

ATHEROGENICS INC
Form 424B7
January 11, 2006

PROSPECTUS SUPPLEMENT No. 7

(To Prospectus dated July 25, 2005, as supplemented by Prospectus Supplement No. 1 dated August 18, 2005, Prospectus Supplement No. 2 dated September 20, 2005, Prospectus Supplement No. 3 dated October 7, 2005, Prospectus Supplement No. 4 dated November 1, 2005, Prospectus Supplement No. 5 dated December 6, 2005 and Prospectus Supplement No. 6 dated December 13, 2005)

ATHEROGENICS, INC.

\$200,000,000

1.50% CONVERTIBLE NOTES DUE 2012

AND

**10,416,660 SHARES OF COMMON STOCK, NO PAR VALUE PER SHARE,
ISSUABLE UPON CONVERSION OF THE NOTES**

This prospectus supplement supplements the prospectus dated July 25, 2005 of AtheroGenics, Inc., relating to the resale from time to time by selling securityholders of our 1.50% convertible notes due 2012 and shares of AtheroGenics, Inc. common stock issuable upon conversion of the notes. This prospectus supplement should be read in conjunction with the prospectus, which is required to be delivered with this prospectus supplement.

Investing in the notes or our common stock involves a high degree of risk. See Risk Factors beginning on page 6 of the prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is January 11, 2006

The section of the prospectus entitled "Selling Securityholders" is amended and restated in its entirety to read as follows:

SELLING SECURITYHOLDERS

We originally sold the notes to initial purchasers on January 12, 2005. The initial purchasers of the notes have advised us that the notes were resold in transactions exempt from the registration requirements of the Securities Act to qualified institutional buyers, as defined in Rule 144A of the Securities Act. These subsequent purchasers, or their transferees, pledgees, donees, assignees or successors, may from time to time offer and sell any or all of the notes and/or shares of the common stock issuable upon conversion of the notes pursuant to this prospectus.

The following table sets forth information with respect to the selling securityholders and the principal amount of notes and common stock beneficially owned by each selling securityholder that may be offered pursuant to this prospectus. The information is based on information provided by or on behalf of the selling securityholders. The selling securityholders may offer all, some or none of the notes or the common stock issuable upon conversion of the notes. Because the selling securityholders may offer all or some portion of the notes or the common stock, we cannot estimate the amount or percentage of the notes or the common stock that will be held by the selling securityholders upon termination of sales pursuant to this prospectus. In addition, the selling securityholders identified below may have sold, transferred or otherwise disposed of all or a portion of their notes since the date on which they provided the information regarding their holdings in transactions exempt from the registration requirements of the Securities Act.

To our knowledge, no selling securityholder nor any of its affiliates has held any position or office with, been employed by or otherwise has had any material relationship with us or our affiliates within the past three years.

The percentage of notes outstanding beneficially owned by each selling securityholder is based on \$200,000,000 aggregate principal amount of notes outstanding. The number of shares of common stock issuable upon conversion of the notes shown in the table below assumes conversion of the full amount of notes held by each selling securityholder at the initial conversion rate of 38.5802 shares of common stock per \$1,000 principal amount of notes.

Name (1)	Principal Amount of Notes		Common Stock Owned Prior to the Offering (2)(3)	Common Stock Owned After Completion of the Offering (3)
	Beneficially Owned and Offered Hereby (\$)	Percentage of Notes Outstanding		
Alexandra Global Master Fund, Ltd.	3,500,000	1.75%	135,031	
Aristeia International Limited (4)	13,860,000	6.93%	534,722	
Aristeia Partners LP (6)	2,640,000	1.32%	101,852	
BNP Paribas Equity Strategies, SNC (7)(8)	5,090,000	2.55%	202,226	5,583
Brooks Capital Group LLC (9)	100,000	*	3,858	
CIBC World Markets (5)	500,000	*	19,290	
Citigroup Global Markets Ltd. (5)	8,000,000	4.00%	308,642	

