

Synvista Therapeutics, Inc.  
Form 10-K/A  
October 16, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-K/A**

**Amendment No. 2**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended December 31, 2006**

**or**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number 001-16043

**SYNVISTA THERAPEUTICS, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**13-3304550**

(I.R.S. Employer Identification No.)

**221 W. Grand Avenue, Montvale, New Jersey 07645**

(Address of principal executive offices)

(Zip Code)

(201) 934-5000

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, Par Value \$.01 per share	American Stock Exchange
Preferred Stock Purchase Rights	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

**None**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant, based on the American Stock Exchange closing price of the common stock (\$0.16 per share), as of June 30, 2006, was \$11,033,138.

At September 28, 2007, 2,586,377 shares of the Registrant's common stock, par value \$.01 per share, were outstanding.

**Documents Incorporated By Reference**

None.

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**EXPLANATORY NOTE**

Synvista Therapeutics, Inc. ("Synvista" or the "Company") is filing this Amendment No. 2 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2006, originally filed with the Securities and Exchange Commission on March 22, 2007, and amended on April 30, 2007, for the purpose of amending and supplementing certain information contained in Part II of the Annual Report on Form 10-K, as well as the audited consolidated financial statements and notes thereto. Part IV is also being amended to update the Exhibit Index and to add new certifications in accordance with Rule 13a - 14 under the Exchange Act.

**Item 6. Selected Financial Data.**

The following table sets forth financial data with respect to us as of and for the five years ended December 31, 2006. The selected financial data has been derived from our audited consolidated financial statements. The selected financial data below should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in Item 7:

	Year Ended December 31,				
	2006	2005	2004	2003	2002
	(in thousands, except per share data)				
<b>Statements of Operations Data:</b>					
Income:					
License fees and other income	\$ 62	\$ 100	\$ 152	\$ —	\$ —
Expenses:					
Research and development	1,896	9,074	10,147	9,930	14,992
In-process research and development	11,379	—	—	—	—
General and administrative	4,655	4,325	4,532	5,046	2,946
Total expenses	17,930	13,399	14,679	14,976	17,938
Net loss from operations	(17,868)	(13,299)	(14,527)	(14,976)	(17,938)
Investment income	188	358	182	179	410
Loss before income tax benefit	(17,680)	(12,941)	(14,345)	(14,797)	(17,528)
Income tax benefit	—	327	386	345	647
Net loss	(17,680)	(12,614)	(13,959)	(14,452)	(16,881)
Preferred stock dividends	2,653	4,486	4,135	3,791	3,485
Net loss applicable to common stockholders	\$ (20,333)	\$ (17,100)	\$ (18,094)	\$ (18,243)	\$ (20,366)
Basic/diluted net loss per share applicable to common stockholders	\$ (0.22)	\$ (0.30)	\$ (0.41)	\$ (0.50)	\$ (0.64)
Weighted average common shares used in computing basic/diluted net loss per share	91,434	57,639	44,349	36,190	31,793
<b>Balance Sheet Data:</b>					
Cash, cash equivalents and short-term investments	\$ 1,479	\$ 6,583	\$ 11,176	\$ 16,679	\$ 17,439
Working capital	730	5,657	8,740	15,033	13,786
Total assets	2,305	7,134	11,642	17,255	18,099
Accumulated deficit	(243,146)	(222,813)	(205,713)	(187,619)	(169,376)
Total stockholders’ equity	1,243	5,992	9,047	15,384	14,303

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.****Overview**

We are a product-based biopharmaceutical company engaged in the development of small molecule drugs to treat and prevent cardiovascular disease and diabetes. We identified several promising product candidates that we believe

represent novel approaches to some of the largest pharmaceutical markets. We have advanced one of these products into Phase 2 clinical trials. By acquiring HaptoGuard in July 2006, we expanded our portfolio with another compound in Phase 2 clinical development for cardiovascular complications of diabetes.

One of our drug candidates, ALT-2074 has demonstrated potential efficacy in animal models of heart attack and in a 20-patient clinical trial in ulcerative colitis. Our goal is to develop ALT-2074 in acute coronary syndrome as a targeted drug for high risk diabetic patients. It is currently being evaluated for evidence of myocardial protection following angioplasty in high-risk diabetic patients. Alagebrium chloride or alagebrium (formerly ALT-711), is a product of our drug discovery and development program. Alagebrium has demonstrated potential efficacy in two clinical trials in heart failure, as well as in animal models of heart failure, nephropathy, hypertension and erectile dysfunction. It has been tested in approximately 1,000 patients in a number of Phase 1 and Phase 2 clinical trials. Our goal is to develop alagebrium in diastolic heart failure and nephropathy. These diseases represent a rapidly growing market of unmet need, particularly common among diabetic patients, and alagebrium has demonstrated relevant clinical activity in two Phase 2 clinical trials for heart failure. However, we have significantly curtailed all product development activities due to an absence of sufficient financial resources to continue its development. While our goal is to pursue the development of ALT-2074 and alagebrium in high potential cardiovascular indications, any continued development of alagebrium by us is contingent upon our entering into strategic collaboration agreements for this product candidate which, among other things, would be required to include funding for product development.

We expect to utilize cash and cash equivalents to fund our operating activities, including continued development of ALT-2074 and alagebrium. We have undertaken curtailment actions and have reduced cash expenses in the fiscal year ended 2006. These actions include evaluating clinical strategies before resuming clinical trials for alagebrium, increased selectivity in preclinical programs and reduced headcount. We have engaged third parties to assist in developing and identifying options designed to diversify our portfolio of product candidates and to enhance our ability to raise financing in the future. Potential transactions include the acquisition of technologies and product programs, licensing opportunities, the sale to or merger into another company, and debt and equity financing. If we are unable to secure additional financing on reasonable terms, unable to generate sufficient new sources of revenue through collaborative arrangements or if the level of cash and cash equivalents falls below anticipated levels, we will not have the ability to continue as a going concern beyond the second quarter of 2007.

Since our inception in October 1986, we have devoted substantially all of our resources to research, drug discovery and development programs. To date, we have not generated any revenues from the sale of products and do not expect to generate any such revenues for a number of years, if at all. We have incurred an accumulated deficit of \$243,145,861 as of December 31, 2006, and expect to incur net losses, potentially greater than losses in prior years, for a number of years.

We have financed our operations through proceeds from public offerings of common stock, private placements of common and preferred equity securities, revenue from former collaborative relationships, reimbursement of certain of our research and development expenses by our collaborative partners, investment income earned on cash balances and short-term investments, and in prior years from the sale of a portion of our New Jersey State net operating loss carryforwards.

Our business is subject to significant risks including, but not limited to, (1) our ability to obtain sufficient additional funding in the near term, whether through a strategic collaboration agreement or otherwise, to allow us to resume the development of ALT-2074 and alagebrium and to continue operations, (2) our ability to continue enrollment in our clinical studies of ALT-2074 should we have adequate financial and other resources to do so, (3) the risks inherent in our research and development efforts, including clinical trials and the length, expense and uncertainty of the process of seeking regulatory approvals for our product candidates, (4) uncertainties associated with obtaining and enforcing our patents and with the patent rights of others, (5) uncertainties regarding government healthcare reforms and product pricing and reimbursement levels, (6) technological change and competition, (7) manufacturing uncertainties, and (8) dependence on collaborative partners and other third parties. Even if our product candidates appear promising at an early stage of development, they may not reach the market for numerous reasons. These reasons include the possibilities that the products will prove ineffective or unsafe during preclinical or clinical studies, will fail to receive necessary regulatory approvals, will be difficult to manufacture on a large scale, will be uneconomical to market or will be precluded from commercialization by proprietary rights of third parties. These risks and others are discussed under the heading "Item 1A - Risk Factors."

## Results of Operations

*Years Ended December 2006, 2005 and 2004*

### *Revenues*

Total revenues for 2006, 2005 and 2004 were \$62,000, \$100,000 and \$152,000, respectively. In 2006, other income included \$50,000 received from a licensing agreement with Avon Products, Inc. In 2005, other income included \$100,000 received from a licensing agreement with Avon Products, Inc. In 2004, other income included approximately \$52,000 derived from the sale of fully depreciated laboratory equipment and supplies and a reimbursement of \$100,000 for improvements made to our former facility in Ramsey, New Jersey. The increase in investment income in 2005 versus 2004 was attributed to an increase in short term interest rates, partially offset by lower investment balances.

### *Research and Development*

Research and development expense consists of costs incurred in connection with developing and advancing our drug discovery technology and identifying and developing our product candidates. We charge all research and development expenses to operations as incurred.

Our research and development expense consists of:

- internal costs associated with research, preclinical and clinical activities;
- payments to third-party contract research organizations, investigative sites and consultants in connection with our preclinical and clinical development programs;
- costs associated with drug formulation and supply of drugs for clinical trials;
- personnel related expenses, including salaries, stock-based compensation, benefits and travel; and
- overhead expenses, including rent.

We currently have two lead products in clinical development. A Phase 2 clinical study for ALT-2074 was opened for enrollment in May 2006, but progress of enrollment has been slow due in part to ineffective study design, geopolitical problems in Israel and a delay in acquiring the necessary financing. As of December 31, 2006, we had suspended enrollment for the Phase 2 clinical trial of our second product candidate, alagebrium, in heart failure due to lack of funding, and we had no subjects under protocol in any clinical study of alagebrium.

On July 25, 2007, we completed a \$25 million financing, which will enable us to resume our Phase 2 clinical trials. We have not been tracking our clinical development costs on a project by project basis because we only had one product in clinical development until June 2006 and were forced to curtail research activities due to lack of funding until July 2007. We plan to keep track of our clinical development costs on a project by project basis going forward and will provide applicable by project disclosures in our Annual Report on Form 10-K for the fiscal year ending December 31, 2007.

We do not know if we will be successful in developing our product candidates. While expenses associated with the development of our current clinical programs are expected to be substantial and to increase over time, we believe that accurately projecting total program-specific expenses through commercialization is not possible at this time due to the following factors: the timing and amount of these expenses will depend upon the costs associated with potential future

clinical trials of our product candidates, and the related expansion of our research and development organization, regulatory requirements, advancement of our preclinical programs and product manufacturing costs, many of which cannot be determined with accuracy at this time based on our stage of development. This is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of unanticipated events arising during clinical development, including those with respect to:

- the number of clinical sites included in the trial;
- the length of time required to enroll suitable subjects;
- the number of subjects that ultimately participate in the trials; and



- the efficacy and safety results of our clinical trials and the number of additional required clinical trials.

Our expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals and the expense of filing, prosecuting, defending or enforcing any patent claims or other intellectual property rights. In addition, we may obtain unexpected or unfavorable results from our clinical trials. We may elect at any time to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of the foregoing variables in the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or other regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in any of our clinical trials, we would be required to expend significant additional financial resources and time on the completion of clinical development. Additionally, future commercial and regulatory factors beyond our control will evolve and therefore impact our clinical development programs and plans over time. Due to the risks and uncertainties described above, we cannot currently estimate when material net cash flows from significant projects may commence, if at all.

### *Operating Expenses*

Total expenses, excluding in-process research and development of \$11,379,000, decreased to \$6,551,000 in 2006 from \$13,399,000 in 2005 and from \$14,679,000 in 2004, and consisted primarily of general and administrative expenses in 2006 and research and development expenses for the years 2005 and 2004. The \$11,379,000 in-process research and development charge was a result of the merger with HaptoGuard. Research and development expenses were \$1,896,000, \$9,074,000, and \$10,147,000 in 2006, 2005 and 2004, respectively. These expenses consisted primarily of third-party expenses associated with preclinical and clinical studies, manufacturing costs, including the development and preparation of clinical supplies, personnel and personnel-related expenses and an allocation of facility expense.

