Synvista Therapeutics, Inc.
Form 10-Q
November 14, 2007

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[**X**] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

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	**13-3304550**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

221 West Grand Avenue, Suite 200, Montvale, New Jersey 07645
(Address of principal executive offices)
(Zip Code)

(201) 934-5000
(Registrant's telephone number, including area code)

_____
(Former name, former address and former fiscal year,
if changed since last report.)

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 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 **X** No

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).
Large accelerated filer ___Accelerated filer ___Non-accelerated filer **X**

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

On November 1, 2007, 2,586,377 shares of the registrant's Common Stock were outstanding.

SYNVISTA THERAPEUTICS, INC.

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PART I - FINANCIAL INFORMATION

ITEM l. Condensed Consolidated Financial Statements (Unaudited).

SYNVISTA THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	September 30, 2007	December 31, 2006 (Note 1)
Current Assets:		
Cash and cash equivalents	$ 17,297,916	$ 1,478,780
Other current assets	350,542	314,156
Total current assets	17,648,458	1,792,936
Property and equipment, net	16,481	10,500
Other assets	835,022	501,889
Total assets	$ 18,499,961	$ 2,305,325
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 566,071	$ 809,492
Accrued expenses	827,834	253,022
Preferred stock dividends payable	375,000	---
Total current liabilities	1,768,905	1,062,514
Stockholders' Equity:		
Preferred stock, $0.01 par value; 15,000,000 shares authorized, 400,000 shares designated as Series A, none issued and outstanding, 12,500,000 shares designated as Series B convertible preferred stock, 10,000,000 shares issued and outstanding at September 30, 2007, 0 shares issued and outstanding at December 31, 2006	100,000	---
Common stock, $0.01 par value; 300,000,000 shares authorized, and 2,586,377 shares issued and outstanding		

at September 30, 2007 and December 31, 2006		25,864		25,864
Additional paid-in capital		274,900,500		244,362,808
Accumulated deficit		(258,295,308)		(243,145,861)
Total stockholders’ equity		16,731,056		1,242,811
Total liabilities and stockholders' equity	$	18,499,961	$	2,305,325

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

SYNVISTA THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Income:				
Other income	$ 1,066	$ ---	$ 51,066	$ 50,000
Operating Expenses:				
Research and development	2,264,503	736,539	4,665,580	1,768,582
In-process research and development	---	11,379,348	---	11,379,348
General and administrative	894,469	1,998,154	2,534,847	3,807,182
Total operating expenses	3,158,972	14,114,041	7,200,427	16,955,112
Loss from operations	(3,157,906)	(14,114,041)	(7,149,361)	(16,905,112)
Investment income	194,692	38,560	257,738	165,122
Interest expense	1,402,515	715	6,637,831	715
Net loss	(4,365,729)	(14,076,196)	(13,529,454)	(16,740,705)
Preferred stock dividends - Series B				
Preferred stock dividends - Series G and Series H	375,000	---	375,000	---
Deemed dividends to Series B preferred	---	283,607	---	2,652,679
stockholders from beneficial conversion feature	1,244,993	---	1,244,993	---
Net loss applicable to common stockholders	$ (5,985,722)	$ (14,359,803)	$ (15,149,447)	$ (19,393,384)
Basic/diluted net loss per share applicable to common stockholders	$ (2.31)	$ (6.49)	$ (5.86)	$ (12.33)
Weighted average common shares used in computing basic/diluted net loss per share	2,586,377	2,212,761	2,586,377	1,573,349

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

SYNVISTA THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balances, December 31, 2006	---	$ ---	2,586,377	$ 25,864	$ 244,362,808	$ (243,145,861)	$ 1,242,811
Net loss	---	---	---	---	---	(13,529,454)	(13,529,454)
Warrants issued and embedded beneficial conversion feature associated with debt financing with debt financing	---	---	---	---	6,000,000	---	6,000,000
Issuance of shares of preferred stock through private placement at $2.50 per share	7,534,246	75,342	---	---	18,760,274	---	18,835,616
Issuance of shares of preferred stock through debt conversion at $2.50 per share	2,465,754	24,658	---	---	6,139,726	---	6,164,384
Costs incurred in connection with private placement, including issuance of warrants	---	---	---	---	(1,837,954)	---	(1,837,954)
Deemed dividends to Series B stockholders on beneficial conversion preferred on beneficial conversion feature	---	---	---	---	1,244,993	(1,244,993)	---
Series B preferred stock dividend Payable	---	---	---	---	---	(375,000)	(375,000)
Stock-based compensation	---	---	---	---	169,180	---	169,180
Options issued for consulting Services	---	---	---	---	2,732	---	2,732

Compensation costs related to restricted stock	---	---	---	---	58,741	---	58,741
Balances, September 30, 2007	10,000,000	$ 100,000	2,586,377	$ 25,864	$ 274,900,500	$ (258,295,308)	$ 16,731,056

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

SYNVISTA THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2007	2006
Cash flows from operating activities:		
Net loss	$ (13,529,454)	$ (16,740,705)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation expense	169,180	34,652
Options issued for consulting services	2,732	7,666
Compensation costs related to restricted stock	58,741	9,941
Non-cash interest expense	164,384	---
In-process, research and development	---	11,379,348
Amortization of debt discount	6,000,000	---
Amortization of deferred financing costs	466,413	---
Depreciation and amortization	7,567	37,945
Changes in operating assets and liabilities:		
Other current assets	(36,386)	(496,576)
Other assets	66,867	(529,264)
Accounts payable and accrued expenses	331,391	(161,739)
Net cash used in operating activities	(6,298,565)	(6,458,732)
Cash flows from investing activities:		
Capital expenditures	(13,548)	---
Other assets	---	(1,621,929)
Payments for securities purchased under the Oxis license agreement	(400,000)	---
Net cash used in investing activities	(413,548)	(1,621,929)
Cash flows from financing activities:		
Proceeds from debt financing	6,000,000	---
Proceeds from issuance of common stock	---	3,806,026
Proceeds from issuance of preferred stock	18,835,616	---
Payments for private placement costs	(1,837,954)	---
Payments for debt financing costs	(466,413)	---
Net cash provided by financing activities	22,531,249	3,806,026
Net increase/(decrease) in cash and cash equivalents	15,819,136	(4,274,635)
Cash and cash equivalents, beginning of period	1,478,780	6,582,958
Cash and cash equivalents, end of period	$ 17,297,916	$ 2,308,323
Supplemental disclosure of cash flow information:		
Common stock and other equity consideration issued as a result of the merger	$ ---	$ 9,035,058

Warrants issued and embedded conversion feature associated with debt financing	$	6,000,000	$	---
Beneficial conversion feature and allocation to warrants on convertible series B preferred stock	$	13,616,625	$	---
Deemed dividends to Series B preferred stockholders on beneficial conversion	$	1,244,993	$	---
Series B stock dividends payable	$	375,000	$	---
Preferred stock issued pursuant to conversion of debt and accrued interest	$	6,164,384	$	---
Fair value of warrants issued to placement agents for private placements	$	1,619,256	$	---

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

SYNVISTA THERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Significant Accounting Policies

Basis of Presentation

On July 20, 2007, the stockholders of Alteon Inc. approved changing the name of the company from Alteon Inc. to Synvista Therapeutics, Inc. ("the Company"). The name change became effective on July 25, 2007.