Name (1)	Principal Amount of Notes Beneficially Owned and Offered Hereby (\$) (2)	Percentage of Notes Outstanding	Common Stock Owned Prior to the Offering (2)(3)	Common Stock Owned After Completion of the Offering (3)
CNH CA Master Account, L.P. (10)	250,000	*	368,185	358,540
CooperNeff Convertible Strategies (Cayman) Master Fund, LP (8)	1,866,000	*	71,991	
Deutsche Bank Securities Inc. (5)	7,126,000	3.56%	274,923	
DKR Saturn Event Driven Holding Fund Ltd. (11)	6,365,000	3.18%	245,563	
DKR Saturn Multi-Strategy Holding Fund Ltd. (12)	22,815,000	11.41%	885,407(13)	5,200(13)
DKR SoundShore Strategic Holding Fund Ltd. (14)	2,500,000	1.25%	96,451	
Drawbridge Convertible I Ltd. (15)	64,000	*	83,955	81,486
Drawbridge Convertible II Ltd. (15)	20,000	*	26,847	26,076
Drawbridge Global Macro Master Fund Ltd. (15)	1,666,000	*	282,658	218,383
Fore Convertible Master Fund, Ltd. (16)	4,000,000	2.00%	154,321	
Fore ERISA Fund, Ltd. (16)	2,000,000	1.00%	77,160	
Froley Revy Convertible Arbitrage Offshore (17)	350,000	*	13,503	
FrontPoint Convertible Arbitrage Fund, L.P. (18)	6,000,000	3.00%	231,481	
GLG Market Neutral Fund (19)	3,000,000	1.50%	115,741	
Guggenheim Portfolio Company VIII (Cayman), Ltd. (7)(20)	2,000,000	1.00%	77,160	
Highbridge International LLC (21)	21,500,000	10.75%	829,474	
ING Investors Trust ING T. Rowe Price Capital Appreciation Fund (7)(22)	830,000	*	32,022	
Jeffries & Company (5)(23)	250,000	*	9,645	
JP Morgan Securities Inc. (5)(24)	4,850,000	2.43%	193,246	6,132
Kamunting Street Master Fund, Ltd. (25)	7,100,000	3.55%	273,919	
KBC Financial Products USA Inc. (5)(26)	8,600,000	4.30%	331,790	
LDG Limited (27)	229,000	*	8,835	
Lehman Brothers Inc. (5)	5,100,000	2.55%	196,759	
Lyxor/Convertible Arbitrage Fund Limited (8)	848,000	*	32,716	
Man Convertible Bond Master Fund, Ltd. (28)	2,936,000	1.47%	113,271	
Man Mac I Limited	3,000,000	1.50%	115,741	
MSS Convertible Arbitrage I (27)	48,000	*	2,830	978

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Penn Series Funds, Inc. Flexibly Managed Fund (7)(22)	375,000	*	14,468	
Putnam Convertible Income-Growth Trust (7)	3,720,000	1.86%	143,518	
Saranac Capital Management L.P. (29)	15,000,000	7.50%	2,012,861	1,434,158
Satellite Convertible Arbitrage Master Fund, LLC (30)	7,000,000	3.50%	270,061	
Silverback Master, Ltd. (31)	13,500,000	6.75%	520,833	
Singlehedge US Convertible Arbitrage Fund (8)	745,000	*	28,742	
Sphinx Fund c/o TQA (27)	311,000	*	24,841	12,842
St. Thomas Trading, Ltd. (32)	1,064,000	*	41,049	
Sturgeon Limited (8)	876,000	*	33,796	
UBS O Connor LLC F/B/O O Connor Global Convertible Arbitrage Master Limited	3,000,000	1.50%	115,741	
T. Rowe Price Capital Appreciation Fund, Inc. (7)(22)	2,045,000	1.02%	78,897	
Tang Capital Partners, LP	2,000,000	1.00%	77,160	
TQA Master Fund, Ltd. (27)	1,810,000	*	143,689	73,859
TQA Master Plus Fund, Ltd. (27)	3,201,000	1.60%	255,894	132,399
TQA Special Opportunities Master Fund Ltd. (33)	2,000,000	1.00%	77,160	
Tugar Capital, L.P. (34)	2,500,000	1.25%	96,451	
Vicis Capital Master Fund (35)	4,000,000	2.00%	154,321	
Wachovia Capital Markets LLC (5)(36)	3,000,000	1.50%	115,741	
Waterstone Market Neutral MAC51, Ltd. (37)	59,000	*	2,276	
Waterstone Market Neutral Master Fund, Ltd. (38)	941,000	*	36,304	
Xavex Convertible Arbitrage I (27)	26,000	*	16,714	15,711
Zurich Institutional Benchmark Master c/o TQA (27)	375,000	*	14,468	
Total**	200,000,000	100.00%	10,087,656	2,371,616

* Less than one percent

** The sum of the listed principal amount of notes beneficially owned by holders actually exceeds \$200,000,000 because certain of the holders have transferred notes pursuant to Rule 144A or

otherwise
reduced their
position prior to
selling pursuant
to this
prospectus. As a
result, we have
received
beneficial
ownership
information
from additional
holders without
corresponding
updates from
the holders that
sold notes to
such additional
holders. The

maximum
principal
amount of notes
that may be sold
under this
prospectus will
not exceed
\$200,000,000.