Research and development expenses, excluding in-process research and development, decreased to \$1,896,000 in 2006 from \$9,074,000 in 2005, a decrease of \$7,178,000, or 79.1%. This was primarily related to decreased clinical trial costs and manufacturing expenses as a result of the discontinuation of the SPECTRA (Systolic Pressure Efficacy and Safety Trial of Alagebrium) trial, partially offset by additional preclinical toxicity testing. The 2006 results include \$547,000 in personnel and personnel-related costs, \$168,000 in clinical trial costs, \$63,000 in preclinical expenses, \$279,000 of manufacturing expenses related to on-going drug stability studies, drug destruction and storage, \$396,000 in consulting expense, \$251,000 in trial-related insurance and \$159,000 in facility allocation.

Research and development expenses decreased to \$9,074,000 in 2005 from \$10,147,000 in 2004, a decrease of \$1,073,000, or 10.6%. This was primarily related to decreased clinical trial costs and manufacturing expenses as a result of the discontinuation of the SPECTRA trial, partially offset by additional preclinical toxicity testing. The 2005 results include \$3,796,000 in personnel and personnel-related costs, \$2,199,000 in clinical trial costs primarily related to SPECTRA, \$1,288,000 in preclinical expenses primarily associated with the additional toxicity testing, \$579,000 of manufacturing expenses related to on-going drug stability studies, drug destruction and storage, \$425,000 in consulting expenses, \$396,000 in trial-related insurance and \$351,000 in facility allocation.

General and administrative expenses were \$4,655,000 in 2006, an increase from \$4,325,000 in 2005 and an increase from \$4,532,000 in 2004. The increase in 2006 is in large part a result of severance costs of \$1,617,000, partially offset by a reduction of normal personnel costs of \$706,000. The decrease in 2005 over 2004 includes a \$397,000 reduction in business development and marketing that was incurred in early 2004 related to the start-up of SPECTRA, \$284,000 in reduced personnel costs due to reduced headcount, and \$123,000 in reduced patent expenses. This decrease was offset by \$597,000 in additional corporate expenses related to Sarbanes-Oxley compliance and increased third-party consulting expenses.



At December 31, 2006, we had available federal net operating loss carryforwards of \$168,536,821, which expire in various amounts from the years 2007 through 2026, and state net operating loss carryforwards of \$53,824,491, which expire in the years 2007 through 2013. In addition, at December 31, 2006, we had federal research and development tax credit carryforwards of \$6,717,647 and state research and development tax credit carryforwards of \$1,683,419.

#### *Investment Income*

Investment income for 2006, 2005 and 2004 was \$188,000, \$358,000 and \$182,000, respectively. Investment income was derived from interest earned on cash and cash equivalents and short-term investments. Investment income in 2006 was lower than that in 2005 due to lower investment balance, partially offset by higher interest rates. The increase in investment income in 2005 versus 2004 was attributed to an increase in short term interest rates, partially offset by lower investment balances.

#### *Net Loss*

We had net losses of \$17,680,000, \$12,614,000 and \$13,959,000 in 2006, 2005 and 2004, respectively. Included in our net loss in 2006, 2005 and 2004 was the sale of \$0, \$4,077,000 and \$3,456,000, respectively, of our state net operating loss carryforwards and \$0, \$0, and \$123,000, respectively, of our state research and development tax credit carryforwards. The proceeds and tax benefit recognized from the sale of these carryforwards in 2006, 2005 and 2004 were \$0, \$327,000 and \$386,000, respectively.

Included in the net loss applicable to common stockholders for 2006, 2005 and 2004 were preferred stock dividends of \$2,653,000, \$4,486,000 and \$4,135,000, respectively.

#### **Liquidity and Capital Resources**

We had cash and cash equivalents at December 31, 2006, of \$1,479,000 compared to \$6,583,000 at December 31, 2005, a decrease of \$5,104,000. Cash used in operating activities for the year ended December 31, 2006, totaled \$7,438,000 and consisted primarily of research and development expenses, personnel and related costs, and facility expenses. Cash used in investing activities totaled \$1,472,000 for the year ended December 31, 2006 and included \$1,622,000 of acquisition costs, net of cash acquired, offset by a release of restricted cash of \$150,000 required by our facility lease. Cash provided by financing activities for the year ended December 31, 2006 was \$3,806,000 and arose from an April 2006 and September 2006 public offering of 20,430,733 shares of common stock at \$0.25, and \$0.15 per share, respectively, which provided net proceeds of \$3,806,026.

In 2006, 2005 and 2004, we sold \$0, \$4,077,000 and \$3,456,000, respectively, of our gross state net operating loss carryforwards and \$0, \$0 and \$123,000, respectively, of our state research and development tax credit carryforwards under the State of New Jersey's Technology Business Tax Certificate Transfer Program. This program allows qualified technology and biotechnology businesses in New Jersey to sell unused amounts of net operating loss carryforwards and defined research and development tax credits for cash. Due to the uncertainty at any time as to our ability to effectuate the sale of our available New Jersey state net operating losses, and since we have no control or influence over the tax certificate transfer program, the benefits are recorded once the agreement with the counterparty is signed and the sale is approved by the State of New Jersey. The proceeds from the sales in 2006, 2005 and 2004 were \$0, \$327,000 and \$386,000, respectively, and such amounts were recorded as a tax benefit in the statements of operations. As of December 31, 2006, we had state net loss carryforwards and state research and development tax credit carryforwards available for sale of \$53,824,491. We cannot be certain if we will be able to sell any or all of these carryforwards under the tax certificate transfer program.

In January 2007, we completed a private financing of senior convertible secured promissory notes (the "Notes") and warrants, which provided net proceeds of approximately \$3,000,000. In connection with this financing, we issued

five-year warrants to purchase 25,734,453 shares of our common stock at \$0.01 per share. Each Note accrues interest at a rate of 8% per annum and the principal and interest on the Note are due and payable, if not converted, on May 31, 2007. The Notes will automatically be converted into any security that is issued by us to the Buyers and other potential investors in connection with a proposed private preferred stock and warrant financing of up to \$20 million that is currently being negotiated. The closing of any such additional financing, which we anticipate will be done at a discount from the market price, will be subject to the satisfaction of various conditions, including stockholder approval. In addition, at the option of the Buyers, the Notes may be converted into any security that is sold by the Company in any other financing on or prior to May 31, 2007. If the Notes have not been repaid or converted prior to May 31, 2007, we will be obligated to repay the outstanding principal amount plus any accrued but unpaid interest as well as (i) an additional \$1,000,000 and (ii) fifteen percent (15%) of any amount received from financing, sale or licensing transactions completed prior to June 30, 2008, subject to a cap of \$2,000,000 in the aggregate. Finally, at the option of the Buyers, unless otherwise converted, the Notes may be converted into shares of our common stock, at a price equal to the closing price of our common stock on January 11, 2007. In connection with note and warrant financing, the Company anticipates recognizing a significant amount of non-cash, and potentially cash, interest expense in the first and second quarters of 2007.

If we are unsuccessful in our efforts to raise additional funds, we will not have the ability to continue as a going concern beyond the second quarter of 2007.

On January 24, 2007, we received a notice from the staff (the "Staff") of AMEX, that AMEX has accepted our plan to regain compliance with AMEX continued listing standards, and that our listing will be continued pursuant to an extension until April 9, 2008 (the "Extension Period").

We submitted a Plan of Compliance to AMEX on November 6, 2006, outlining our operational plan and strategic objectives, and amended our Plan of Compliance on January 3, 2007 and January 5, 2007. The Plan of Compliance was prepared in response to a letter received from AMEX on October 9, 2006, indicating we were below certain continued listing standards. These standards were (i) Section 1003(a)(i) of the AMEX Company Guide, as a result of the Company's shareholder's equity of less than \$2,000,000 and losses from continuing operations and/or net losses in two out of its three most recent fiscal years; (ii) Section 1003(a)(ii) of the AMEX Company Guide, as a result of the Company's shareholder's equity of less than \$4,000,000 and losses from continuing operations and/or net losses in three out of its four most recent fiscal years; and (iii) Section 1003(a)(iii) of the AMEX Company Guide, as a result of the Company's shareholder's equity of less than \$6,000,000 and losses from continuing operations and/or net losses in its five most recent fiscal years. To date, we have not regained compliance with such continued listing standards, but we are working towards achieving that goal consistent with our Plan of Compliance.

We will be subject to periodic review by the Staff during the Extension Period, and is required to provide the Staff with periodic updates in connection with the Plan of Compliance. Failure to make progress consistent with the Plan of Compliance or to regain compliance with the continued listing standards by the end of the Extension Period could result in the Company being delisted from AMEX.

We do not have any approved products and currently derive cash from sales of our securities, sales of our New Jersey state net operating loss carryforwards and interest on cash and cash equivalents. We are highly susceptible to conditions in the global financial markets and in the pharmaceutical industry. Positive and negative movement in those markets will continue to pose opportunities and challenges to us. Previous downturns in the market valuations of biotechnology companies and of the equity markets more generally have restricted our ability to raise additional capital on favorable terms.

We expect to utilize cash and cash equivalents to fund our operating activities, including continued development of ALT-2074 and alagebrium. However, as a result of the discontinuation of the Phase 2b SPECTRA trial in systolic hypertension and a decrease in our financial resources, we have significantly curtailed all product development activities of alagebrium and have reduced expenses for the year ended December 31, 2006. While we intend to pursue development of ALT-2074 and alagebrium, any continued development of alagebrium by us is contingent upon our entering into strategic collaboration agreements for this product candidate which, among other things, would be required to include funding for product development. We may not be able to enter into a strategic collaboration agreement with respect to ALT-2074 or alagebrium on reasonable terms, or at all. No enrollment or other activity is taking place with respect to any of our Phase 2 trials of alagebrium pending the resolution of our financial resource issues. If we are unable to secure additional financing on reasonable terms, unable to generate sufficient new sources of revenue through collaborative arrangements or if the level of cash and cash equivalents falls below anticipated levels, we will not have the ability to continue as a going concern beyond the second quarter of 2007.

The amount and timing of our future capital requirements will depend on numerous factors, including the timing of resuming our research and development programs, if at all, the number and characteristics of product candidates that we pursue, the conduct of preclinical tests and clinical studies, the status and timelines of regulatory submissions, the costs associated with protecting patents and other proprietary rights, the ability to complete strategic collaborations and the availability of third-party funding, if any.



Selling securities to satisfy our capital requirements may have the effect of materially diluting the current holders of our outstanding stock. We may also seek additional funding through corporate collaborations and other financing vehicles. There can be no assurances that such funding will be available at all or on terms acceptable to us. We have significantly curtailed our research and development programs, until additional financing is obtained, if ever. If funds are obtained through arrangements with collaborative partners or others, we may be required to relinquish rights to our technologies or product candidates and alter our plans for the development of our product candidates. If we are unable to obtain the necessary funding, we may be forced to cease operations. There can be no assurance that the products or technologies acquired in the merger will result in revenues to the combined company or any meaningful return on investment to our stockholders.

## Commitments

The table below presents our contractual obligations as of December 31, 2006:

	<i>Total</i>	Payments Due by Period			
		Within 1 Year	2-3 Years	4-5 Years	After 5 Years
<b>Contractual Obligations:</b>					
Employment agreements <sup>(1)</sup>	\$ 382,694	\$ 382,694	\$ —	\$ —	—
Operating lease commitments	293,421	85,581	195,614	12,226	—
Total contractual obligations	\$ 676,115	\$ 468,275	\$ 195,614	\$ 12,226	\$ —

(1) We have employment agreements with key executives, which provide that either party may terminate the agreement upon written notice. If we terminate all of the agreements without cause, we are subject to a salary continuation obligation totaling \$382,694.