On July 20, 2007, the Company's stockholders approved an amendment to its certificate of incorporation to, among other things, effect a reverse stock split of the Company's common stock. On July 25, 2007, a 1:50 reverse stock split of the Company's common stock became effective. Accordingly, all share, warrant, option and per share information for all periods presented reflect the reverse stock split.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2006, as filed with the Securities and Exchange Commission. The December 31, 2006 balance sheet is derived from the audited balance sheet included in the Company's Form 10-K for the fiscal year ended December 31, 2006, as amended.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Synvista Therapeutics, Inc. and its wholly owned subsidiary, HaptoGuard, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain prior period balances have been reclassified to conform to the current presentation.

Adoption of New Accounting Pronouncements

Effective January 1, 2007, the Company adopted *Financial Accounting Standards Board* ("FASB") *Interpretation 48* ("FIN 48"), "*Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109.*" The interpretation contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, "*Accounting for Income Taxes*." The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement.

The Company has sustained losses since inception which has generally resulted in a zero percent effective tax rate; hence the Company has not incurred any interest or penalties. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of tax expense. At December 31, 2006, the Company had an $82.2 million deferred tax asset which was fully offset by a valuation allowance due to its history of losses.

In addition, the Company has net operating loss carryfowards ("NOLs") that may be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The Company is currently evaluating whether there are any changes in ownership that would limit the future use of its NOLs. The Company's final evaluation of its tax positions taken in open tax years and ownership change limitations may result in a reduction of NOLs available for use in future years and the related fully reserved deferred tax asset. However, given the Company's history of losses, the Company does not expect the result of this evaluation will have a material impact on its condensed consolidated financial statements.

New Accounting Pronouncements

In June 2007, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 07-3, "Accounting for Advance Payments for Goods or Services to be Received for Use in Future Research and Development Activities". ("EITF 07-3"), EITF 07-3 provides clarification surrounding the accounting for nonrefundable research and development advance payments, whereby such payments should be recorded as an asset when the advance payment is made and recognized as an expense when the research and development activities are performed. EITF 07-3 is effective for interim and annual reporting periods beginning after December 15, 2007. We are currently evaluating the impact that adopting this EITF will have on our consolidated financial statements.

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, the Company has incurred net losses since inception, has an accumulated deficit of $258,295,308 as of September 30, 2007, and expects to incur net losses, potentially greater than losses in prior years, for a number of years.

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

In April 2007, the Company entered into a Series B Preferred Stock and Warrant Purchase Agreement with institutional investors who purchased on July 25, 2007, $25,000,000 of newly created Series B Preferred Stock and warrants to purchase shares of Series B Preferred Stock. The issuance of $25,000,000 of the Company's Series B Preferred Stock includes the conversion of $6,000,000 of previously issued convertible promissory notes plus all accrued and unpaid interest thereon, which were cancelled upon the closing of the financing (See Note 4 - Convertible Notes Payable). The closing of this financing was subject to the satisfaction of various conditions, including stockholder approval (See Note 5 -- Series B Preferred Stock and Warrant Purchase Agreement).

As of September 30, 2007, the Company had working capital of $15,879,553, including $17,297,916 of cash and cash equivalents. The Company's net cash used in operating activities for the nine months ended September 30, 2007 was $6,298,565. The Company expects to have sufficient cash and cash equivalents to satisfy its working capital requirements through the end of the fourth quarter of 2008.

The amount and timing of the Company's future capital requirements will depend on numerous factors, including the number and characteristics of product candidates that the Company pursues, the timing, scope and results of preclinical tests and clinical studies conducted by or on behalf of the Company, 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.

Dividends on shares of Series B Preferred Stock are payable in cash or in shares of Preferred stock for a period of five years from the Series B Original Issue Date, at the option of the holders of a majority of the outstanding Series B Preferred Stock.

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. 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.

Note 3 - Stock-Based Compensation

The Company estimates the fair value of option awards made under its equity compensation plans on the date of grant based on the Black-Scholes option pricing model. The Company estimates expected volatility for this purpose based on the historical volatility of its common stock price. 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 patterns.

The following table shows the weighted average assumptions the Company used to develop the fair value estimates for the determination of the compensation charges for the nine months ended September 30:

	2007	**2006**
Expected volatility	115%	139%
Dividend yield	-	-
Expected term (in years)	5.90	6.11
Risk-free interest rate	4.25%	4.50%

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 nine months ended September 30, 2007, the Company recognized research and development consulting expenses of $2,732.

For the three and nine month periods ended September 30, 2007, the Company recognized share-based employee compensation cost of approximately $84,618 and $169,180, respectively, and $34,652 for the three and nine month periods ended September 30, 2006, in accordance with SFAS 123(R), "Share-Based Payment," which was recorded as general and administrative and research and development 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 3.7% based on historical experience, on a straight-line basis over the vesting period. The Company did not capitalize any share-based compensation cost.

As of September 30, 2007, the total compensation cost related to non-vested option awards not yet recognized is $347,417. The weighted-average period over which this cost is expected to be recognized is approximately 1.40 years.

A summary of the status of the Company's stock options outstanding as of September 30, 2007 and changes during the nine months then ended is presented below:

	Shares	Weighted average exercise price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2006	215,804	$ 62.25		
Granted	70,000	$ 4.17		
Cancelled	(10,364)	$ 120.05		
Outstanding at September 30, 2007	275,440	$ 45.32	5.05	$ -
Options exercisable at September 30, 2007	171,228	$ 69.67	3.93	$ -

An amendment to the Company's 2005 Stock Plan was approved at the Company's annual meeting of stockholders in July 2007 that increased the number of shares of common stock reserved for issuance under the 2005 Stock Plan from 10,000,000 (200,000 following the implementation of the reverse stock split) shares to 63,000,000 (1,260,000 following the implementation of the reverse stock split) shares. The reverse stock split, which was also approved by the stockholders of the Company at the annual shareholder meeting on July 20, 2007, was implemented at a ratio of 1:50 and became effective on July 25, 2007.

Restricted Stock

The Company recognized compensation cost of $6,226 and $58,741 for the three and nine months ended September 30, 2007, which was recorded as general and administrative expense, as a result of the granting of 19,200 shares of restricted stock in 2006, of which 6,400 were forfeited and 8,532 were vested through September 30, 2007.

A summary of the status of the Company's nonvested shares of restricted stock as of September 30, 2007 and changes during the nine months ended September 30, 2007, is presented below:

Nonvested at	Shares	Weighted Average Grant Date Fair Value
January 1, 2007	16,000	$ 7.50
Granted	-	-
Vested	8,532	7.50
Forfeited	3,200	7.50
Nonvested at September 30, 2007	4,268	$ 7.50

As of September 30, 2007, there was $19,264 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. That cost is expected to be recognized over a weighted-average

period of 1.8 years. The total fair value of shares vested during the nine months ended September 30, 2007 was $63,990. Of the 8,532 shares of restricted stock that vested, the vesting of 4,268 shares had been accelerated by the Board of Directors.