- (1) Information about other selling securityholders, except for any future transferee, pledgee, donee, assignee or successor of securityholders named in the table above, will be set forth in a prospectus supplement or amendment to this registration statement if required. For purposes of this table, we have assumed that any other holders of notes, or any future transferees, pledgees, donees or successors of or from any such other holders of notes, do not beneficially own any common stock other than the common stock issuable upon conversion of the notes at

the initial
conversion rate.

- (2) Selling securityholders may have sold, transferred or otherwise disposed of all or a portion of their notes, or acquired additional notes, since the date on which we were provided with the information regarding their notes in transactions exempt from the registration requirements of the Securities Act.

Accordingly, the information provided here for any particular securityholder may understate or overstate, as the case may be, such securityholder's current ownership. The aggregate principal amount of notes outstanding as of the date of this registration statement is \$200,000,000, and the selling securityholders will not sell under this registration

statement more than that amount.

- (3) Includes common stock issuable upon conversion of the notes at the initial conversion rate of 38.5802 shares of common stock per \$1,000 principal amount of notes. However, this conversion rate will be subject to adjustment as described under Description of Notes Conversion of Notes Conversion Rate Adjustments and Description of Notes Make Whole Payment Upon the Occurrence of a Designated Event that is also a Fundamental Change. As a result, the amount of common stock issuable upon conversion of the notes may increase or decrease in the future. Assumes conversion of the full amount of 4¹/₂% notes held by the

selling
securityholder at
the initial
conversion rate
of 65.1890
shares of
common stock
per \$1,000
principal
amount of notes.

- (4) Aristeia Capital LLC is the investment manager for Aristeia International Limited. Aristeia Capital LLC is jointly owned by Robert H. Lynch Jr., Anthony Frascella, Bill Techar and Kevin Toner, who have voting or investment control over these securities.
- (5) The selling securityholder has informed us that it is a registered broker-dealer. See Plan of Distribution below.
- (6) Aristeia Advisors LLC is the investment manager for Aristeia Partners LP. Aristeia Advisors LLC is jointly owned by Robert H.

Lynch Jr.,
Anthony
Frascella, Bill
Techar and
Kevin Toner,
who have voting
or investment
control over
these securities.

(7) The selling
securityholder
has informed us
that it is an
affiliate of a
registered
broker-dealer.
See Plan of
Distribution
below.

(8) Christian
Menestrier,
Chief Executive
Officer of
CooperNeff
Advisors, Inc.,
has voting or
investment
control over
these securities.

(9) Brook Lenfest
and William
Luterman have
voting or
investment
control over
these securities.

(10) CNH Partners,
LLC is the
investment
advisor of the
CNH CA
Master Account,
L.P. and has
sole voting and
dispositive
power over
these securities.

Robert Krail,
Mark Mitchell
and Todd
Pulvino exercise
voting and
investment
control on
behalf of CNH
Partners, LLC.

(11) DKR Saturn
Management
Company L.P.
is a registered
investment
adviser with the
Securities and
Exchange
Commission
and, as such, is
the investment
manager to
DKR Saturn
Event Driven
Holding Fund
Ltd. (the Saturn
Fund). Ron
Phillips,
portfolio
manager of the
Saturn Fund,
has voting or
investment
control over
these securities.

(12) DKR Saturn
Management
L.P. (DKR
Saturn) is a
registered
investment
adviser with the
Securities and
Exchange
Commission
and, as such, is
the investment
manager to
DKR Saturn
Multi-Strategy

Fund Ltd. (the Multi-Strategy Fund). As such, DKR Saturn and certain portfolio managers have shared dispositive and voting power over securities held by the fund. Ron Phillips has voting or investment control over these securities. Mr. Phillips disclaims beneficial ownership of the securities.

- (13) Includes 5,200 shares of common stock subject to a call option.
- (14) DKR Capital Partners L.P. (DKR LP) is a registered investment adviser with the Securities and Exchange Commission and, as such, is the investment manager to DKR SoundShore Strategic Holding Fund Ltd. (the SoundShore Fund). DKR LP has retained certain portfolio managers to act

as the portfolio
manager to the

SoundShore Fund managed by DKR LP. As such, DKR LP and certain portfolio managers have shared dispositive and voting power over securities held by the fund. Doug Teresko has voting or investment control over these securities.

(15) Kevin Treacy has voting or investment control over these securities.

(16) David Egglshaw has voting or investment control over these securities.

(17) Ann Houlihan has voting or investment control over these securities.

(18) FrontPoint Convertible Arbitrage Fund GP LLC is the general partner of FrontPoint Convertible Arbitrage Fund, L.P. FrontPoint Partners LLC is the managing

member of FrontPoint Convertible Arbitrage Fund GP, LLC and as such has voting and dispositive power over the securities held by the fund. Philip Duff, W. Gillespie Caffray and Paul Ghaffari are members of the board of managers of FrontPoint Partners LLC and are the sole members of its management committee. Messrs. Duff, Caffray and Ghaffari and FrontPoint Partners LLC and FrontPoint Convertible Arbitrage Fund GP, LLC each disclaim beneficial ownership of the securities held by the fund except for their pecuniary interest therein.