## Critical Accounting Policies

In December 2001, the SEC issued a statement concerning certain views of the SEC regarding the appropriate amount of disclosure by publicly held companies with respect to their critical accounting policies. In particular, the SEC expressed its view that in order to enhance investor understanding of financial statements, companies should explain the effects of critical accounting policies as they are applied, the judgments made in the application of these policies and the likelihood of materially different reported results if different assumptions or conditions were to prevail. We have since carefully reviewed the disclosures included in our filings with the SEC, including, without limitation, this Annual Report on Form 10-K and accompanying audited consolidated financial statements and related notes thereto. We believe the effect of the following accounting policy is significant to our results of operations and financial condition.

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 123 (revised 2004), “Share-Based Payment,” (“SFAS 123R”), which replaces “Accounting for Stock-Based Compensation,” (“SFAS 123”) and supersedes Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees.” SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first annual reporting period that begins after December 15, 2005. Under SFAS 123R, the pro forma disclosures previously permitted under SFAS 123 are no longer an alternative to financial statement recognition.

We account for employee stock-based compensation, awards issued to non-employee directors, and stock options issued to consultants and contractors in accordance with SFAS 123R, SFAS No. 148 “Accounting for Stock-Based Compensation—Transition and Disclosure” and Emerging Issues Task Force Issue No. 96-18, “Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services.”

For the year ended December 31, 2006, we recognized research and development consulting expenses of \$5,122.

We have adopted the new standard, SFAS 123R, effective January 1, 2006 and have selected the Black-Scholes method of valuation for share-based compensation. We have adopted the modified prospective transition method which requires that compensation cost be recorded, as earned, for all unvested stock options and restricted stock outstanding at the beginning of the first quarter of adoption of SFAS 123R, and is recognized over the remaining service period after the adoption date based on the options' original estimate of fair value. For the year ended December 31, 2006, we recognized share-based employee compensation cost of \$66,745. in accordance with SFAS 123R, which was recorded as general and administrative expenses.



On December 15, 2005, the Compensation Committee of the Board of Directors of the Company approved the acceleration of the vesting date of all previously issued, outstanding and unvested options, effective December 31, 2005. Approximately 1.47 million options were accelerated, of which 1.3 million belong to executive officers and non-employee members of the Board of Directors. As such there was no compensation recognized under Statement 123(R) related to options granted prior to January 1, 2006.

Prior to adoption of SFAS 123R, we applied the intrinsic-value method under APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, under which no compensation cost (excluding those options granted below fair market value) has been recognized. SFAS 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation plans. As permitted by SFAS 123, we elected to continue to apply the intrinsic-value based method of accounting described above, and adopted only the disclosure requirements of SFAS 123, as amended, which were similar in most respects to SFAS 123R.

#### *Revenue Recognition*

Our revenue recognition policy is consistent with the criteria set forth in Staff Accounting Bulletin 104 - Revenue Recognition in Financial Statements (SAB 104) for determining when revenue is realized or realizable and earned. In accordance with the requirements of SAB 104, the Company recognizes revenue when (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the seller's price is fixed or determinable; and (4) collectibility is reasonably assured.

Due to the immaterial nature of our current licensing revenues under the Avon Products, Inc. license agreement, we recognize revenues from non-refundable, up-front license fees as received which approximates the straight-line basis. The Company has no further obligations under this agreement.

#### *Recently Issued Accounting Pronouncements*

In July 2006, the FASB issued FASB Interpretation No. 48, or FIN 48, "*Accounting for Uncertainty in Income Taxes*," which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The provisions of FIN 48 will be effective for us beginning January 1, 2007. We are in the process of determining the effect, if any, the adoption of FIN 48 will have on our financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, or SFAS 157, "*Fair Value Measurements*." SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 will be effective for us beginning January 1, 2007. We are in the process of determining the effect, if any, the adoption of SFAS 157 will have on our financial statements.

In December 2006, the FASB issued FSP EITF 00-19-2, "Accounting for Registration Payment Arrangements." This FASB Staff Position ("FSP") addresses an issuer's accounting for registration payment arrangements. This FSP specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, *Accounting for Contingencies*. The guidance in this FSP amends FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, and FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to include scope

exceptions for registration payment arrangements. This FSP further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles (“GAAP”) without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. This provisions of EITF 00-19-2 will be effective for us beginning January 1, 2007. We are in the process of determining the effect, if any, the adoption of EITF 00-19-2 will have on our financial statements.

### Item 8. Financial Statements and Supplementary Data.

(a) The consolidated financial statements required to be filed pursuant to this Item 8 are appended to this Amendment No. 2 to Annual Report on Form 10-K/A. A list of the consolidated financial statements filed herewith is found at “Index to Consolidated Financial Statements” on page 12.

(b) The unaudited quarterly financial data for the two-year period ended December 31, 2006 is as follows:

	Income	Expenses	Loss Before Income Tax Benefit	Net Loss Applicable to Common Stockholders	Basic/Diluted Loss Per Share
(in thousands, except per share amounts)					
<u>2006</u>					
First Quarter	\$ 0	\$ 1,682	\$ (1,621)	\$ (2,796)	\$ (0.05)
Second Quarter	50	1,159	(1,043)	(2,237)	(0.03)
Third Quarter	0	14,115	(14,076)	(14,360)	(0.13)
Fourth Quarter	12	974	(940)	(940)	(0.01)
Total Year	\$ 62	\$ 17,930	\$ (17,680)	\$ (20,333)	\$ (0.22)
<u>2005</u>					
First Quarter	\$ 0	\$ 4,741	\$ (4,642)	\$ (5,714)	\$ (0.10)
Second Quarter	100	3,577	(3,376)	(4,482)	(0.08)
Third Quarter	0	3,043	(2,957)	(4,098)	(0.07)
Fourth Quarter	0	2,038	(1,966)	(2,806)	(0.05)
Total Year	\$ 100	\$ 13,399	\$ (12,941)	\$ (17,100)	\$ (0.30)

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

(a) Consolidated Financial Statements.

Our audited consolidated financial statements and the Report of Independent Registered Public Accounting Firm are filed with this Report.

(b) Exhibits.

The exhibits required to be filed are listed on the “Exhibit Index” attached hereto, which is incorporated herein by reference.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	Page
Report of Independent Registered Public Accounting Firm - J.H. Cohn LLP	13
Consolidated Financial Statements:	
Consolidated Balance Sheets at December 31, 2006 and 2005	14
Consolidated Statements of Operations for the years ended December 31, 2006, 2005 and 2004	15
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2006, 2005 and 2004	16
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004	17
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders  
Alteon Inc.

We have audited the accompanying consolidated balance sheets of Alteon Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alteon Inc. and subsidiaries as of December 31, 2006 and 2005, and their results of operations and cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2, the Company incurred a net loss of \$17,679,737 and used \$7,438,275 of cash in operating activities during the year ended December 31, 2006. These matters, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ J.H. Cohn LLP

Roseland, New Jersey  
February 15, 2007

## ALTEON INC.

## CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2005
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,478,780	\$ 6,582,958
Other current assets	314,156	216,290
Total current assets	1,792,936	6,799,248
Property and equipment, net	10,500	55,154
Restricted cash	-	150,000
Other assets	501,889	129,195
Total assets	\$ 2,305,325	\$ 7,133,597
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable.	\$ 809,492	\$ 351,232
Accrued expenses	253,022	790,705
Total current liabilities.	1,062,514	1,141,937
<b>Stockholders' Equity:</b>		
Preferred stock, \$.01 par value; 1,993,329 shares authorized, 0 shares issued and outstanding at December 31, 2006 and 1,389 shares of Series G Preferred Stock, and 4,172 shares of of Series H Preferred Stock issued and outstanding at December 31, 2005	-	56
Common stock, \$.01 par value; 300,000,000 shares authorized and 129,318,858 and 57,996,711 shares issued and outstanding, as of December 31, 2006 and December 31, 2005	1,293,189	579,967
Additional paid-in capital	243,095,483	228,225,082
Accumulated deficit	(243,145,861)	(222,813,445)
Total stockholders' equity	1,242,811	5,991,660
Total liabilities and stockholders' equity	\$ 2,305,325	\$ 7,133,597

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

**ALTEON INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Year ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Revenues:</b>			
License fees and other income	\$ 62,069	\$ 100,000	\$ 151,821
<b>Expenses:</b>			
Research and development	1,896,204	9,074,244	10,147,298
In-process research and development	11,379,348	-	-
General and administrative	4,654,689	4,325,225	4,531,953
Total expenses	17,930,241	13,399,469	14,679,251
Net loss from operations	(17,868,172)	(13,299,469)	(14,527,430)
Investment income	188,435	358,446	182,574
Loss before income tax benefit	(17,679,737)	(12,941,023)	(14,344,856)
Income tax benefit	0	326,564	386,210
Net loss	(17,679,737)	(12,614,459)	(13,958,646)
Preferred stock dividends	2,652,679	4,486,336	4,135,145
Net loss applicable to common shares	\$ (20,332,416)	\$ (17,100,795)	\$ (18,093,791)
<b>Net loss per common share:</b>			
Basic and diluted	\$ (0.22)	\$ (0.30)	\$ (0.41)
<b>Weighted average common shares outstanding:</b>			
Basic and diluted	91,434,386	57,639,255	44,349,015

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

## ALTEON INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Equity
Balance, December 31, 2003.	4,699	\$ 47	40,467,148	\$ 404,671	\$ 202,598,573	\$ (187,618,859)	\$ 15,384,432
Net loss	-	-	-	-	-	(13,958,646)	(13,958,646)
Issuance of Series G and H preferred stock dividends	414	4	-	-	4,135,141	(4,135,145)	-
Exercise of employee stock	-	-	5,750	58	5,027	-	5,085
Public offerings of common stock	-	-	8,000,000	80,000	7,501,318	-	7,581,318
Compensation expense in connection with the issuance of non-qualified stock options granted to non-employees	-	-	-	-	34,731	-	34,731
Balance, December 31, 2004	5,113	51	48,472,898	484,729	214,274,790	(205,712,650)	9,046,920
Net loss	-	-	-	-	-	(12,614,459)	(12,614,459)
Issuance of Series G and H preferred stock dividends	448	5	-	-	4,486,331	(4,486,336)	-
Public offerings of common stock	-	-	9,523,813	95,238	9,437,057	-	9,532,295
Compensation expense in connection with the issuance of non-qualified stock options granted to non-employees	-	-	-	-	26,904	-	26,904
Balance, December 31, 2005	5,561	56	57,996,711	579,967	228,225,082	(222,813,445)	5,991,660
Net loss	-	-	-	-	-	(17,679,737)	(17,679,737)
Private placement of common stock	-	-	10,960,400	109,604	2,366,402	-	2,476,006
	238	2	-	-	2,652,677	(2,652,679)	-



Issuance of Series G and H preferred stock dividends							
Common stock issued in connection with the merger	-	-	37,399,065	373,991	8,426,009	-	8,800,000
Preferred stock converted to common stock as a result of the merger	(5,799)	(58)	13,492,349	134,923	(134,865)	-	-
Assumption of HaptoGuard vested stock options	-	-	-	-	235,000	-	235,000
Private placement of common stock	-	-	9,470,333	94,704	1,235,316	-	1,330,020
Stock-based compensation.	-	-	-	-	66,745	-	66,745
Options issued for consulting services	-	-	-	-	5,122	-	5,122
Compensation costs related to restricted stock	-	-	-	-	17,995	-	17,995
Balance, December 31, 2006	-	\$ -	129,318,858	\$ 1,293,189	\$ 243,095,483	\$ (243,145,861)	\$ 1,242,811