Note 4 - Convertible Notes Payable

On June 1, 2007, the Company entered into an omnibus amendment (the "Omnibus Amendment") with the holders of the Company's Senior Secured Convertible Promissory Notes, dated January 11, 2007 (the "Notes"). The Omnibus Amendment amended the following documents: (i) the Note and Warrant Purchase Agreement, dated January 11, 2007 (the "Note Purchase Agreement"), (ii) the Notes, and (iii) the warrants issued to the holders of the Notes, each dated January 11, 2007 (the "Warrants"). Pursuant to the Omnibus Amendment, the Note Purchase Agreement was amended to provide for the issuance of an additional $3,000,000 of indebtedness by the Company. In order to provide for such additional indebtedness, the Notes, in the original principal amount of $3,000,000, were cancelled and replaced with amended and restated senior convertible promissory notes in an aggregate principal amount of $6,000,000 (the "New Notes"). Each New Note accrued interest at a rate of 8% per annum. The New Notes increased certain penalties contained in the Notes if the proposed preferred stock financing transaction between the Company and the holders of the Notes was not closed by July 31, 2007, as follows: the Company would have been obligated to pay to the holders of the New Notes a $6,000,000 penalty in addition to the outstanding principal and interest that would become due under the New Notes on July 31, 2007, and the Company would have been obligated to pay the holders 30% of any amount received by the Company from financing, sale or licensing transactions completed prior to June 30, 2009, subject to a cap of $8,000,000.

On July 20, 2007, at the Company's annual meeting of stockholders, stockholders of the Company approved the issuance of shares of the Company's Series B Preferred Stock. The Series B Preferred Stock accrues dividends at a rate of 8.0% per year for a period of five years from the date on which the shares of Series B Preferred Stock were issued. Pursuant to the terms of the Note Purchase Agreement, upon the closing of the financing on July 25, 2007, as more fully discussed in Note 5 - Series B Preferred Stock and Warrant Purchase Agreement, the New Notes plus accrued and unpaid interest thereon were converted into shares of the Company's Series B Preferred stock and thereafter were cancelled.

In connection with the Note Purchase Agreement, the Company also issued to the holders of the Notes (the "Buyers") warrants to purchase 514,689 shares of the Company's Common Stock, which were exercisable for a period of five years commencing on January 11, 2007 at an exercise price of $0.01 per share. These Common Stock Warrants expired upon the closing of the sale of the Company's Series B Preferred Stock.

The Company determined the initial carrying value of the New Notes by a two-step allocation process: first to the associated Warrants and second, to an embedded conversion option. First, the Company allocated the proceeds from the sale of the New Notes between the New Notes and the Warrants based upon their relative fair values, which resulted in recording a discount on the New Notes. The value of the Warrants was computed using the Black-Scholes option pricing model. Second, in accordance with EITF No. 00-27, "Application of Issue 98-5 to Certain Convertible Instruments", after allocating the Note proceeds as described above, the Company calculated the embedded conversion price and used it to measure the intrinsic value of the embedded conversion option. Since the conversion price was less than the fair value of the Company's common stock at the closing date, an embedded conversion option was recorded as paid-in capital.

All of the proceeds were allocated to the Warrants and embedded beneficial conversion feature. This amount was being amortized as additional (non-cash) interest expense with a corresponding increase to the New Notes over the term of the New Notes. The fair value of the beneficial conversion feature and the warrants substantially exceeded the face value of the New Notes.

During the nine month period ended September 30, 2007, the Company recorded $6,000,000 of non-cash interest expense related to the accretion of these New Notes.

Contemporaneously with the execution and delivery of the Note Purchase 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 the Company's obligations under the Agreement and the New Notes, and (ii) an Intellectual Property Security Agreement ("Intellectual Property Security Agreement"), pursuant to which the Company and HaptoGuard agreed to provide to the Buyer a first priority security interest in certain IP Collateral (as this term is defined in the Intellectual Property Security Agreements) to collateralize the Company's obligations under the Agreement and the New Notes. The Security Agreement and the security interest in certain Collateral terminated upon the conversion of the New Notes.

NOTE 5 - Series B Preferred Stock and Warrant Purchase Agreement

On April 5, 2007, the Company entered into a Series B Preferred Stock and Warrant Purchase Agreement (the "Series B Agreement") with institutional investors (the "Buyers"). Pursuant to the terms and subject to the conditions contained in the Series B Agreement, the Company agreed to issue and sell to the Buyers, and the Buyers agreed to purchase from the Company $25,000,000 of our newly created Series B Preferred Stock, $0.01 par value per share and warrants to purchase shares of the Company's Series B Preferred Stock.

On June 1, 2007 the Company entered into Amendment No. 1 to the Series B Preferred Stock and Warrant Purchase Agreement ("Amendment No. 1 to the SPA") by the Company and the Buyers, which amends the Series B Agreement. Pursuant to Amendment No. 1 to the SPA, the per share price at which the Series B Preferred Stock of the Company will be sold in the proposed preferred stock financing, was fixed at a price of $0.05 (prior to the reverse stock split) per share. Prior to entering into Amendment No. 1 to the SPA, the price per share at which the Series B Preferred Stock of the Company was sold in the financing was to be within a range between $0.05 and $0.075 (each prior to the implementation of the reverse stock split) and was to be determined following the requisite shareholder vote regarding the financing and the reverse stock split, as set forth in the Series B Agreement.

On July 20, 2007, at the Company's annual meeting of stockholders, stockholders of the Company approved the issuance of securities pursuant to the Series B Agreement. At the closing of the financing on July 25, 2007, the Company issued 10,000,000 shares of its Series B Preferred Stock and warrants to purchase 2,500,000 shares of Series B Preferred Stock to the Buyers. The Series B Preferred Stock accrues dividends at a rate of 8.0% per year on the original issue price of $2.50 per share for a period of five years from the date on which the shares of Series B Preferred Stock were issued. The warrants are exercisable for a period of five years commencing on July 25, 2007 at an exercise price of $2.50 per share.

On July 25, 2007, upon the closing of the financing, the Notes, in an aggregate principal amount of $6,000,000, plus all accrued but unpaid interest thereon, were automatically converted pursuant to their terms into that number of shares of Series B Preferred Stock equal to the principal plus all accrued but unpaid interest on the New Notes divided by the price per share at which the Series B Preferred Stock was sold, and thereafter the New Notes were cancelled and are of no further force or effect, and the warrants to purchase an aggregate of 514,689 shares of the Company's common stock that were issued to the purchasers in such financing terminated and are of no further force or effect.

On the date of issuance, the Company adjusted its balance sheet to reduce the value of the Series B Convertible Preferred Stock by $9,445,299 and the warrants by $4,171,326 and will increase additional paid-in capital by $13,616,625 ratably over a 24-month period. The Company used the Black Scholes model to value the Series B warrants. For purposes of calculating the fair value of the warrants the Company used a risk free rate of return of 4.88% and a volatility percentage of 114%. In accordance with EITF 98-5 and EITF 00-27 the intrinsic value of the beneficial conversion feature is considered a deemed dividend to the preferred shareholders and is amortized over a period of the security's earliest conversion date. Pursuant to Amendment No.1 to the Registration Rights Agreement, the Company will register the securities at various times over a two year period for resale by the investors, which is when the preferred stock will be convertible. To amortize the beneficial conversion feature the Company reduced the retained earnings account and increased the Series B Preferred Convertible Stock for the amount of the deemed dividend.

In July 2007, the Company increased its number of authorized shares to 315,000,000, of which 300,000,000 is $0.001 par value Common Stock and 15,000,000 is $0.001 par value Preferred Stock. Series B Preferred Stock dividends are payable annually in cash or in shares of preferred stock at a rate of 8% of the Series B Original Issue Price of $2.50 for each share of Series B preferred stock for five years from the Original Issue Date of July 25, 2007. Each holder of the Series B Preferred Stock shall be entitled to vote one-half the number of whole shares of common stock into which the shares of Series B Preferred Stock held by the holder are convertible as of the record date for any meeting of Company stockholders.