- (19) GLG Market Neutral Fund (the Fund) is a publicly owned company listed on the Irish Stock Exchange. GLG Partners LP, an English limited

partnership, acts as the investment manager of the fund and has voting and dispositive power of the securities held by the Fund. The general partner of GLG Partners LP is GLG Partners Limited, an English limited company. The shareholders of GLG Partners Limited are Noam Gottesman, Pierre Lagrange, Jonathan Green, Philippe Jabre and Lehman (Cayman) Limited, a subsidiary of Lehman Brothers, Inc., a publicly-held entity. GLG Partners LP, GLG Partners Limited, Noam Gottesman, Pierre Lagrange, Jonathan Green, Philippe Jabre and Lehman (Cayman) Limited disclaim beneficial ownership of the securities held by the Fund, except for their pecuniary interest therein.

(20) Matthew Li has voting or investment control over these securities.

(21) Highbridge Capital Management, LLC (Highbridge) is the trading manager of Highbridge International LLC (HIC) and consequently has voting control and investment discretion over securities held by HIC. Glenn Dubin and Henry Swieca control Highbridge. Each of Highbridge, Glenn Dubin and Henry Swieca disclaims beneficial ownership of the securities held by HIC.

(22) T. Rowe Price Associates, Inc. (T. Rowe Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote these securities.

T. Rowe Price Associates disclaims beneficial ownership of these securities. T. Rowe Price Associates is a wholly-owned subsidiary of T. Rowe Price Group, Inc., which is a publicly-traded financial services holding company.

(23) Jonathan Cunningham has voting or investment control over these securities.

(24) Charlotte Chui has voting or investment control over these securities.

(25) Allan Teh, managing member of Kamunting Street Management, LLC, the general partner of the investment manager of Kamunting Street Master Fund, Ltd., has voting or investment control over these securities.

(26)

KBC Financial
Products USA
Inc. exercises
voting and
investment
control over any
shares of
common stock
issuable upon
conversion of
the notes held
by the selling
securityholder.

Mr. Luke
Edwards,
Managing
Director,
exercises voting
and investment
control on
behalf of KBC
Financial
Products USA
Inc.

(27) Robert Butman,
George Esser,
John Idone, Paul
Bucci and
Bartholomew
Tesoriero have
voting or
investment
control over
these securities.

(28) John Null and
J.T. Hansen,
principals of
Marin Capital
Partners, LP,
investment
advisor to Man
Convertible
Bond Master
Fund, Ltd. have
voting or
investment
control over
these securities.

(29) Ross Margolies has voting or investment control over these securities. Saranac Capital Management L.P. acts as discretionary investment advisor with respect to the following accounts that hold the indicated principal amounts of these securities: Citigroup Alternative Investments Diversified Arbitrage Strategies Fund Ltd., 1,822,000; Citigroup Alternative Investments Enhanced Arbitrage Strategies Fund, 539,000; Citigroup Alternative Investments QIP Multi Strategy Arbitrage Portfolio, 8,868,000; Saranac Erisa Arbitrage LTD, 3,355,000; Saranac Erisa Arbitrage LP, 224,000; and Saranac Arbitrage LTD, 192,000.

- (30) Leif Rosenblatt,
Mark Sonnino,
Gabriel
Nechamkin,
Christopher
Tuzzo, Brian
Kriftcher,
Stephen Shapiro
and David Ford
have voting or
investment
control over
these securities.
Each of these
individuals
disclaims
beneficial
ownership of
the securities.
- (31) Elliot Bossen
has voting or
investment
control over
these securities.
- (32) John Null and
J.T. Hansen,
principals of
Marin Capital
Partners, LP,
investment
advisor to St.
Thomas
Trading, Ltd.,
have voting or
investment
control over
these securities.
- (33) Robert Butman,
George Esser,
John Idone, Paul
Bucci and
Bartholomew
Tesoriero have
voting or
investment
control over

these securities.

(34) Ken Tananbaum has voting or investment control over these securities.

(35) Sky Lucas, John Succo and Shad Stastney have voting or investment control over these securities.

(36) Eric Grant has voting or investment control over these securities.

(37) Shawn Bergerson, Chief Executive Officer of Waterstone Market Neutral MAC51, Ltd., has voting or investment control over these securities.

(38) Shawn Bergerson, Chief Executive Officer of Waterstone Market Neutral Master Fund, Ltd., has voting or investment control over these securities.