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

## ALTEON INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2006	2005	2004
<b>Cash Flows from Operating Activities:</b>			
Net loss	\$ (17,679,737)	\$ (12,614,459)	\$ (13,958,646)
Adjustments to reconcile net loss to cash used in operating activities:			
Stock-based compensation.	66,745	26,904	34,731
Options issued for consulting services	5,122	-	-
Compensation costs related to restricted stock	17,995	-	-
In-process research and development	11,379,348	-	-
Gain on sale of laboratory equipment	-	-	(51,821)
Depreciation and amortization	49,116	65,223	74,870
Changes in operating assets and liabilities, net of acquisition:			
Other current assets.	(408,026)	(56,926)	66,075
Other assets	(501,889)	-	-
Accounts payable and accrued expenses	(366,949)	(1,453,538)	724,922
Net cash used in operating activities	(7,438,275)	(14,032,796)	(13,109,869)
<b>Cash Flows from Investing Activities:</b>			
Capital expenditures.	-	(13,108)	(81,175)
Proceeds on sale of laboratory equipment	-	-	51,821
Restricted cash.	150,000	50,000	50,000
Acquisition costs, net of cash acquired.	(1,621,929)	(129,195)	-
Net cash provided by (used in) investing activities	(1,471,929)	(92,303)	20,646
<b>Cash Flows from Financing Activities:</b>			
Net proceeds from issuance of common stock	3,806,026	9,532,295	7,581,318
Net proceeds from exercise of employee stock options	-	-	5,085
Net cash provided by financing activities	3,806,026	9,532,295	7,586,403
Net decrease in cash and cash equivalents	(5,104,178)	(4,592,804)	(5,502,820)
Cash and cash equivalents, beginning of period	6,582,958	11,175,762	16,678,582
Cash and cash equivalents, end of period	\$ 1,478,780	\$ 6,582,958	\$ 11,175,762
Supplemental disclosure of non-cash investing and financing activities:			
Common stock and other equity consideration issued as a result of the merger	\$ 9,035,000	\$ -	\$ -

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

## **NOTE 1 - Organization and Summary of Significant Accounting Policies**

### *Organization and Business*

Alteon Inc. (“Alteon” or the “Company”) is a product-based biopharmaceutical company engaged in the development of small molecule drugs to treat and prevent cardiovascular disease and diabetes. The Company has identified several promising product candidates that represent novel approaches to some of the largest pharmaceutical markets. Alteon has advanced one of these products into Phase 2 clinical trials. By acquiring HaptoGuard, Inc. in July 2006, Alteon has expanded its portfolio with another compound in Phase 2 clinical development for cardiovascular complications of diabetes.

Alteon is primarily focused on fund-raising activities and exploring strategic relationships to support our development programs. During 2006, as part of these efforts, we acquired HaptoGuard, Inc. At the present time, we have significantly curtailed all product development activities of alagebrium due to the absence of sufficient financial resources to continue its development.

### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of Alteon Inc. and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used for, but not limited to: accrued expenses, income tax valuation allowances and assumptions utilized within the Black-Scholes options pricing model and the model itself. Accounting estimates require the use of judgment regarding uncertain future events and their related effects and, accordingly, may change as additional information is obtained.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash and highly liquid investments that have a maturity of less than three months at the time of purchase.

### *Revenue Recognition*

Our revenue recognition policy is consistent with the criteria set forth in Staff Accounting Bulletin 104 - Revenue Recognition in Financial Statements (SAB 104) for determining when revenue is realized or realizable and earned. In accordance with the requirements of SAB 104, the Company recognizes revenue when (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the seller’s price is fixed or determinable; and (4) collectibility is reasonably assured.

Due to the immaterial nature of our current licensing revenues under the Avon Products, Inc. license agreement, we recognize revenues from non-refundable, up-front license fees as received which approximates the straight-line basis. The Company has no further obligations under this agreement.



### *Financial Instruments*

Financial instruments reflected in the balance sheets are recorded at cost, which approximates fair value for cash equivalents, restricted cash and accounts payable.

### *Property and Equipment*

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the useful lives of owned assets, which range from three to five years.

### *Research and Development*

Research and development expenses consist primarily of costs associated with determining feasibility, licensing and preclinical and clinical testing of our licensed pharmaceutical candidates, including salaries and related personnel costs, certain legal expenses, fees paid to consultants and outside service providers for drug manufacture and development, and other expenses. Expenditures for research and development are charged to operations as incurred.

### *Stock-Based Compensation*

The Company has stockholder-approved stock incentive plans for employees, directors, officers and consultants. Prior to January 1, 2006, the Company accounted for the employee, director and officer plans using the intrinsic value method under the recognition and measurement provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, as permitted by Statement of Financial Accounting Standards ("SFAS" or "Statement") No. 123, "Accounting for Stock-Based Compensation."

Effective January 1, 2006, the Company adopted SFAS No. 123(R), "Share-Based Payment," ("Statement 123(R)") for employee options using the modified prospective transition method. Statement 123(R) revised Statement 123 to eliminate the option to use the intrinsic value method and required the Company to expense the fair value of all employee options over the vesting period. Under the modified prospective transition method, the Company recognized compensation cost for the year ended December 31, 2006, which includes compensation cost related to share-based payments granted on or after January 1, 2006, based on the grant date fair value estimated in accordance with Statement 123(R). In accordance with the modified prospective method, the Company has not restated prior period results.

On December 15, 2005, the Compensation Committee of the Board of Directors of the Company approved the acceleration of the vesting date of all previously issued, outstanding and unvested options, effective December 31, 2005. Approximately 1.47 million options were accelerated, of which, approximately 1.3 million belong to executive officers and non-employee members of the Board of Directors. As such there was no compensation recognized under Statement 123(R) related to options granted prior to January 1, 2006.

Options granted to consultants and other non-employees are accounted for in accordance with EITF No. 96-18 "Accounting for Equity Instruments That Are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." Accordingly, such options are recorded at fair value at the date of grant and subsequently adjusted to fair value at the end of each reporting period until such options vest, and the fair value of the options, as adjusted, is charged to consulting expense over the related vesting period. For the year ended December 31, 2006, the Company recognized research and development consulting expenses of \$5,122.

For the year ended December 31, 2006, the Company recognized share-based employee compensation cost of \$66,745 in accordance with Statement 123(R), which was recorded as general and administrative expense. This expense related to the granting of stock options to employees, directors and officers on or after January 1, 2006. None of this expense

resulted from the grants of stock options prior to January 1, 2006. The Company recognized compensation expense related to these stock options, taking into consideration a forfeiture rate of approximately ten percent based on historical experience, on a straight line basis over the vesting period. The Company did not capitalize any share-based compensation cost.

As a result of adopting Statement 123(R), net loss for year ended December 31, 2006 was greater than if the Company had continued to account for share-based compensation under APB 25 by \$66,745. The effect of adopting Statement 123(R) on basic and diluted earnings per share for the year ended December 31, 2006 was immaterial.

As of December 31, 2006, the total compensation cost related to non-vested option awards not yet recognized is \$266,910. The weighted average period over which it is expected to be recognized is approximately 2.55 years.

The following table illustrates the pro forma effect on net loss and loss per share assuming the Company had applied the fair value recognition provisions of SFAS No. 123 instead of the intrinsic value method under APB 25 to stock-based employee compensation for 2005 and 2004 would be as follows:

	Year Ended December 31,	
	2005	2004
Net loss, as reported	\$ (12,614,459)	\$ (13,958,646)
Less: Total stock-based compensation expense determined under fair value method	(1,701,681)	(868,390)
Pro forma net loss	(14,316,140)	(14,827,036)
Preferred stock dividends	4,486,336	4,135,145
Pro forma net loss applicable to common stockholders	\$ (18,802,476)	\$ (18,962,181)
Net loss per share applicable to common stockholders:		
Basic/diluted, as reported	\$ (0.30)	\$ (0.41)
Basic/diluted, pro forma	\$ (0.33)	\$ (0.43)

As noted above, the Company has shareholder-approved stock incentive plans for employees under which it has granted non-qualified and incentive stock options. Options granted under these plans must be at a price per share not less than the fair market value per share of common stock on the date the option is granted. The options generally vest over a four-year period and expire ten years from the date of grant.

### Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48, or FIN 48, “*Accounting for Uncertainty in Income Taxes*,” which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The provisions of FIN 48 will be effective for us beginning January 1, 2007. We are in the process of determining the effect, if any, the adoption of FIN 48 will have on our consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, or SFAS 157, “*Fair Value Measurements*.” SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 will be effective for us beginning January 1, 2007. The Company is in the process of determining the effect, if any, the adoption of SFAS 157 will have on our consolidated financial statements.

In December 2006, the FASB issued FSP EITF 00-19-2, "Accounting for Registration Payment Arrangements." This FASB Staff Position ("FSP") addresses an issuer's accounting for registration payment arrangements. This FSP specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, *Accounting for Contingencies*. The guidance in this FSP amends FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, and FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to include scope exceptions for registration payment arrangements. This FSP further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles ("GAAP") without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. This provision of EITF 00-19 will be effective for us beginning January 1, 2007. The Company is in the process of determining the effect, if any, the adoption of EITF 00-19 will have on our consolidated financial statements.

### ***Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and net operating loss and tax credit carryforwards. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

### ***Net Loss Per Share Applicable to Common Stockholders***

Basic net loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of shares outstanding during the year. Diluted net loss per share is the same as basic net loss per share applicable to common stockholders, since the assumed exercise of stock options and warrants and the conversion of preferred stock would be antidilutive. The amount of potentially dilutive shares excluded from the calculation as of December 31, 2006, 2005 and 2004 was 33,372,125, 286,187,720 and 50,297, shares, respectively. (See Note 12 - Merger with HaptoGuard, Inc.).

### **NOTE 2 — Liquidity**

The Company has devoted substantially all of its resources to research, drug discovery and development programs. To date, it has not generated any revenues from the sale of products and does not expect to generate any such revenues for a number of years, if at all. As a result, Alteon has incurred net losses since inception, has an accumulated deficit of \$243,145,861 at December 31, 2006, and expects to incur net losses, potentially greater than losses in prior years, for a number of years assuming the Company is able to continue as a going concern, of which there can be no assurance.

The Company has financed its operations through proceeds from the sale of common and preferred equity securities, revenue from former collaborative relationships, reimbursement of certain of our research and development expenses by collaborative partners, investment income earned on cash and cash equivalent balances and short-term investments and in years prior from the sale of a portion of the Company's New Jersey state net operating loss carryforwards and research and development tax credit carryforwards.





As of December 31, 2006, the Company had working capital of \$730,422, including \$1,478,780 of cash and cash equivalents. During 2006, the Company sold 20,430,733 shares of common stock, raising net proceeds of \$3,806,026 (see Note 9 - Stockholders' Equity). The Company's cash used in operating activities for the years ended December 31, 2006, 2005 and 2004 was \$7,438,275, \$14,032,796 and \$13,109,869, respectively.

Alteon expects to utilize cash and cash equivalents to fund its operating activities, including continued development of ALT-2074 and alagebrium. It has significantly curtailed product development activities and has reduced expenses for the year ended December 31, 2006. While the Company intends to pursue development of ALT-2074 and alagebrium, any continued development by the Company of alagebrium is contingent upon its entering into strategic collaboration agreements for these products which, among other things, would be required to include funding for product development. The Company may not be able to enter into a strategic collaboration agreement with respect to ALT-2074 or alagebrium on reasonable terms, or at all. No enrollment or other activity is taking place with respect to any of its Phase 2 trials of alagebrium pending the resolution of its financial resource issues. The Company is urgently continuing to pursue fund-raising possibilities through the sale of its securities. If the Company is unable to secure additional financing on reasonable terms, unable to generate sufficient new sources or revenue through collaborative arrangements or if the level of cash and cash equivalents falls below anticipated levels, the Company will not have the ability to continue as a going concern beyond the second quarter of 2007. (See Note 13 - Subsequent Event).