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The Series B Preferred Stock is subject to a mandatory conversion based on a Triggering Event. At such time when (A) (i) the thirty (30) day prior trailing average Closing Price of the Common Stock for the entire six months preceding such time is equal to at least the Series B Original Issue Price, and (ii) one and one half (1.5) years have elapsed after the Company has had declared effective by the Securities and Exchange Commission and continuously maintained for such one and one half (1.5) year period the effectiveness of a shelf registration statement providing for the resale of all of the Common Stock underlying the Series B Preferred Stock and those certain warrants issued in connection with the Series B Preferred Stock under the Series B Purchase Agreement, an equivalent of $7,500,000 (measured as of the Series B Original Issue Date) of the Series B Preferred Stock shall (a) automatically be converted into shares of Common Stock, at the then effective Series B Conversion Price (determined to be $0.05), and (b) such shares may not be reissued by the Company, or (B) (i) the thirty (30) day prior trailing average Closing Price of the Common Stock for the entire six (6) months preceding such time is equal to at least two (2) times the Series B Original Issue Price, and (ii) one and one half (1.5) years have elapsed after the Company has had declared effective by the Securities and Exchange Commission and continuously maintained for such one and one half (1.5) year period the effectiveness of a shelf registration statement providing for the resale of all of the Common Stock underlying the Series B Preferred Stock and those certain warrants issued in connection with the Series B Preferred Stock, the remainder of the outstanding Series B Preferred Stock shall (a) automatically be converted into shares of Common Stock, at the then effective Series B Conversion Price.

The Company engaged Rodman & Renshaw, LLC (“Rodman and Renshaw”) as placement agent for the Company for the offering. For its services, the Company paid Rodman & Renshaw a cash commission of $1,312,187 and issued a warrant to Rodman and Renshaw to purchase 600,000 shares of the Company’s common stock with an exercise price of $2.50 per share. The warrant issued is exercisable immediately and will expire on July 25, 2012. The Company used the Black Scholes model to value the common stock warrants. For purposes of calculating the fair value of the warrants the Company used a risk free rate of 4.88% and a volatility percentage of 114%. The fair value of the warrants using the Black Scholes model is $1,619,256.

The obligations of Synvista and the Buyers to complete the Series B preferred stock financing were subject to the satisfaction or, to the extent legally permissible, waiver of certain conditions. The more significant conditions included: (i) approval by the Synvista stockholders of the issuance of securities in the Financing pursuant to the Agreement; (ii) the approval by the Synvista stockholders and the consummation of a reverse stock split of the Company’s issued and outstanding common stock within a range of 1:50 to 1:100, with the final ratio to be determined by the Board of Directors and reasonably acceptable to the Buyers; (iii) approval by the Synvista stockholders and the filing with the Secretary of State of the State of Delaware of Synvista’s Amended and Restated Certificate of Incorporation; and (iv) approval by the Synvista stockholders of an amendment to the Company’s equity incentive plan in order to reserve up to an additional 53,000,000 (prior to the implementation of the reverse stock split) shares of common stock for issuance thereunder.

In connection with the closing of the financing, Synvista entered into an Amendment No. 1 to the Registration Rights Agreement (“Amendment”) with the Buyers. The Amendment amends the Registration Rights Agreement dated July 25, 2007, by extending the schedule under which the Company is required to file registration statements with the Securities and Exchange Commission for the resale of the shares of common stock issuable upon conversion of the shares of Series B Preferred Stock issued to the Buyers, as well as upon conversion of the shares of Series B Preferred Stock underlying the warrants issued to the Buyers. The Amendment also grants the Buyers additional piggy-back registration rights in the event of an underwritten public offering of the Company’s securities and demand registration rights at the option of a majority of the Buyers. The Amendment also relieves the Company of its obligation to pay the Buyers liquidated damages in certain circumstances, as described in the Amendment.

Note 6 - 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 period. 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 September 30, 2007 and 2006, was 3,831,348 and 663,441 shares, respectively.

Note 7 - Bio-Rap Technologies Ltd.

On April 1, 2007, the Company entered into an amendment of the Company's License and Research Agreement with Bio-Rap Technologies Ltd. ("Bio-Rap"). Among other changes, the amendment extends to all fields the Company's rights to sell therapeutic and diagnostic product pursuant to the licenses granted in that agreement.

In addition, the amendment will result in an increase in annual research funding provided by the Company to Bio-Rap, and in the Company making certain defined payments to Bio-Rap over the course of the next 18 months. Other payments due to Bio-Rap based on the Company's sales of diagnostic products or grant of sublicense rights, including royalties, milestone payments and payments attributable to sublicense revenue, are significantly reduced. The amendment gives the Company the right to further reduce royalty payments on diagnostic products on making a one-time payment within eight years, and to further reduce payments resulting from sublicense revenue on making a one-time payment made within the next five years.

Finally, under the amendment the Company assumes all of Bio-Rap's right and interest in a license with ARUP Laboratories at the University of Utah ("ARUP"). ARUP will, in the future, be a sublicensee of the Company.

Note 8 - Oxis International

On April 2, 2007, the Company entered into an Amended and Restated Exclusive License Agreement with Oxis International ("Oxis") that includes a worldwide exclusive license granted by Oxis to the Company and covering a family of orally bioavailable organoselenium compounds that have shown anti-oxidant and anti-inflammatory properties in clinical and preclinical studies, and which changes certain rights and obligations under the Company's previous agreement with Oxis. Among other changes, the amended agreement broadens the field of the Company's license to all uses of the licensed technology and eliminates the exclusive right of Oxis to act as a supplier of licensed product to the Company.

The amended agreement also requires that the Company make certain fixed payments to Oxis of up to $500,000 over the next six months, and enter into a share purchase agreement for the purchase of $500,000 of newly issued shares of Oxis common stock at a premium over the then current market price. In August 2007, we acquired 2,083,333 shares of Oxis pursuant to the share purchase agreement for $500,000, of which $100,000 premium was expensed at the date of the acquisition. The investment is accounted for at cost and included in other assets as of September 30, 2007, since it is a restricted security. These shares must be held for a period of not less than 18 months. The investment has been accounted for at cost and included in other assets. All other amounts have been paid as of September 30, 2007. The Company further commits to a minimum investment in a development program from licensed products.

Royalty and milestone payments are changed in the amended agreement, including the addition of a right to reduce royalty payments to Oxis in the event a royalty on a licensed product is payable to a third party.

ITEM 2. 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 drugs to treat and prevent cardiovascular disease and diabetes. We have identified several promising product candidates that we believe represent novel approaches to some of the largest pharmaceutical markets.

The Company has two lead products in Phase 2 clinical trials:

ALT-2074 is a glutathione peroxidase mimetic in clinical development for reducing the morbidity and mortality of patients with diabetes following a myocardial infarction. ALT-2074 has demonstrated potential efficacy in animal models of heart attack and in a 20-patient clinical trial in ulcerative colitis. Our goal for ALT-2074 is to develop it for acute coronary syndrome and explore its anti-atherosclerotic activity in diabetic patients at elevated risk for these diseases. The compound has demonstrated the ability to reduce infarct size by approximately 85 percent in a mouse model of heart attack called ischemia reperfusion injury. It is currently being evaluated in two clinical trials. The first is a Phase 2 study using ALT-2074 in diabetic patients, who tested positive for a marker of increased cardiovascular risk (haptoglobin genotype testing). Patients are being treated with ascending doses of ALT-2074 or placebo for 28 days as we track inflammatory biomarkers and functional improvement in their reverse cholesterol transport. Results from this study are anticipated in the first quarter of 2008. In addition, we are conducting a Phase 2 clinical trial in diabetic patients undergoing angioplasty to see whether ALT-2074 can protect heart muscle that is not receiving adequate blood supply. This trial of 60 patients could support results of the first trial. We cannot yet predict the end of this study and expect to provide an update before the end of the year.

