expected for one of these NEOs to find another job in the event of such a separation. The payments and other benefits are provided because we consider these separations to be initiated by us and to be typically beyond the control of the individual NEO. Separation benefits are intended to ease the consequences to an employee of an unexpected termination of employment. We benefit by requiring a general release from the separated employee. For additional detail regarding these severance payments, see the section below entitled *Potential Payments Upon Termination or Change in Control.*

**Insider Trading Policy**

We have implemented a written insider trading compliance policy which includes our policies with respect to stock ownership, retention, shorting, hedging, derivatives and margin transactions. We expect our employees, officers and directors not to engage in speculative transactions that are designed to result in profit based on either short-term fluctuations or negative movement in the price of our securities.

**Tax Implications of Executive Compensation**

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the amount of individual compensation for certain executives that may be deducted by the employer for federal income tax purposes in any one fiscal year to $1 million unless such compensation is performance-based. The determination of whether compensation is performance-based depends upon a number of factors, including shareholder approval of the plan under which the compensation is paid, the exercise price at which equity-based awards are granted, the disclosure to and approval by the shareholders of applicable performance standards, the composition of the compensation committee, and certification by the compensation committee that performance standards were satisfied. Historically, annual incentive

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compensation for our NEOs has not been structured to qualify under Section 162(m) as our compensation packages for these executive officers have not exceeded the thresholds established by Section 162(m). The compensation committee will have the discretion on a go-forward basis to structure compensation in a manner that does not meet the requirements of Section 162(m) because we believe that Section 162(m) considerations represent only one of many factors that should be taken into account in determining overall compensation.

**Summary/Conclusion**

The compensation committee believes that our compensation programs achieve their desired goals of providing senior executives with a pay opportunity that is competitive within our industry and among companies of comparable size and complexity and, as a result, successfully attracts and retains highly qualified key executives. The compensation committee continues to monitor competitive industry compensation practices and our operating goals and may adopt certain changes to its philosophy and policies in response to changes in industry practice or company goals as it deems desirable or necessary in future years.

## COMPENSATION COMMITTEE REPORT

The compensation committee, comprised of independent directors, reviewed and discussed the above Compensation Discussion and Analysis, or CD&A, with AtheroGenics management. Based on the review and discussions, the compensation committee recommended to our board of directors that the CD&A be included in this proxy statement.

Compensation Committee:

Vaughn D. Bryson, Chairman
R. Wayne Alexander, M.D.
Samuel L. Barker, Ph.D.

## EXECUTIVE COMPENSATION

The following table summarizes the compensation paid to or earned during the years ended December 31, 2007 by our Chief Executive Officer, our Chief Financial Officer and each of our two most highly compensated executive officers who were serving at December 31, 2007 and whose total salary and bonus exceeded $100,000 for services rendered to us in all capacities during 2007. In addition, Dr. Scott, who resigned in October 2007, is also included as a result of his compensation.

| Name and Principal Position | Fiscal Year | Salary | Non-Equity Incentive Plan Compensation | Option Awards(1) | All Other Compensation(2) | Total |
|---|---|---|---|---|---|---|
| Russell M. Medford, M.D., Ph.D. | 2007 | $ 483,454 | $ 137,784 | $ 1,359,714 | $ 16,027 | $ 1,996,979 |
| President and Chief Executive Officer | 2006 | 383,454 | | 1,278,907 | 15,446 | 1,677,807 |
| Mark P. Colonnese | 2007 | 328,640 | 166,532 | 666,665 | 45,580 | 1,174,553 |
| Executive Vice President, Commercial Operations and Chief Financial Officer | 2006 | 309,058 | | 607,235 | 12,413 | 928,706 |
| Joseph M. Gaynor, Jr. | 2007 | 286,000 | 137,170 | 325,435 | 40,616 | 760,621 |
| Senior Vice President, General Counsel and Corporate Secretary | 2006 | 265,000 | | 201,341 | 11,811 | 478,152 |
| W. Charles Montgomery, Ph. D. | 2007 | 296,400 | 142,158 | 597,821 | 43,317 | 1,050,056 |
| Senior Vice President, Business Development and Alliance Management | 2006 | 280,134 | | 469,225 | 13,517 | 762,876 |
| Robert A. D. Scott, M.D.(3) | 2007 | 270,601 | 100,000 | 434,848 | 675,650 | 1,481,099 |
| Former Executive Vice President, Research and Development and Chief Medical Officer | 2006 | 310,324 | | 641,434 | 12,888 | 964,646 |

(1) Represents the compensation costs recognized for financial reporting purposes for the year ended December 31, 2007, excluding estimated forfeitures, in accordance with 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 3, 2008 for a discussion of all assumptions made by AtheroGenics in determining the FAS 123(R) value of its option awards. The actual amount of stock option compensation realized by the named executive officer, if any, will vary based on stock price fluctuations and the timing of the option exercise.