The amount and timing of the Company's future capital requirements will depend on numerous factors, including the timing of resuming its research and development programs, if at all, the number and characteristics of product candidates that the Company pursues, the conduct of preclinical tests and clinical studies, the status and timelines of regulatory submissions, the costs associated with protecting patents and other proprietary rights, the ability to complete strategic collaborations and the availability of third-party funding, if any.

Selling securities to satisfy its capital requirements may have the effect of materially diluting the current holders of the Company's outstanding stock. The Company may also seek additional funding through corporate collaborations and other financing vehicles. There can be no assurances that such funding will be available at all or on terms acceptable to the Company. The Company has significantly curtailed its research and development programs, until additional financing is obtained, if ever. If funds are obtained through arrangements with collaborative partners or others, the Company may be required to relinquish rights to its technologies or product candidates and alter its plans for the development of its product candidates. If the Company is unable to obtain the necessary funding, it will likely be forced to cease operations.

#### NOTE 3 — Other Current Assets

	December 31,	
	2006	2005
Deferred financing costs	\$ 49,200	\$ —
Prepaid insurance	242,615	216,290
Prepaid other	22,341	—
	\$ 314,156	\$ 216,290

#### NOTE 4 — Property and Equipment

	December 31,	
	2006	2005
Laboratory equipment	\$ 24,650	\$ 24,650
Furniture and equipment	218,627	218,627
Computer equipment	159,529	155,067
	402,806	398,344

Less: Accumulated depreciation & amortization	(392,306)	(343,190)
	\$ 10,500	\$ 55,154

**NOTE 5 — Other Assets**

	December 31,	
	2006	2005
Prepaid insurance - non-current	\$ 501,889	\$ —
Deferred acquisition costs	—	129,195
	\$ 501,889	\$ 129,195

**NOTE 6 — Collaborative Research and Development Agreements**

Alteon previously entered into a licensing and supply agreement with OXIS International, Inc. (“OXIS”) in September 2004. Under this agreement, the Company acquired an exclusive, worldwide, royalty-bearing license, with the right to grant sublicenses, under certain patents, compounds, process, know-how relating to ALT-2074 and a family of related compounds for therapeutic, diagnostic, preventative, ameliorative and/or prognostic indications in certain defined cardiovascular fields. Alteon is obligated to make future payments to OXIS upon achievement of certain FDA-related milestones and to pay OXIS royalties on sales of ALT-2074 upon commercialization, net of various customary discounts, attributable to certain licensed products. Pursuant to the terms of this agreement, the Company is obligated to make milestone payments to OXIS that could total up to \$7 million over the term of the agreement. Alteon is also obligated to achieve certain development milestones in accordance with the timelines set forth in the license agreement.

In addition, the license agreement with OXIS requires Alteon to treat Oxis as the sole supplier of ALT-2074, provided OXIS meets its supply requirements under the agreement. The agreement provides that all product purchased from OXIS shall be priced on a cost plus basis. Alteon has certain rights to inspect and analyze representative samples of licensed products from batches supplied by OXIS and to reject any non-conforming goods.

Alteon also previously entered into a license agreement with BIO-RAP Ltd. (“BIO-RAP”), on its own and on behalf of the Rappaport Family Institute for Research in the Medical Sciences, in July 2004. Under this agreement, Alteon received an exclusive, worldwide, royalty-bearing license, with the right to grant sublicenses, to certain technology, patents and technology relating to products in the field of testing and/or measurement for diagnostic predictive purposes of vascular or cardiac diseases. Alteon is obligated to make annual research funding payments to BIO-RAP and pay a portion of BIO-RAP’s direct overhead costs. Alteon is also obligated to make future payments upon achievement of certain milestones, including FDA-related milestones, as well as royalty payments on sales, net of various customary discounts, attributable to therapeutic products derived from the technology being licensed to Alteon by BIO-RAP. Pursuant to the terms of this agreement, the Company is obligated to make milestone payments to BIO-RAP that could total up to \$387,500 over the term of the agreement. Alteon has a first right to acquire a license to any of the technology developed as part of the research conducted pursuant to the agreement. If Alteon exercises this right but the parties acting in good faith fail to reach an agreement in respect of such license then Alteon has a right of first refusal to license the research technology on the same terms offered by BIO-RAP to a third party.

As part of a stock adjustment in the context of Alteon’s merger with HaptoGuard, Inc. (“HaptoGuard”) in July 2006, Alteon issued to Genentech, Inc. (“Genentech”), rights to collect milestones and royalties on net sales of alagebrium. Pursuant to the terms of this agreement, the Company is obligated to make milestone payments to Genentech that could total up to \$5 million over the term of the agreement. Further, as part of this adjustment, Genentech also was given a right of first negotiation on ALT-2074 if Alteon were to seek a licensing partner for the drug.

On November 6, 2002, Alteon entered into an agreement, effective as of April 15, 2002, with The Picower Institute for Medical Research, or The Picower, which terminated its License Agreement dated as of September 5, 1991. Pursuant to this termination agreement, The Picower assigned to Alteon all of its patents, patent applications and other technology related to A.G.E.s and Alteon agreed to prosecute and maintain the patents and patent applications. Alteon will pay The Picower royalties on any sales of products falling within the claims of these patents and patent applications until they expire or are allowed to lapse. There are no milestone payments associated with this agreement.

The Company has also entered into various arrangements with independent research laboratories to conduct studies in conjunction with the development of the Company's technology. The Company pays for this research and receives certain rights to inventions or discoveries that may arise from this research.

#### NOTE 7 — Accrued Expenses

Accrued expenses consisted of the following:

	December 31,	
	2006	2005
Clinical trial expense	\$ 99,747	\$ 282,854
Professional fees	69,572	195,375
Payroll and related expenses	24,816	238,344
Other	58,887	74,132
	\$ 253,022	\$ 790,705

#### NOTE 8 — Commitments and Contingencies

##### *Commitments*

The Company's lease for its office space in Parsippany, New Jersey, expired on December 31, 2006, and was extended through February 28, 2007. On January 19, 2007, Alteon signed a three-year lease, commencing February 26, 2007, for office space in Montvale, New Jersey. This facility lease includes two, three-year renewal options. Rent expense for the years ended December 31, 2006, 2005 and 2004 was \$270,180, \$266,294, and \$351,499, respectively.

As of December 31, 2006, after giving effect to the Company's lease entered into on January 19, 2007, future minimum rentals under operating leases, including employment agreements and office equipment, which have initial or remaining non-cancelable terms in excess of one year are as follows:

	Operating Leases
2007	\$ 85,581
2008	97,807
2009	97,807
2010	12,226
	\$ 293,421

The Company has employment agreements with key executives, which provide severance benefits. If we terminate all of the agreements, we are subject to obligations totaling \$382,694.

##### *Contingencies*

In the ordinary course of its business, the Company may from time to time be subject to claims and lawsuits.



## NOTE 9 — Stockholders' Equity

### *Common/Preferred Stock Issuances*

In January 2007, Alteon completed a private financing of senior convertible promissory notes, which provided net proceeds of approximately \$3,000,000. In connection with this financing, the Company issued five-year warrants to purchase 25,734,453 shares of its common stock at \$0.01 per share. (See Note 13 - Subsequent Event).

In September 2006, Alteon Inc. completed a private placement of Units, consisting of common stock and warrants, for net proceeds, after expenses and fees, of approximately \$1,300,000. Each Unit consists of one share of Alteon common stock and one warrant to purchase one share of Alteon common stock, comprising a total of approximately 9,500,000 shares of Alteon common stock and warrants to purchase approximately 9,500,000 shares of Alteon common stock. The Units were sold at a price of \$0.15 per Unit, and the warrants are exercisable for a period of five years, commencing six months from the date of issuance, at an exercise price of \$0.1875 per share. Rodman & Renshaw, LLC served as placement agent in the transaction and received a 6% placement fee which was paid in Units. In connection with this offering, certain warrants previously issued in 2000 (the "2000 Warrants") were repriced from \$1.00 to \$0.15 per share pursuant to antidilution provisions connected to the warrants.

In April 2006, Alteon completed a private placement of Units, consisting of common stock and warrants, for gross proceeds of approximately \$2,600,000. Each Unit consisted of one share of Alteon common stock and one warrant to purchase one share of Alteon common stock, comprising a total of 10,340,000 shares of Alteon common stock and warrants to purchase 10,340,000 shares of Alteon common stock. The Units were sold at a price of \$0.25 per Unit, and the warrants will be exercisable for a period of five years commencing six months from the date of issue at a price of \$0.30 per share. Rodman & Renshaw, LLC served as placement agent in the transaction and received a 6% placement fee that was paid in cash and warrants.

In January 2005, Alteon completed a public offering of 9,523,813 shares of common stock at \$1.05 per share, which provided net proceeds of approximately \$9,532,295. In connection with this offering, the Company issued a five-year warrant to purchase 312,381 shares of common stock at \$1.37 per share.

In July 2004, Alteon completed a public offering of 8,000,000 shares of common stock at \$1.00 per share, which provided net proceeds of \$7,581,318. In connection with this offering, the Company issued a five-year warrant to purchase 272,500 shares of common stock at \$1.30 per share. In connection with this offering, the 2000 Warrants were repriced from \$1.75 to \$1.00 per share pursuant to antidilution provisions connected to the warrants.

In October 2003, Alteon completed a public offering of 4,457,146 shares of common stock at \$1.75 per share, which provided net proceeds of \$7,772,331.

In July 2003, warrants for 87,462 shares of common stock were exercised in a "net" exercise transaction in which the exercise price was paid by cancellation of 29,989 shares of common stock issuable upon the exercise for a net issuance of 57,473 shares. The shares canceled in payment of the exercise were valued at the average of the closing prices on the American Stock Exchange for the 20 business days prior to the exercise of the warrants.

In March 2003, Alteon completed a public offering of 2,300,000 shares of common stock at \$3.50 per share, which provided net proceeds of \$7,655,945.

In connection with a 2000 offering of common stock, Alteon issued a seven-year warrant to purchase 1,133,636 shares of common stock of which 1,046,174 are outstanding as of December 31, 2006. In connection with subsequent offerings, the exercise price of 953,890 of the 2000 Warrants was adjusted to \$0.15 per share, which could be adjusted further if Alteon sells common stock below \$0.15 per share. The exercise price of 46,142 of the 2000 Warrants, which was adjusted to \$2.92 per share, and 46,142 of the 2000 Warrants, which was adjusted to \$2.93 per share, is not

subject to further adjustment upon the sale of more common stock.

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The following table summarizes the outstanding warrants:

Warrants Outstanding at  
December 31, 2006

<i>Warrants</i>	<i>Exercise Price Per Warrant</i>
9,990,533	0.1875
10,960,400	0.3000
312,381	1.3700
272,500	1.3000
953,890	0.1500
46,142	2.9300
46,142	2.9200
22,581,988	

In December 1997, the Company and Genentech entered into a stock purchase agreement pursuant to which Genentech agreed to buy shares of common stock, Series G Preferred Stock and Series H Preferred Stock. In December 1997, Genentech purchased common stock and Series G Preferred Stock for an aggregate purchase price of \$15,000,000. On July 27, 1998 and October 1, 1998, Genentech purchased \$8,000,000 and \$14,544,000, respectively, of Series H Preferred Stock. Prior to the merger with HaptoGuard, Series G Preferred Stock and Series H Preferred Stock dividends were payable quarterly in shares of preferred stock at a rate of 8.5% of the accumulated balance. Each share of Series G Preferred Stock and Series H Preferred Stock was convertible, upon 70 days' prior written notice, into the number of shares of common stock determined by dividing \$10,000 by the average of the closing sales price of the common stock, as reported on the American Stock Exchange, for the 20 business days immediately preceding the date of conversion. As of December 31, 2006, 2005 and 2004, respectively, \$2,652,679, \$4,486,336 and \$4,135,145 of Preferred Stockholder dividends were recorded. As of December 31, 2006, the Series G and Series H Preferred Stock had been cancelled or converted into common stock as a result of the merger. The Series G and Series H Preferred Stock had no voting rights. (See Note 12 -Merger with HaptoGuard).