Alagebrium chloride or alagebrium (formerly ALT-711), is an Advanced Glycation End-product Crosslink Breaker being developed for diastolic heart failure (“DHF”) and diabetic nephropathy. 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 (“ED”). These diseases represent rapidly growing markets of unmet medical needs, particularly common among diabetic patients. The compound has been tested in approximately 1,000 patients, which represents a sizeable human safety database, in a number of Phase 2 clinical studies.

The Company is also developing a diagnostic kit to identify patients with diabetes at increased risk for cardiovascular disease. The technology underlying this kit relates to the haptoglobin protein. The common variant of this protein is associated with increased cardiovascular risk. Any successful commercialization of such a kit could generate revenues for the Company in future years and could help focus the development of the Company’s lead glutathione peroxide mimetic, ALT-2074.

Future Development Plans

Since we have been able to complete our Series B Preferred Stock Financing, as described elsewhere in this quarterly report, we hope to proceed with several studies involving ALT-2074 and alagebrium. With respect to ALT-2074, in addition to the myocardial protection study, and the Phase II biomarker study designed to correlate the dose and schedule of ALT-2074 with an effect on inflammatory biomarker levels and various components of cholesterol, we are considering other clinical development activities. With respect to alagebrium, we plan, among other things, to initiate a small Phase II study to examine the impact of alagebrium on heart function. As previously reported, we also expect that alagebrium will be studied in a clinical trial of patients with Type I diabetes and microalbuminuria (protein in the urine), funded by the Juvenile Diabetes Research Foundation.

We continue to evaluate potential pre-clinical and clinical studies in other therapeutic indications in which alagebrium and ALT-2074 may address significant unmet needs. For ALT-2074, we plan to explore indications for myocardial protection, atherosclerosis and other inflammatory diseases. For alagebrium, in addition to our anticipated clinical studies in heart failure, we have conducted preclinical studies focusing on atherosclerosis; Alzheimer's disease; photoaging of the skin; eye diseases, including age-related macular degeneration (“AMD”), and glaucoma; and other diabetic complications, including renal diseases.

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 $258,295,308 as of September 30, 2007, 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 and debt securities, revenue from former collaborative relationships, reimbursement of certain of our research and development expenses by our collaborative partners, investment income earned on cash and cash equivalent balances and short-term investments and the sale of a portion of our New Jersey State net operating loss carryforwards and research and development tax credit carryforwards.

Our business is subject to significant risks including, but not limited to, (1) ability to obtain and maintain sufficient financial resources to conduct and continue enrollment in our clinical studies of ALT-2074 and alagebrium, (2) 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, (3) uncertainties associated with obtaining and enforcing our patents and with the patent rights of others, (4) uncertainties regarding government healthcare reforms and product pricing and reimbursement levels, (5) technological change and competition, (6) manufacturing uncertainties, and (7) 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 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and in Part II of the Quarterly Report under the heading “Item 1A - Risk Factors.”

Revenue Recognition

Synvista’s 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) collectability is reasonably assured.

Due to the immaterial nature of our current licensing revenues, we recognize revenues from non-refundable, up-front license fees as received which approximates the straight-line basis.

Critical Accounting Policies

As of the date of the filing of this quarterly report, we believe there have been no material changes to our critical accounting policies and estimates during the nine months ended September 30, 2007.

Results of Operations

Three Months ended September 30, 2007 and 2006

Total revenues for the three months ended September 30, 2007 and 2006, were $1,000 and $0, respectively. The amount received during the three months ended September 30, 2007 is from a royalty agreement with ARUP Laboratories which we entered into in June 2004.

Our total expenses were approximately $4,561,000 for the three months ended September 30, 2007, compared to $14,115,000 for the three months ended September 30, 2006. The total expenses, excluding $11,379,000 of in-process research and development in the three months ended September 30, 2006, increased in the three months ended September 30, 2007. The increase was a result of higher research and development expenses and non-cash interest expense of approximately $1,364,000 relating to the notes we issued as part of our private financing described elsewhere in this Quarterly Report.

Research and development expenses were $2,265,000 for the three months ended September 30, 2007, as compared to $737,000 for the same period in 2006, exclusive of $11,379,000 of in-process research and development, an increase of $1,528,000 or 207.5%. This increase was attributed to increased patent expenses, clinical trial costs and preclinical expenses partially offset by a decrease in personnel cost, product liability insurance and third party consulting. In the three months ended September 30, 2007, of the total amount spent on research and development expenses, we incurred $157,000 in patent and licensing expenses, $78,000 in personnel and personnel-related expenses, $33,000 in third party consulting and $41,000 in product liability insurance. In 2006, of the total amount spent on research and development expenses, we incurred $122,000 in patent expenses, $123,000 in personnel and personnel-related expenses, $50,000 in product liability insurance and $130,000 in third party consulting. Research and development expenses normally include third-party expenses associated with pre-clinical and clinical studies, manufacturing costs, including the development and preparation of clinical supplies, personnel and personnel-related expenses and facility expenses.

General and administrative expenses were $894,000 for the three months ended September 30, 2007, as compared to $1,998,000 for the same period in 2006, a decrease of 55.2%. The decrease is a result of $1,231,000 of severance cost paid in 2006 and lower insurance costs in 2007.

Investment income for the three months ended September 30, 2007 was $195,000, as compared to $39,000 for the same period in 2006. The increase was a result of higher investment balances.

Our net loss applicable to common stockholders was $5,986,000 for the three months ended September 30, 2007, compared to $14,360,000 for the same period in 2006, a decrease of 58.3%. This decrease was a result of in-process research and development in 2006 resulting from Synvista's merger with HaptoGuard partially offset in 2007 by non-cash interest expense and the accretion of Series B Preferred Stock beneficial conversion feature relating to our private financing. Included in the net loss applicable to common stockholders are preferred stock dividends of $1,620,000, of which $1,245,000 relates to the accretion of the Series B Preferred Stock beneficial conversion feature, and $284,000 for the three months ended September 30, 2007 and 2006, respectively.

Nine Months ended September 30, 2007 and 2006

Total revenues for the nine months ended September 30, 2007 and 2006, were $51,066 and $50,000, respectively. In 2007 and 2006 other income included $50,000 and $50,000, respectively, received from a licensing agreement with Avon Products, Inc. In 2007, $1,000 was also received under our royalty agreement with ARUP Laboratories.

Our total expenses were approximately $13,838,000 for the nine months ended September 30, 2007, compared to $16,956,000 for the nine months ended September 30, 2006. The total expenses, excluding $11,379,000 for in-process research and development in the three months ended September 30, 2006, increased in the nine months ended September 30, 2007. The increase was a result of higher research and development expenses and non-cash interest expense of $6,000,000 relating to the notes we issued as part of our private financing described elsewhere in this quarterly report.