(2) Represents the compensation committee approved retention payment related to the first milestone of the ANDES clinical trial as discussed above in Compensation Discussion and Analysis, a 401(k) plan matching contribution and premiums for long-term disability insurance and term life insurance paid by us for 2007.

(3) Dr. Scott resigned in October 2007. Includes $665,258 related to severance in accordance with his employment agreement.

**2007 Grant of Plan-Based Awards**

The following table sets forth information concerning the individual grants of annual cash bonuses and stock options to each of the named executive officers during the fiscal year ended December 31, 2007. 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 generally vest at the rate of twenty five percent on the first anniversary of the vesting commencement date. Following that date, the remaining options vest over three-consecutive twelve month periods at a rate of two percent per month during the initial eleven months of each period and three percent in the final month of each such period. All options were granted with exercise prices equal to the fair market value on the date of the grant.

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target(1) | All Other Option Awards: Number of Securities Underlying Options(2) | Exercise of Base Price of Option Awards ($/Share) | Grant Date Fair Value of Option Awards(3) |
|---|---|---|---|---|---|
| Russell M. Medford, M.D., Ph.D. | 3/20/07 | $ 145,713 | | | |
| | 6/19/2007 | | 96,691 | $ 2.41 | $ 133,617 |
| | 12/31/2007 | 183,712 | 120,000 | 0.38 | 31,284 |
| Mark P. Colonnese | 3/20/2007 | 94,800 | | | |
| | 6/19/2007 | | 65,728 | 2.41 | 90,830 |
| | 12/31/2007 | 98,592 | 72,000 | 0.38 | 18,770 |
| Joseph M. Gaynor, Jr. | 3/20/2007 | 77,000 | | | |
| | 6/19/2007 | | 57,200 | 2.41 | 79,045 |
| | 12/31/2007 | 80,080 | 60,000 | 0.38 | 15,642 |
| W. Charles Montgomery, Ph.D. | 3/20/2007 | 79,800 | | | |
| | 6/19/2007 | | 59,280 | 2.41 | 81,919 |
| | 12/31/2007 | 82,992 | 60,000 | 0.38 | 15,642 |
| Robert A. D. Scott, M.D. | 3/20/2007 | 94,800 | | | |
| | 6/19/2007 | | 65,278 | 2.41 | 90,830 |

(1) This amount includes the target 2006 annual cash bonus that was forgone until the results of the ARISE study were received and the target 2007 annual cash bonus.

(2) Options granted on June 19, 2007 have a two year vesting period, twenty five percent will vest on the anniversary of the vesting commencement date, twenty five percent will vest 18 months from the vesting commencement date and fifty percent will vest on the second anniversary of the vesting commencement date.

(3) Represents the fair value of the option award in accordance with 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 3, 2008 for a discussion of all assumptions made by AtheroGenics in determining the FAS 123(R) value of its option awards.

**2007 Outstanding Equity Awards at Fiscal Year End**

The following table sets forth information regarding each unexercised option held by each of our named executive officers as of December 31, 2007, with the exception of Dr. Scott whose options expired due to his resignation

| Name | Number of Securities Underlying Unexercised Option # Exercisable | Number of Securities Underlying Unexercised Option # Unexercisable(1) | Option Exercise Price | Option Grant Date | Option Expiration Date |
|---|---|---|---|---|---|
| Russell M. Medford | 137,500 | | $ 0.30 | 4/28/1999 | 4/28/2009 |
| | 100,000 | | 0.31 | 12/8/1999 | 12/8/2009 |
| | 500,000 | | 0.38 | 1/28/2000 | 1/28/2010 |
| | 90,000 | | 5.00 | 12/29/2000 | 12/29/2010 |
| | 120,000 | | 6.05 | 12/31/2001 | 12/31/2011 |
| | 144,000 | | 7.41 | 12/31/2002 | 12/31/2012 |
| | 120,000 | | 14.86 | 12/31/2003 | 12/31/2013 |
| | 105,000 | 35,000 | 23.56 | 12/31/2004 | 12/31/2014 |
| | 54,000 | 66,000(2) | 15.78 | 2/21/2006 | 2/21/2016 |
| | 35,000 | 105,000 | 9.91 | 12/29/2006 | 12/29/2016 |
| | | 96,691(3) | 2.41 | 6/19/2007 | 6/19/2017 |
| | | 120,000 | 0.38 | 12/31/2007 | 12/31/2017 |
| Mark P. Colonnese | 70,600 | | 0.38 | 1/28/2000 | 1/28/2010 |
| | 35,000 | | 5.00 | 12/29/2000 | 12/29/2010 |
| | 60,000 | | 6.05 | 12/31/2001 | 12/31/2011 |
| | 72,000 | | 7.41 | 12/31/2002 | 12/31/2012 |
| | 57,000 | | 14.86 | 12/31/2003 | 12/31/2013 |
| | 45,000 | 15,000 | 23.56 | 12/31/2004 | 12/31/2014 |
| | 27,000 | 33,000(2) | 15.78 | 2/21/2006 | |