#### *Stock Option Plan*

In March 2005, the Company's Board of Directors approved the adoption of a new stock plan, the "2005 Stock Plan." Upon shareholder approval of the 2005 Stock Plan at the Company's 2005 annual meeting, the two existing stock option plans were terminated. On July 19, 2006, the Company's stockholders approved an amendment to the 2005 Stock Plan which was previously approved by the Company's Board of Directors, providing for an increase in the number of shares available under the 2005 Stock Plan from 5,000,000 shares to 10,000,000 shares, an increase of 5,000,000 shares. The options have a maximum term of ten years and vest over a period to be determined by the Company's Board of Directors (generally over a four-year period) and are issued at an exercise price equal to the fair market value of the shares at the date of grant. The 2005 Stock Plan expires on April 19, 2015 or may be terminated at an earlier date by vote of the shareholders or the Board of Directors of the Company. Under the 2005 Stock Plan, the Company granted directors options to purchase in aggregate of 1,920,000 shares of common stock at an exercise price of \$0.15 for the year ended December 31, 2006. In addition, under the 2005 stock plan, the Company assumed options related to HaptoGuard option holders (see Note 12 - Merger with HaptoGuard) in the amount of 2,816,800 shares of common stock at an exercise price of \$0.16 in the year ended December 31, 2006.

The plan is administered by a committee of the Board of Directors, which may grant either non-qualified or incentive stock options. The committee determines the exercise price and vesting schedule at the time the option is granted. Options vest over a four-year period and expire 10 years from date of grant. Each option entitles the holder to purchase one share of common stock at the indicated exercise price. The plan also provides for certain antidilution and change in control rights, as defined.

The following table summarizes the activity in the Company's stock options:

	Shares	Weighted average exercise price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2003	5,979,318	\$ 2.93		
Granted	1,663,409	1.09		
Assumed	-	-		
Exercised	(5,750)	0.09		
Cancelled	(1,087,670)	4.39		
Outstanding at December 31, 2004	6,549,307	\$ 2.22		
Granted	375,022	0.47		
Assumed	-	-		
Exercised	-	-		
Cancelled	(437,664)	2.24		
Outstanding at December 31, 2005	6,486,665	\$ 2.12		
Granted	1,920,000	0.16		
Assumed	2,816,800	-		
Exercised	-	-		
Cancelled	(433,328)	2.46		
Outstanding at December 31, 2006	10,790,137	\$ 1.25	6.02	\$ -
Options exercisable at December 31, 2006	7,884,276	\$ 1.65	4.87	\$ -
Weighted-average fair value of options granted during the year ended December 31, 2006	\$ 0.14			

The Company estimated the fair value of each option award on the date of grant using the Black-Scholes model. The Company based expected volatility on historical volatility. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The Company estimated the expected term of stock options using historical exercise and employee forfeiture experience.

The following table shows the weighted average assumptions the Company used to develop the fair value estimates for the determination of the compensation charges:

	<b>2006</b>	<b>Year Ended December 31 2005</b>	<b>2004</b>
Expected volatility	140.67%	135.55%	134.16%
Dividend yield	-	-	-
Expected term (in years)	6.51	3.54	4.07
Risk-free interest rate	4.63%	3.72%	3.34%

The fair values of options granted during the last three years are as follows:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Fair value of each option granted/assumed	\$ 0.14	\$ 0.39	\$ 0.89
Total number of options granted/assumed	4,736,800	375,022	1,663,409
Total fair value of options granted/assumed	\$ 663,152	\$ 146,259	\$ 1,480,434

The following table summarizes information regarding stock options outstanding and exercisable at December 31, 2006:

Range of Exercise Prices	Options Outstanding at December 31, 2006			Options Exercisable at December 31, 2006	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.150 - \$ 0.150	1,830,000	9.77	\$ 0.1500	0	\$ 0.0000
0.160 - 0.160	2,816,800	8.24	0.1600	1,740,939	0.1600
0.200 - 0.875	1,192,405	2.95	0.7592	1,192,405	0.7592
1.030- 1.030	1,252,949	5.67	1.0300	1,252,949	1.0300
1.063 - 1.560	1,186,461	3.49	1.2815	1,186,461	1.2815
1.625 - 2.875	1,134,305	4.59	2.2920	1,134,305	2.2920
3.500 - 4.620	1,030,567	2.97	4.0503	1,030,567	4.0503
5.125 - 5.125	76,000	0.17	5.1250	76,000	5.1250
5.625 - 5.625	48,000	0.08	5.6250	48,000	5.6250
7.000 - 7.000	222,650	3.70	7.0000	222,650	7.0000
\$0.200 - \$7.000	10,790,137	6.02	\$ 1.2450	7,884,276	\$ 1.6472

Expenses recorded for options granted to consultants totaled \$5,122, \$26,904 and \$34,731 in 2006, 2005 and 2004, respectively.

#### *Restricted Stock*

The Company granted awards of restricted stock to its Board of Directors. The awards vest at various periods ranging from one to three years. There were 960,000 shares of restricted stock granted during the year ended December 31, 2006, of which 160,000 were forfeited. There were no restricted stock shares granted during the years ended December 31, 2005 and 2004. The Company recognized compensation cost of \$17,995, which was recorded as general and administrative expense for the year ended December 31, 2006. There was no compensation expense for the years ended December 31, 2005 and 2004.

A summary of the status of the Company's non-vested shares as of December 31, 2006 and changes during the year ended December 31, 2006, is presented below:

Nonvested Shares	Shares	Weighted average grant date fair value
Nonvested at January 1, 2006	-	\$ -
Granted	960,000	\$ 0.15
Vested	-	-
Forfeited	160,000	0.15

Nonvested at December 31, 2006	800,000	\$	0.15
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As of December 31, 2006, there was \$102,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted. That cost is expected to be recognized over a weighted-average period of 2.55 years. The total fair value of shares vested during the year ended December 31, 2006 was \$0.

#### NOTE 10 — Savings and Retirement Plan

The Company maintains a savings and retirement plan under Section 401(k) of the Internal Revenue Code that allows eligible employees to annually contribute a portion of their annual salary to the plan. In 1998, the Company began making discretionary contributions at a rate of 25% of an employee's contribution up to a maximum of 5% of the employee's base salary, as defined. The Company made contributions of \$15,835, \$50,703 and \$62,641 for the years ended December 31, 2006, 2005 and 2004, respectively.

#### NOTE 11 ~~Income~~ Taxes

The components of the deferred tax assets and the valuation allowance are as follows:

	December 31,	
	2006	2005
Net operating loss carryforwards	\$ 60,500,000	\$ 57,600,000
Research and development credits	8,400,000	8,600,000
Capitalized research and development expenses	12,800,000	13,800,000
Other temporary differences	500,000	100,000
Gross deferred tax assets	82,200,000	80,100,000
Valuation allowance	(82,200,000)	(80,100,000)
Net deferred tax assets	\$ —	\$ —

The effective tax rate varied from the statutory rate, as follows:

	2006	December 31, 2005	2004
Statutory federal income tax rate	(34.0)%	(34.0)%	(34.0)%
State income tax rate (net of federal)	(6.0)%	(6.0)%	(6.0)%
In-process research and development	26.0%	—%	—%
Expiration of fully reserved state net operating loss carryforwards	4.0%	—%	—%
Other	(2.0)%	—%	—%
Certain nondeductible expenses	—%	0.1%	0.1%
Effect of net operating loss carryforwards and valuation allowance	12.0%	37.4%	37.2%
Effective tax rate	%	(2.5)%	(2.7)%

At December 31, 2006, the Company had available federal net operating loss carryforwards of \$168,536,821, which expire in the years 2007 through 2026 and state net operating loss carryforwards of \$53,824,491, which expire in the years 2007 through 2013. In addition, the Company has federal research and development tax credit carryforwards of \$6,717,647 and state research and development tax credit carryforwards of \$1,683,419. The amount of federal net operating loss and research and development tax credit carryforwards that can be utilized in any one period are limited by federal income tax regulations if a cumulative change in ownership of more than 50% occurs within a three-year period which management believes has occurred.



Given the Company's history of incurring operating losses, management believes that it is unlikely that any of the deferred tax assets will be recoverable. As a result, a valuation allowance equal to the gross deferred tax assets was established. The valuation allowance increased by \$2,100,000, \$1,500,000 and \$4,700,000 in 2006, 2005 and 2004, respectively. In 2006, 2005 and 2004, the Company sold \$0, \$4,077,000 and \$3,456,000, respectively, of its state net operating loss carryforwards and \$0, \$0 and \$123,000, respectively, of its state research and development tax credit carryforwards under the State of New Jersey's Technology Business Tax Certificate Transfer Program, or the Program. The Program allows qualified technology and biotechnology businesses in New Jersey to sell unused amounts of net operating loss carryforwards and defined research and development tax credits for cash. The proceeds from the sale of the Company's carryforwards and credits in 2006, 2005 and 2004 were \$0, \$327,000, and \$386,000, respectively, and such amounts were recorded as a tax benefit in the statements of operations. Due to the uncertainty at any time as to the Company's ability to effectuate the sale of Alteon's available New Jersey state net operating losses, and since the Company has no control or influence over the Program, the benefits are recorded once the agreement with the counterparty is signed and the sale is approved by the State.

#### **Note 12 - Merger with HaptoGuard, Inc.**

On April 19, 2006, the Company ("Alteon"), entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Alteon Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Alteon ("Merger Sub"), HaptoGuard, Inc., a Delaware corporation ("HaptoGuard"), and Genentech, Inc., a Delaware corporation ("Genentech"). The Merger Agreement provided that upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub merge with and into HaptoGuard, with HaptoGuard becoming the surviving corporation (the "Surviving Corporation") and a wholly-owned subsidiary of Alteon (the "Merger"). On July 19, 2006, Alteon's shareholders approved the Merger and on July 21, 2006, the Merger was completed.

The Merger of the two companies was structured as an acquisition by Alteon. Under the terms of the Merger Agreement, HaptoGuard shareholders received a total of 37.4 million shares of Alteon common stock. As an additional part of the merger, a portion of existing shares of Alteon preferred stock held by Genentech was converted into 13,492,349 shares of Alteon common stock.

Key components of the transactions completed in July 2006 between Alteon, HaptoGuard and Genentech were as follows:

- Alteon acquired all outstanding equity of HaptoGuard. In exchange, HaptoGuard shareholders received from Alteon \$5.3 million in Alteon common stock, or approximately 22.5 million shares.
- Genentech converted a portion of its existing Alteon preferred stock to Alteon common stock. A portion of Alteon preferred stock held by Genentech, which, when converted to Alteon common stock is equal to \$3.5 million in Alteon common stock, was transferred to HaptoGuard shareholders.
  - The remaining Alteon preferred stock held by Genentech was cancelled.
- Genentech will receive milestone payments and royalties on any future net sales of alagebrium, and received a right of first negotiation on ALT-2074.