Research and development expenses were $4,666,000 for the nine months ended September 30, 2007, as compared to $1,769,000 for the same period in 2006, exclusive of $11,379,000 of in-process research and development, an increase of $2,897,000, or 163.8%. This increase was attributed to increased patent expenses, clinical trial costs and preclinical expenses partially offset by a decrease in personnel cost and product liability insurance. In the nine months ended September 30, 2007, of the total amount spent on research and development expenses, we incurred $1,324,000 in patent and licensing expenses, $234,000 in personnel and personnel-related expenses, $137,000 in third party consulting and $104,000 in product liability insurance. In 2006, of the total amount spent on research and development expenses, we incurred $209,000 in patent expenses, $472,000 in personnel and personnel-related expenses, $214,000 in product liability insurance and $360,000 in third party consulting. Research and development expenses normally include third-party expenses associated with pre-clinical and clinical studies, manufacturing costs,

including the development and preparation of clinical supplies, personnel and personnel-related expenses and facility expenses.

General and administrative expenses were $2,535,000 for the nine months ended September 30, 2007, as compared to $3,807,000 for the same period in 2006, a decrease of 33.4%. The decrease is a result of $1,231,000 of severance cost paid in 2006 and lower personnel costs in 2007.

Investment income for the nine months ended September 30, 2007 was $258,000, as compared to $165,000 for the same period in 2006. The increase was a result of higher investment balances.

Our net loss applicable to common stockholders was $15,149,000 for the nine months ended September 30, 2007, compared to $19,393,000 for the same period in 2006, a decrease of 21.9%. This decrease was a result of in-process research and development in 2006 resulting from the merger with HaptoGuard partially offset in 2007 by non-cash interest expense and the accretion of Series B preferred stock beneficial conversion feature relating to our private financing. Included in the net loss applicable to common stockholders are preferred stock dividends of $1,620,000, of which $1,245,000 relates to the accretion of the Series B Preferred Stock beneficial conversion feature, and $2,653,000 for the nine months ended September 30, 2007 and 2006, respectively.

Liquidity and Capital Resources

We had cash and cash equivalents at September 30, 2007, of $17,298,000, compared to $1,478,780 at December 31, 2006. The increase is attributable to $22,531,000 of net cash provided by financing activities offset by $6,299,000 used in operating activities. At September 30, 2007, we had working capital of $15,880,000. We expect to have sufficient cash and cash equivalents to satisfy our working capital requirements through the end of the fourth quarter of 2008.

We do not have any approved products and currently derive cash from sales of our securities, 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.

On April 5, 2007, we entered into a Series B Preferred Stock and Warrant Purchase Agreement (the “Agreement”) with institutional investors (the “Buyers”). Pursuant to the terms and subject to the conditions contained in the Series B Agreement, on July 25, 2007, we issued and sold to the Buyers, and the Buyers purchased from us, $25,000,000 of our newly created Series B Preferred Stock and warrants to purchase shares of our Series B Preferred Stock (the “Financing”).

On July 20, 2007, at our annual meeting of stockholders, our stockholders approved the issuance of securities in the Financing. At the closing of the Financing, on July 25, 2007, we issued 10,000,000 shares of our Series B Preferred Stock and warrants to purchase 2,500,000 shares of Series B Preferred Stock to the Buyers. These warrants are exercisable for a period of five years commencing on July 25, 2007 at an exercise price of $2.50 per share.

We submitted a Plan of Compliance to the American Stock Exchange, Inc. (“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 our stockholder’s equity of less than $2,000,000 and losses from continuing operations and/or net losses in two out of our three most recent fiscal years; (ii) Section 1003(a)(ii) of the AMEX Company Guide, as a result of our shareholder’s equity of less than $4,000,000 and losses from continuing operations and/or net losses in three out of our four most recent fiscal years; and (iii) Section 1003(a)(iii) of the AMEX Company Guide, as a result of our stockholder’s equity of less than $6,000,000 and losses from continuing operations and/or net losses in our 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.

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On September 20, 2007, we received a notice from the staff (the "Staff") of AMEX, that the Company has resolved the continued listing deficiencies but pursuant to the AMEX Company Guide, the Company's Plan Period will remain open until we have been able to demonstrate compliance with the continued listing standards for two consecutive quarters.

On April 1, 2007, we entered into an amendment of our License and Research Agreement with Bio-Rap Technologies Ltd. ("Bio-Rap"). Among other changes, the amendment extends to all fields our rights to sell therapeutic and diagnostic product pursuant to the licenses granted in that agreement.

In addition, the amendment will result in an increase in annual research funding provided by us to Bio-Rap, and in our making certain defined payments to Bio-Rap over the course of the next 18 months. Other payments due to Bio-Rap based on our sales of diagnostic products or grant of sublicense rights, including royalties, milestone payments and payments attributable to sublicense revenue, are significantly reduced. The amendment gives us the right to further reduce royalty payments on diagnostic products on making a one time payment within eight years, and to further reduce payments resulting from sublicense revenue on a one time payment made within the next five years. (See Note 7 -- Bio-Rap Technologies).

On April 2, 2007, we entered into an Amended and Restated Exclusive License Agreement with Oxis International ("Oxis") that includes a worldwide exclusive license granted by Oxis to us and covering a family of orally bioavailable organoselenium compounds that have shown anti-oxidant and anti-inflammatory properties in clinical and preclinical studies, and which changes certain rights and obligations under our previous agreement with Oxis. Among other changes, the amended agreement broadens the field of our license to all uses of the licensed technology and eliminates the exclusive right of Oxis to act as a supplier of licensed product for us.

The amended agreement also requires that the Company make certain fixed payments to Oxis of up to $500,000 over the next six months, and enter into a share purchase agreement for the purchase of $500,000 of newly issued shares of Oxis common stock at a premium over the then current market price. In August 2007, we acquired 2,083,333 shares of Oxis pursuant to the share purchase agreement for $500,000, of which $100,000 premium was expensed at the date of the acquisition. These shares must be held for a period of not less than 18 months. The investment has been accounted for at cost and included in other assets. All other amounts have been paid as of September 30, 2007. The Company further commits to a minimum investment in a development program from licensed products.

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. 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 that we are currently developing will result in revenues to us or any meaningful return on investment to our stockholders.

Current and Future Financing Needs

The significant operating and capital expenditures for product licensing and development for our current product candidates and any future products, including pre-clinical trials, FDA-approved clinical trials and manufacturing and

commercialization activities, will require significant additional funding. Based on our current development plans for our present product candidates, we expect to have sufficient cash to support of these development activities over the next 15 months. This anticipated spending includes clinical trial costs, milestone payments, manufacturing costs as well as general corporate costs. Our continued operations will depend on our ability to raise additional funds through various potential sources, such as equity and debt financing. Such additional funds might not be available on acceptable terms, if at all, and there can be no assurance that any additional funding that we do obtain will be sufficient to meet our needs in the long term. We will consider raising additional funds through all viable means, including one or more private placements of common stock, preferred stock or debt or a combination thereof. We can provide no assurances that any additional capital that we are able to obtain will be sufficient to meet our needs, including any milestone payments.

New Accounting Pronouncements

In June 2007, the Emerging Issues Task Force (“EITF”) reached a consensus on EITF Issue No. 07-3, Accounting for Advance Payments for Goods or Services to be Received for Use in Future Research and Development Activities. EITF 07-3 provides clarification surrounding the accounting for nonrefundable research and development advance payments, whereby such payments should be recorded as an asset when the advance payment is made and recognized as an expense when the research and development activities are performed. EITF 07-3 is effective for interim and annual reporting periods beginning after December 15, 2007. We are currently evaluating the impact that adopting this EITF will have on our consolidated financial statements.