The acquisition of HaptoGuard has been accounted for by the Company under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations." Under the purchase method, assets acquired and liabilities assumed by the Company are recorded at their estimated fair values and the results of operations of the acquired company are consolidated with those of the Company from the date of acquisition.

The excess purchase price paid by the Company to acquire the net assets of HaptoGuard was allocated to acquired in-process research and development totaling \$11,379,348. As required by FASB Interpretation No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method" ("FIN4"), the Company



recorded a charge in its statements of operations for the year ended December 31, 2006 for the in-process research and development. Alteon and HaptoGuard have complementary product platforms in cardiovascular diseases, diabetes and other inflammatory diseases, including two Phase 2 clinical-stage compounds focused on cardiovascular diseases in diabetic patients. Results of operations of HaptoGuard are included in the consolidated financial statements since July 21, 2006.

A summary of the allocation of the purchase price, including acquisition costs of \$1,758,928 is as follows:

<b>Assets purchased:</b>	
Cash	\$ 7,804
Prepaid expenses and other current assets	25,839
Property and equipment	4,462
Acquired in-process research and development	11,379,348
<b>Total</b>	<b>11,417,453</b>
<b>Liabilities assumed:</b>	
Accounts payable and accrued expenses	623,467
Net purchase price	\$ 10,793,986
Common stock and other equity consideration issued	9,035,058
Acquisition costs incurred	\$ 1,758,928

The following unaudited pro forma financial information presents the consolidated results of operations of the Company and HaptoGuard, as if the acquisition had occurred on January 1, 2006 and January 1, 2005 instead of July 21, 2006, after giving effect to certain adjustments, including the issuance of the Company's common stock as part of the purchase price. The unaudited pro forma financial information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during these periods.

	<b>Year ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
Net loss	\$ (18,735,530)	\$ (25,648,502)
Weighted average number of common shares outstanding	119,459,521	108,530,669
Loss per common share - basic and fully diluted	\$ (0.16)	\$ (0.24)

The pro forma financial information for the years ended December 31, 2006 and 2005 include a one-time non-recurring acquired in-process research and development charge of \$11,379,348.

### **NOTE 13 – Subsequent Event**

#### *Note and Warrant Financing*

On January 11, 2007, the Company entered into a Note and Warrant Purchase Agreement (the "Agreement") with institutional investors (the "Buyers" and together with the Company, the "Parties"). Pursuant to the terms and subject to the conditions contained in the Agreement, the Company issued and sold to the Buyers \$3,000,000 principal amount of senior convertible secured promissory notes (the "Notes"). Each Note accrues interest at a rate of 8% per annum and the principal and interest on the Note are due and payable, if not converted, on May 31, 2007. The Notes will automatically be converted into any security that is issued by the Company to the Buyers and other potential investors in connection with a proposed private preferred stock and warrant financing of up to \$20 million that is currently being negotiated. The closing of any such additional financing, which the Company anticipates will be done at a discount from the market price, will be subject to the satisfaction of various conditions, including stockholder approval. In addition, at the option of the Buyers, the Notes may be converted into any security that is sold by the Company in any other financing on or prior to May 31, 2007. If the Notes have not been repaid or converted prior to May 31, 2007, the Company will be obligated to repay the outstanding principal amount plus any accrued but unpaid interest as well as (i) an additional \$1,000,000 and (ii) fifteen percent (15%) of any amount received from financing, sale or licensing transactions completed prior to June 30, 2008, subject to a cap of \$2,000,000 in the aggregate.

Finally, at the option of the Buyers, unless otherwise converted, the Notes may be converted into shares of the Company's common stock, \$0.01 par value per share (the "Common Stock"), at a price equal to the closing price of the Common Stock on January 11, 2007. The Buyers may, at their option, demand that we repay the outstanding principal amount of the Notes plus any accrued but unpaid interest if (i) we fail to make any payments under the Notes; (ii) we breach any representation, warranty, covenant or agreement in the Agreement; (iii) we fail to pay any Indebtedness (as defined in the Agreement) when due in the aggregate amount of \$500,000 or greater at any one time; (iv) a final judgment for the payment of money aggregating in excess of \$500,000 is rendered against us and such judgment is not discharged within 60 days; (v) we are dissolved, become insolvent or make an assignment for the benefit of creditors; (vi) any petition for relief under bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, receivership, liquidation or dissolution is filed or commenced against us or (vii) any trustee or receiver is appointed for us or any of our property, a meeting of creditors is convened or a committee of creditors is appointed for, or any petition for any relief under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, receivership, liquidation or dissolution is filed or commenced against us and is not dismissed within 120 days.

In connection with the Agreement, the Company also issued to the Buyers warrants to purchase 25,734,453 shares of the Company's Common Stock for a period of five years commencing on January 11, 2007 at an exercise price of \$0.01 per share (the "Warrants"). The Warrants will be exercisable starting as of May 31, 2007, unless the Notes are converted prior to such date, in which case the Warrants will expire. The Company estimated the value of the warrants using the Black-Scholes model at approximately \$3,660,000.

In connection with note and warrant financing, the Company anticipates recognizing a significant amount of non-cash, and potentially cash, interest expense in the first and second quarters of 2007.

Contemporaneously with the execution and delivery of the Agreement and the issuance by the Company to the Buyers of the Notes and the Warrants, the Parties executed (i) a Security and Guaranty Agreement (the "Security Agreement"), pursuant to which the Company and its wholly owned subsidiary HaptoGuard agreed to provide to the Buyers a first priority security interest in certain Collateral (as this term is defined in the Security Agreement) to secure our obligations under the Agreement and the Notes, and (ii) an Intellectual Property Security Agreement ("Intellectual Property Security Agreement"), pursuant to which the Company and its wholly owned subsidiary HaptoGuard agreed to provide to Buyer a first priority security interest in certain IP Collateral (as this term is defined in the Intellectual Property Security Agreements) to secure the Company's obligations under the Agreement and the Notes. The Security Agreement and the security interest in certain Collateral terminate upon the conversion of the Notes.

Contemporaneously with the execution and delivery of the Agreement, the Parties entered into a Registration Rights Agreement (the "Registration Rights Agreement"). Under the terms of the Registration Rights Agreement, the Company has agreed to file a registration statement with the United States Securities and Exchange Commission for the resale of the shares of common stock underlying the warrants and the Notes sold in the private placement by April 30, 2007. Failure to file the registration statement in a timely manner will result in payment by the Company to each investor of liquidated damages, subject to certain limitations set forth in the Registration Rights Agreement. Such liquidated damages are also payable in the event that the resale registration statement has not been declared effective within certain time periods or if sales cannot be made pursuant to the registration statement following its effectiveness, each as described in the Registration Rights Agreement.

In addition, in connection with the execution and delivery of the Agreement, the Company amended its Amended and Restated Stockholder Rights Agreement, dated as of July 27, 2005 (the "Rights Agreement"), to provide that the Buyers would not be deemed Acquiring Persons (as defined in the Rights Agreement) and that the purchase of the notes and warrants by the Buyers would not be deemed to trigger a Stock Acquisition Date or a Distribution Date each as defined in the Rights Agreement.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 16th day of October 2007.

SYNVISTA THERAPEUTICS, INC.

By: /s/ Noah Berkowitz  
Noah Berkowitz, M.D., Ph.D.  
President and Chief Executive Officer

By: /s/ Jeffrey P. Stein  
Jeffrey P. Stein, CPA  
(principal financial and accounting officer)

**EXHIBIT INDEX**

Exhibit

- | No. | Description of Exhibit  |
|-----|---|
| 2.1 | Agreement and Plan of Merger by and among Alteon Inc., Alteon Merger Sub, Inc., HaptoGuard, Inc. and Genentech, Inc., dated as of April 19, 2006. (Incorporated by reference to Annex A to the Company's Schedule 14A filed on June 22, 2006, SEC File Number 000-16043.)   |
| 3.1 | Restated Certificate of Incorporation, as amended. (Incorporated by reference to Exhibit 3.1 to the Company's Report on Form 10-Q filed on November 10, 1999, SEC File Number 000-19529.)   |
| 3.2 | Certificate of the Voting Powers, Designations, Preference and Relative Participating, Optional and Other Special Rights and Qualifications, Limitations or Restrictions of Series F Preferred Stock of Alteon Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, SEC File Number 001-16043.) |
| 3.3 | Certificate of Retirement of Alteon Inc., dated September 10, 2000. (Incorporated by reference to Exhibit 3.1 to the Company's Report on Form 10-Q filed on November 10, 1999, SEC File Number 000-19529.)  |
| 3.4 | Certificate of Designations of Series G Preferred Stock of Alteon Inc. (Incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, SEC File Number 000-19529.)  |
| 3.5 | Certificate of Amendment of Certificate of Designations of Series G Preferred Stock of Alteon Inc. (Incorporated by reference to Exhibit 3.4 to the Company's Report on Form 10-Q filed on August 14, 1998, SEC File Number 000-19529.)   |
| 3.6 | Certificate of Designations of Series H Preferred Stock of Alteon Inc. (Incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, SEC File Number 000-19529.)  |
| 3.7 | Amended Certificate of Designations of Series H Preferred Stock of Alteon Inc. (Incorporated by reference to Exhibit 3.6 to the Company's Report on Form 10-Q filed on August 14, 1998, SEC File Number 000-19529.)   |
| 3.8 | Certificate of Retirement of Alteon Inc., dated November 20, 2000. (Incorporated by reference to Exhibit 3.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, SEC File Number 001-16043.)  |
| 3.9 |   |

Certificate of Amendment to Restated Certificate of Incorporation of Alteon Inc., dated June 7, 2001. (Incorporated by reference to Exhibit 3.8 to the Company's Report on Form 10-Q filed on August 14, 2001, SEC File Number 001-16043.)

- 3.10 By-laws, as amended. (Incorporated by reference to Exhibit 3.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, SEC File Number 001-16043.)
- 3.11 Certificate of Amendment to Restated Certificate of Incorporation of Alteon Inc., dated September 17, 2004. (Incorporated by reference to Exhibit 3.1 to the Company's Report on Form 10-Q filed on November 9, 2004, SEC File Number 001-16043.)
- 3.12 Amended Certificate of Designations of Series G Preferred Stock of Alteon Inc., dated October 6, 2004. (Incorporated by reference to Exhibit 3.2 to the Company's Report on Form 10-Q filed on November 9, 2004, SEC File Number 001-16043.)

**EXHIBIT INDEX**

Exhibit

- | No.  | Description of Exhibit   |
|------|--|
| 3.13 | Amended Certificate of the Voting Powers, Designations, Preferences and Relative Participating, Optional and Other Special Rights and Qualifications, Limitations or Restrictions or Series F Preferred Stock of Alteon Inc. (Incorporated by reference to Exhibit 3.1.1 to the Company's Report on Form 10-Q filed on August 9, 2005, SEC File Number 001-16043.) |
| 3.14 | Certificate of Amendment to Restated Certificate of Incorporation of Alteon Inc., dated October 24, 2005. (Incorporated by reference to Exhibit 3.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, SEC File Number 001-16043.)   |
| 3.15 | Certificate of Amendment to the Corrected Certificate of Designations of Series G Preferred Stock of Alteon Inc., dated July 20, 2006. (Incorporated by reference to Exhibit 3.14 to the Company's Registration Statement on Form S-8 filed on September 5, 2006, SEC File Number 333-137115.)   |
| 3.16 | Certificate of Amendment to the Corrected Certificate of Designations of Series H Preferred Stock of Alteon Inc., dated July 20, 2006. (Incorporated by reference to Exhibit 3.15 to the Company's Registration Statement on Form S-8 filed on September 5, 2006, SEC File Number 333-137115.)   |
| 3.17 | Form of Amended and Restated Certificate of Incorporation of the Company. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 11, 2007, SEC File No. 001-16043.)   |
| 3.18 | Amended and Restated Certificate of Incorporation of the Company dated July 23, 2007. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, SEC File Number 001-16043.)  |
| 4.1  | Stockholders' Rights Agreement between Alteon Inc. and Registrar and Transfer Company, as Rights Agent, dated as of July 27, 1995. (Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, SEC File Number 001-16043.)   |
| 4.2  | Amendment to Stockholders' Rights Agreement between Alteon Inc. and Registrar and Transfer Company, as Rights Agent, dated as of April 24, 1997. (Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on May 9, 1997, SEC File Number 000-19529.)   |
| 4.3  | Registration Rights Agreement between Alteon Inc. and the investors named on the signature page thereof, dated as of April 24, 1997. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 9, 1997, SEC File Number 000-19529.)   |



- 4.4 Form of Common Stock Purchase Warrant. (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 9, 1997, SEC File Number 000-19529.)
- 4.5 Amendment to Stockholders' Rights Agreement between Alteon Inc. and Registrar and Transfer Company, as Rights Agent, dated as of December 1, 1997. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 10, 1997, SEC File Number 000-19529.)
- 4.6 Registration Rights Agreement, dated September 29, 2000. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 5, 2000, SEC File Number 001-16043.)
- 4.7 Form of Series 1 Common Stock Purchase Warrant. (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 5, 2000, SEC File Number 001-16043.)

**EXHIBIT INDEX**

Exhibit

- | No.  | Description of Exhibit  |
|------|---|
| 4.8  | Form of Series 2 Common Stock Purchase Warrant. (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on October 5, 2000, SEC File Number 001-16043.)   |
| 4.9  | Notice of Appointment of The American Stock Transfer & Trust Company as successor Rights Agent, dated August 29, 2002, pursuant to Stockholders' Rights Agreement, dated as of July 27, 1995. (Incorporated by reference to Exhibit 4.4 of the Company's Report on Form 10-Q filed on November 13, 2002, SEC File Number 001-16043.)                              |
| 4.10 | Form of Common Stock Purchase Warrant, dated July 2, 2004. (Incorporated by reference to Exhibit 4.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, SEC File Number 000-16043.)   |
| 4.11 | Form of Common Stock Purchase Warrant, dated January 5, 2005. (Incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, SEC File Number 000-16043.)  |
| 4.12 | Amended and Restated Stockholder Rights Agreement between Synvista Therapeutics, Inc. and American Stock Transfer & Trust Company as Rights Agent, dated as of July 27, 2005. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A/A filed on July 27, 2005, SEC File Number 001-16043.)                                 |
| 4.13 | Registration Rights Agreement by and between Synvista Therapeutics, Inc. and the Purchasers named therein, dated as of April 19, 2006. (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-3 filed on May 31, 2006, SEC File No. 333-134584.)  |
| 4.14 | Form of Common Stock Purchase Warrant issued to Investors pursuant to the Securities Purchase Agreement by and between Synvista Therapeutics, Inc. and the Purchasers named therein, dated as of April 19, 2006. (Incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-3 filed on May 31, 2006, SEC File No. 333-134584.) |
| 4.15 | Registration Rights Agreement by and between Synvista Therapeutics, Inc. and the Purchasers named therein, dated as of September 13, 2006. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 19, 2006, SEC File No. 001-16043.)   |
| 4.16 | Form of Common Stock Purchase Warrant issued to Investors pursuant to the Securities Purchase Agreement by and between the Company and the Purchasers named therein, dated as of September 13, 2006. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed   |

on September 19, 2006, SEC File No. 001-16043.)

- 4.17 Registration Rights Agreement among Synvista Therapeutics, Inc. and the Purchasers named therein, dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on January 16, 2007, SEC File No. 001-16043.)
- 4.18 Form of Senior Convertible Secured Promissory Note issued to Lenders pursuant to the Note and Warrant Purchase Agreement, dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on January 16, 2007, SEC File No. 001-16043.)
- 4.19 Form of Common Stock Purchase Warrant issued to Lenders pursuant to the Note and Warrant Purchase Agreement, dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on January 16, 2007, SEC File No. 001-16043.)

**EXHIBIT INDEX**

Exhibit

- | No.   | Description of Exhibit  |
|-------|---|
| 4.20  | Amendment No. 1 Stockholder Rights Agreement by and between Synvista Therapeutics, Inc. and American Stock Transfer & Trust Company, dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on January 16, 2007, SEC File No. 001-16043.)   |
| 4.21  | Form of Registration Rights Agreement among Synvista Therapeutics, Inc. and each Purchaser identified on the signature pages thereto. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 11, 2007, SEC File No. 001-16043.)  |
| 4.22  | Form of Preferred Stock Purchase Warrant to be issued to the Purchasers pursuant to the Series B Preferred Stock and Warrant Purchase Agreement, dated as of April 5, 2007. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 11, 2007, SEC File No. 001-16043.)  |
| 4.23  | Amendment No. 1 to Registration Rights Agreement dated May 14, 2007 by and among the Company and the purchasers identified on the signature pages to that certain Registration Rights Agreement dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 18, 2007, SEC File Number 001-16043.)         |
| 4.24  | Amendment No. 1 to Registration Rights Agreement dated September 7, 2007 by and among the Company and the purchasers identified on the signature pages to that certain Registration Rights Agreement dated as of July 25, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 13, 2007, SEC File Number 001-16043.) |
| 10.1  | Amended and Restated 1987 Stock Option Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, SEC File Number 000-19529.)   |
| 10.2  | Amended 1995 Stock Option Plan. (Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, SEC File Number 001-16043.)  |
| 10.3† | Form of Employee's or Consultant's Invention Assignment, Confidential Information and Non-Competition Agreement executed by all key employees and consultants as employed or retained from time to time. (Incorporated by Reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1, SEC File Number 33-42574, which became effective on November 1, 1991.) |
| 10.4† |   |

Alteon Inc. Change in Control Severance Benefits Plan. (Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, SEC File Number 001-16043.)

- 10.5 Preferred Stock Investment Agreement between Alteon Inc. and the investors named on the signature page thereof, dated as of April 24, 1997. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 9, 1997, SEC File Number 000-19529.)
- 10.6 Common Stock and Warrants Purchase Agreement among Alteon Inc. and EGM Medical Technology Fund, L.P., EGM Technology Offshore Fund, Narragansett I, L.P., Narragansett Offshore, Ltd., S.A.C. Capital Associates, LLC, SDS Merchant Fund, LP and Herriot Tabuteau, dated as of September 29, 2000. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 5, 2000, SEC File Number 001-16043.)
- 10.7 Stock Purchase Agreement between Alteon Inc. and the Purchasers named therein, dated January 4, 2002. (Incorporated by reference to the Company's Current Report on Form 8-K filed on January 7, 2002, SEC File Number 001-16043.)
- 10.8 Stock Purchase Agreement between Alteon Inc. and the Purchasers named therein, dated December 20, 2002. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on December 24, 2002, SEC File Number 001-16043.)
- 10.9 Stock Purchase Agreement, dated October 15, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 20, 2003, SEC File Number 001-16043.)

**EXHIBIT INDEX**

Exhibit No.	Description of Exhibit
10.10	Amendment to Stock Purchase Agreement, dated October 24, 2003. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 13, 2003, SEC File Number 001-16043.)
10.11	Alteon Inc. Description of Director Compensation Arrangements. (Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed on March 22, 2007, SEC File Number 001-16043.)
10.12	Alteon Inc. Description of Executive Officer Compensation Arrangements. (Incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on March 22, 2007, SEC File Number 001-16043.)
10.13†	Alteon Inc. 2005 Stock Plan. (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 6, 2005, SEC File Number 001-16043.)
10.14†	Form of Employee's Stock Option Grant Agreement. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2005, SEC File Number 001-16043.)
10.15	Form of Director's Formula Award Non-Qualified Stock Option Grant Agreement. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2005, SEC File Number 001-16043.)
10.16	Form of Consultant's Non-Qualified Stock Option Grant Agreement. (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2005, SEC File Number 001-16043.)
10.17	Notice of Option Acceleration. (Incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, SEC File Number 001-16043.)
10.18	Alteon Inc. Severance Plan and Summary Plan Description. (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, SEC File Number 001-16043.)
10.19	Voting Agreement by and between the stockholders named therein, HaptoGuard, Inc. and Alteon Inc., dated as of April 19, 2006. (Incorporated by reference to Annex B to the Company's Schedule 14A filed on June 22, 2006, SEC File Number 000-16043.)
10.20	Employment Agreement between HaptoGuard, Inc. and Noah Berkowitz, dated March 1, 2005. (Incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on July 25, 2006, SEC File

Number 000-16043.)

- 10.21 Alteon Inc. Stock Plan as amended on July 19, 2006. (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed on September 5, 2006, SEC File Number 333-137115.)
- 10.22 Securities Purchase Agreement among Alteon Inc. and each Purchaser identified on the signature pages thereto, dated as of September 13, 2006. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 19, 2006, SEC File No. 001-16043.)

**EXHIBIT INDEX**

Exhibit No.	Description of Exhibit
10.23	Convertible Note and Warrant Purchase Agreement among Alteon Inc. and each Lender identified on the signature pages thereto, dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 16, 2007, SEC File No. 001-16043.)
10.24	Security & Guaranty Agreement by and between Alteon Inc., HaptoGuard, Inc., and Baker Bros Advisors, LLC, dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 16, 2007, SEC File No. 001-16043.)
10.25	Intellectual Property Security Agreement by and between Alteon Inc., HaptoGuard, Inc., and Baker Bros Advisors, LLC, dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on January 16, 2007, SEC File No. 001-16043.)
10.26	Lease Agreement by and between Synvista Therapeutics, Inc. and DS Montvale, LLC, dated as of January 19, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 22, 2007, SEC File No. 001-16043.)
10.27†	Letter Amendment to Employment Agreement between HaptoGuard, Inc. and Noah Berkowitz, dated as of February 1, 2007. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 2, 2007, SEC File Number 000-16043.)
10.28	Waiver and Acknowledgement, dated as of March 30, 2007, by the Lenders identified in the Convertible Note and Warrant Purchase Agreement, dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 5, 2007, SEC File Number 000-16043.)
10.29	Series B Preferred Stock and Warrant Purchase Agreement among Alteon Inc. and each Purchaser identified on the signature pages thereto, dated as of April 5, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 11, 2007, SEC File No. 001-16043.)
10.30†	Employment Agreement between HaptoGuard, Inc. and Malcolm MacNab, M.D., Ph.D. dated February 7, 2005. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, SEC File Number 001-16043.)
10.31	Omnibus Amendment dated June 1, 2007 by and among the Company and the purchasers identified on the signature pages to that certain Note and Warrant Purchase Agreement dated as of January 11, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 7,



2007, SEC File Number 001-16043.)

- 10.32 Amendment No. 1 to Series B Preferred Stock and Warrant Purchase Agreement dated June 1, 2007 by and among the Company and the purchasers identified on the signature pages to that certain Series B Preferred Stock and Warrant Purchase Agreement dated as of April 5, 2007. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 7, 2007, SEC File Number 001-16043.)
- 10.33 Amended and Restated Exclusive License Agreement entered into as of April 2, 2007 by and between the Company and OXIS International. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, SEC File Number 001-16043.)
- 10.34 License and Research Agreement entered into as of July 12, 2004 by and between HaptoGuard, Inc. and BIO-RAP Technologies Ltd. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, SEC File Number 001-16043.)
- 23.1\* Consent of J.H. Cohn LLP.
- 31.1\* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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\* Filed herewith.

† Denotes a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) to this Form 10-K/A.