Forward-Looking Statements and Cautionary Statements

Statements in this Form 10-Q that are not statements or descriptions of historical facts are "forward-looking" statements under Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, and are subject to numerous risks and uncertainties. These forward-looking statements and other forward-looking statements made by us or our representatives are based on a number of assumptions. The words "believe," "expect," "anticipate," "intend," "estimate" or other expressions, which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, as they involve risks and uncertainties, and actual results could differ materially from those currently anticipated due to a number of factors, including those set forth in this section and elsewhere in this Form 10-Q. These factors include, but are not limited to, the risks set forth below.

The forward-looking statements represent our judgments and expectations as of the date of this Report. We assume no obligation to update any such forward-looking statements. See Part II, Item 1A - Risk Factors.

ITEM 3. Qualitative and Quantitative Disclosures about Market Risk.

Our exposure to market risk for changes in interest rates relates primarily to our investment in marketable securities. We do not use derivative financial instruments in our investments. All of our investments resided in money market accounts. Accordingly, we do not believe that there is any material market risk exposure with respect to derivative or other financial instruments that would require disclosure under this Item.

ITEM 4T. Controls and Procedures.

a) *Evaluation of Disclosure Controls and Procedures.* Our management has evaluated, with the participation of our Chief Executive Officer and our principal financial and accounting officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and the principal financial and accounting officer have concluded that as of the end of such fiscal quarter, our current disclosure controls and procedures were not effective, because of the material weakness in internal control over financial reporting described below. We have taken, and are continuing to take, steps to address this weakness as described below. With the exception of such weakness, however, the Chief Executive Officer and the principal financial and accounting officer believe that our current disclosure controls and procedures are adequate to ensure that information required to be disclosed in the reports we file under the Exchange Act is recorded, processed, summarized and reported on a timely basis.

b) *Material Weakness and Changes in Internal Controls*. During the review of our financial statements for the three and six-month periods ended June 30, 2007, our independent registered public accounting firm identified material weaknesses regarding our internal controls over the recording of an obligation related to the restructuring of an agreement related in part to the financing and an obligation to purchase an investment during the second quarter ended June 30, 2007. As defined by the Public Company Accounting Oversight Board Auditing Standard No. 5, a material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected. Since this material weakness was identified by our independent registered public accounting firm in connection with its review of our financial statements for the three and six-month periods ended June 30, 2007, the transactions subject to these issues have been correctly accounted for and disclosed by us and no restatement of any previously filed financial statements is required. However, on a going forward basis, management will continue to evaluate our disclosure controls and procedures concerning the recording of commitments in order to prevent the recurrence of the circumstance that resulted in the material weakness identified in connection with the review of the financial statements for the three and six-month periods ended June 30, 2007.

c) Except for the changes in controls described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. Risk Factors.

There have been no material changes to the risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, other than as set forth below:

Risks Related to Our Business

The holders of the Series B Preferred Stock are entitled to rights and preferences that are significantly greater than the rights and preferences of the holders of our common stock, including preferential payments upon a liquidation, as well as a dividend and registration rights associated with their shares.

Holders of the Company's Series B Preferred Stock are entitled to a number of rights and preferences which holders of shares of our outstanding common stock do not and will not have. Among these rights and preferences is a preference on liquidation of the Company, which means that holders of the Series B Preferred Stock will be entitled to receive the proceeds out of any sale or liquidation of the Company before any such proceeds are paid to holders of our common stock. In general, if the proceeds received upon any sale or liquidation do not exceed the total liquidation proceeds payable to the holders of the Series B Preferred Stock, holders of common stock would received no value for their shares upon such a sale or liquidation. In addition, shares of the Series B Preferred Stock accrue dividends at a rate of 8% per year for a period of five years from the date on which the shares of Series B Preferred Stock were issued.

Holders of the Series B Preferred Stock also have significant rights with respect to certain actions that the Company may wish to take from time to time. At any time when any shares of Series B Preferred Stock remain outstanding, the Company may not, without the consent of the holders of a majority of the shares held by holders of at least $4,000,000 (measured as of the original issue date) worth of Series B Preferred Stock:

- incur debt in excess of $2,000,000;
- authorize securities at a price per share less than the price per share that the Series B Preferred Stock has been sold under the Series B Purchase Agreement;
- increase the authorized capital of the Company;
- create any new classes or series of stock with rights senior to the common stock;
- issue any shares of the Company's Series A Preferred Stock, other than in accordance with the Company's shareholder rights plan;
- amend any provision of the Company's Certificate of Incorporation or Bylaws that changes the rights of the Series B Preferred Stock;
- pay or declare any dividend on any capital stock of the Company;
- purchase or redeem any securities;
-

issue any securities to employees other than pursuant to the Plan, or increase the number of shares of common stock reserved for issuance under the Plan;

- liquidate, dissolve or wind-up;
- merge with another entity;
- sell or dispose of any assets of the Company, including the sale or license of its intellectual property;

- change the number of directors;
- amend any portion of the Company's Certificate of Incorporation or Bylaws;
- materially change the nature of the Company's business;
- intentionally take any action that may result in the Company's stock no longer being approved for quotation on the AMEX or NASDAQ, or that would cause the common stock of the Company to no longer be registered pursuant to Section 12 of the Securities Exchange Act of 1934; or
- amend any material agreement that has been filed with the Securities and Exchange Commission.

As a result, the Company will not be able to take any of these actions without first seeking and obtaining the approval of the holders of the Series B Preferred Stock. We may not be able to obtain such approval in a timely manner or at all, even if we think that taking the action for which we seek approval is in the best interests of the Company.

In connection with the closing of the financing, Synvista entered into an Amendment No. 1 to the Registration Rights Agreement ("Amendment") with the Buyers. The Amendment amends the Registration Rights Agreement dated July 25, 2007, by extending the schedule under which the Company is required to file registration statements with the Securities and Exchange Commission for the resale of the shares of common stock issuable upon conversion of the shares of Series B Preferred Stock issued to the Buyers, as well as upon conversion of the shares of Series B Preferred Stock underlying the warrants issued to the Buyers. The Amendment also grants the Buyers additional piggy-back registration rights in the event of an underwritten public offering of the Company's securities and demand registration rights at the option of a majority of the Buyers. The Amendment also relieves the Company of its obligation to pay the Buyers liquidated damages in certain circumstances, as described in the Amendment.

The holders of the Series B Preferred Stock represent a significant voting interest in the Company.

The Series B Preferred Stock is convertible into common stock at any time at the option of the holder at an initial conversion rate of 1:1, subject to adjustment pursuant to the terms of the Series B Preferred Stock. Assuming the full conversion of all of the shares of Series B Preferred Stock into our common stock, and the exercise all of warrants to acquire shares of Series B Preferred Stock which are then converted into shares of our common stock, the holders of the Series B Preferred Stock would represent approximately 83% of our issued and outstanding capital stock as of September 30, 2007. Accordingly, in the event that all of the shares of Series B Preferred Stock were to be converted into our common stock, a change in control of the Company would occur. Prior to such conversion, each holder of Series B Preferred Stock is entitled to cast the number of votes equal to one-half of the number of whole shares of common stock into which the shares of Series B Preferred Stock held by such holder are convertible. Therefore, on the date of issuance of the Series B Preferred Stock, the holders of Series B Preferred Stock held approximately 41% of the voting power of the Company.

Failure to remediate the material weakness in our internal controls and to achieve and maintain effective internal control in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.

During the review of our financial statements for the three and six-month periods ended June 30, 2007, our independent registered public accounting firm identified a material weakness regarding our internal controls over the recording of an obligation related to the restructuring of an agreement related in part to the financing and an obligation to purchase an investment during the second quarter ended June 30, 2007. As defined by the Public Company Accounting Oversight Board Auditing Standard No. 5, a material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material

misstatement of the annual or interim financial statements will not be prevented or detected. Since this material weakness was identified by our independent registered public accounting firm in connection with its review of the financial statements in this Form 10-Q, the transactions subject to these issues are correctly accounted for and disclosed by us in the financial statements included in this Form 10-Q and no restatement of any previously filed financial statements is required. However, on a going forward basis, management will continue to evaluate our disclosure controls and procedures concerning the recording of commitments in order to prevent the recurrence of the circumstance that resulted in the material weakness identified in connection with the review of the financial statements in this Form 10-Q. However, we cannot currently assure you that the remedial measures that are currently being implemented will be sufficient to result in a conclusion that our internal controls no longer contain any material weaknesses, and that our internal controls are effective. In addition, we cannot assure you that, even if we are able to achieve effective internal control over financial reporting, our internal controls will remain effective for any period of time. The failure to maintain effective internal control over financial reporting could have a material adverse effect on our business and stock price.

The sale of a substantial number of shares of our common stock could cause the market price of our common stock to decline and may impair our ability to raise capital through additional offerings.

We currently have outstanding warrants and options to purchase an aggregate of 3,831,348 shares of our common stock, including warrants to purchase 3,551,640 shares of our common stock.

Sales of these shares in the public market, or the perception that future sales of such shares could occur, could have the effect of lowering the market price of our common stock below current levels and make it more difficult for us and our stockholders to sell our equity securities in the future.

Our executive officers, directors and holders of more than 5% of our common stock collectively beneficially own approximately 29% of the outstanding common stock, which includes fully vested options to purchase common stock. In addition, approximately 171,228 shares of common stock issuable upon exercise of vested stock options could become available for immediate resale if such options were exercised.

The actual sale or the availability for sale, of shares of common stock by stockholders could cause the market price of our common stock to decline and could impair our ability to raise capital through an offering of additional securities.

ITEM 4. Submission of Matters to a Vote of Security-Holders

The Annual Meeting of Stockholders of the Company (the “Meeting”) was held on July 20, 2007. The following matters were voted upon at the Meeting: (i) an amendment to the Company’s 2005 Stock Plan to reserve up to an additional 53,000,000 shares (prior to the implementation of the reverse stock split) of common stock for issuance under the Plan; (ii) the issuance of shares of the Company’s Series B Preferred Stock, warrants to purchase Series B Preferred Stock, shares of Series B Preferred Stock issuable upon exercise of such warrants and our common stock issuable upon conversion of Series B Preferred Stock, each pursuant to the Series B Preferred Stock and Warrant Purchase Agreement, dated as of April 5, 2007, as amended on June 1, 2007; (iii) an amendment to our Amended and Restated Certificate of Incorporation, in order to increase the authorized number of shares of preferred stock; (iv) an amendment to our Amended and Restated Certificate of Incorporation, in order to designate the rights and preferences of the Series B Preferred Stock; (v) an amendment to our Amended and Restated Certificate of Incorporation, in order to change the name of the Company from Alteon Inc. to Synvista Therapeutics, Inc.; (vi) an amendment to our Amended and Restated Certificate of Incorporation, in order to change the provisions regarding the indemnification of Directors; (vii) an amendment to our Amended and Restated Certificate of Incorporation, in order to remove references to retired classes of preferred stock; (viii) an amendment to our Amended and Restated Certificate of Incorporation, in order to effect a reverse stock split of our common stock at a ratio within the range of 1:50 to 1:100, with the specific ratio to be determined by the Board of Directors of the Company; (ix) adjournment of the Annual Meeting if necessary; and (x) to ratify the appointment of J.H. Cohn LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2007.

The numbers of votes reflected below are prior to the implementation of the reverse stock split.

(i) The number of votes cast for, against and abstaining from the proposal to approve an amendment to our 2005 Stock Plan to reserve up to an additional 53,000,000 shares (prior to the implementation of the reverse stock split) of common stock for issuance under the 2005 Stock Plan, were as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
69,401,200	3,877,417	896,877	46,405,465

(ii) The number of votes cast for, against and abstaining from the proposal the issuance of shares of our Series B Preferred Stock, warrants to purchase Series B Preferred Stock, shares of Series B Preferred Stock issuable upon exercise of such warrants and our common stock issuable upon conversion of Series B Preferred Stock, each pursuant to the Series B Preferred Stock and Warrant Purchase Agreement, dated as of April 5, 2007, as amended on June 1, 2007, were as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
70,229,000	2,980,118	966,376	46,405,465

(iii) The number of votes cast for, against and abstaining from the proposal to amend the Company's Amended and Restated Certificate of Incorporation, in order to increase the authorized number of shares of preferred stock of the Company, were as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
70,207,506	2,809,244	1,158,744	46,405,465

(iv) The number of votes cast for, against and abstaining from the proposal to amend the Company's Amended and Restated Certificate of Incorporation, in order to designate the rights and preferences of the Series B Preferred Stock, were as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
70,288,179	2,956,779	930,536	46,405,465

(v) The number of votes cast for, against and abstaing from the proposal to amend the Company's Amended and Restated Certificate of Incorporation, in order to change the name of the Company from Alteon Inc. to Synvista Therapeutics, Inc., were as follows:

Votes For	Votes Against	Abstentions
115,892,664	1,977,351	2,710,941

(vi) The number of votes cast for, against and abstaining from the proposal to amend the Company's Amended and Restated Certificate of Incorporation, in order to change the provisions regarding the indemnification of Directors, were as follows:

Votes For	Votes Against	Abstentions
110,831,076	7,344,758	2,405,122

(vii) The number of votes cast for, against and abstaining from the proposal to amend the Company's Amended and Restated Certificate of Incorporation, in order to remove references to retired classes of preferred stock, were as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
71,732,694	1,513,025	929,775	46,405,465

(viii) The number of votes cast for, against and abstaining from the proposal to amend the Company's Amended and Restated Certificate of Incorporation, in order to effect a reverse stock split of our common stock at a ratio within the range of 1:50 to 1:100, with the specific ratio to be determined by the Board of Directors of the Company, were as follows:

Votes For	Votes Against	Abstentions
114,161,904	4,127,929	2,291,124

(ix) The number of votes cast for, against and abstaining from the proposal for the approval of an adjournment of the Annual Meeting if necessary, were as follows:

Votes For	Votes Against	Abstentions
110,529,735	7,591,809	2,459,409

(x) The number of votes cast for, against and abstaining from the ratification the appointment of J.H. Cohn LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007, were as follows:

Votes For	Votes Against	Abstentions
117,049,443	979,702	2,551,812

ITEM 6. Exhibits.

Exhibits

See the "Exhibit Index" on page 28 for exhibits required to be filed with this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 14, 2007

SYNVISTA THERAPEUTICS, INC.

By: /s/ Noah Berkowitz, M.D., Ph.D.
Noah Berkowitz, M.D., Ph.D.
President and Chief Executive Officer
(principal executive officer)

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

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
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.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.