

ALTEON INC /DE  
Form DEF 14A  
June 22, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant:   
Filed by a Party other than the  
Registrant:

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule  
14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Under Rule 14a-12

**ALTEON INC.**

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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| (1) | Title of each class of securities to which transaction applies:   |
| (2) | Aggregate number of securities to which transaction applies:  |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction:  |
| (5) | Total fee paid:   |
- Fee paid previously with preliminary materials.  
 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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- (1) Amount Previously Paid:
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- (4) Date Filed:

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**ALTEON INC.**  
**221 West Grand Avenue, Suite 200**  
**Montvale, NJ 07645**  
**(201) 934-5000**

**FINANCING PROPOSED — YOUR VOTE IS VERY IMPORTANT**

The enclosed proxy statement relates to the 2007 annual meeting of the stockholders of Alteon Inc. At the meeting, we will ask you to approve matters relating to a significant financing transaction which may result in a change of control of the Company and which we cannot complete without obtaining stockholder approval. That financing transaction and related matters are described in detail in the enclosed proxy statement. In this proxy statement, we refer to Alteon Inc. as the “Company,” “Alteon,” “we” or “us.”

We are asking stockholders of Alteon:

- to approve an amendment to the Alteon 2005 Stock Plan to reserve up to an additional 53,000,000 shares (prior to the implementation of the reverse stock split, as discussed elsewhere in this proxy statement) of common stock for issuance under the Plan;
- to approve the issuance of shares of Alteon Series B Preferred Stock, warrants to purchase Series B Preferred Stock, shares of Series B Preferred Stock issuable upon exercise of such warrants and Alteon 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;
- to approve Alteon’s Amended and Restated Certificate of Incorporation, which will be amended to (a) increase the number of shares of preferred stock authorized for issuance; (b) authorize and designate the Series B Preferred Stock to be issued and common stock issuable in connection with the financing, (c) change the name of the Company to Synvista Therapeutics, Inc., (d) amend the provisions relating to the indemnification of directors and (e) eliminate references to any retired or cancelled series of preferred stock;
- to approve a reverse stock split of Alteon 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 Alteon; and
- 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.

We cannot complete the financing transaction unless you approve the amendment to the Alteon 2005 Stock Plan, the issuance of shares and warrants as part of the purchase agreement, the reverse stock split, and certain provisions included in Alteon’s Amended and Restated Certificate of Incorporation, as more fully described in the enclosed proxy statement.

The date, time and place of the Alteon annual meeting is:

July 20, 2007  
10:00 a.m., Eastern Time  
the Marriott Park Ridge  
300 Brae Boulevard  
Park Ridge, NJ 07656

/s/ Noah Berkowitz  
Noah Berkowitz, M.D., Ph.D.  
*President and Chief Executive Officer*  
*Alteon Inc.*

June 22, 2007

This proxy statement is dated June 22, 2007 and is first being mailed to stockholders on or around June 28, 2007.

*Alteon will provide you with copies of important information about Alteon from documents filed with the SEC that are not included in or delivered with this proxy statement, free of charge, upon request to: Alteon Inc., 221 West Grand Avenue, Suite 200, Montvale, NJ 07645, Attention: Investor Relations, Telephone: (201) 934-5000*

*In order to receive timely delivery of the documents before the Alteon annual meeting, you should make your request no later than July 5, 2007. Please also see “Where You Can Find More Information” on page 43.*

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**ALTEON INC.**  
**221 West Grand Avenue, Suite 200**  
**Montvale, NJ 07645**  
**(201) 934-5000**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF ALTEON INC.**

**To Be Held on July 20, 2007**

To the Stockholders of Alteon Inc.:

You are cordially invited to attend the annual meeting of stockholders of Alteon Inc., which will be held on July 20, 2007, at 10:00 a.m., Eastern Time, at the Marriott Park Ridge, 300 Brae Boulevard, Park Ridge, NJ 07656 for the following purposes:

1. To approve an amendment to the Alteon 2005 Stock Plan to reserve up to an additional 53,000,000 shares (prior to the implementation of the reverse stock split, as discussed elsewhere in this proxy statement) of common stock for issuance under the Plan;
2. To approve, in accordance with Rule 713 of the American Stock Exchange Company Guide, the issuance of shares of Alteon Series B Preferred Stock, warrants to purchase Series B Preferred Stock, shares of Series B Preferred Stock issuable upon exercise of such warrants and Alteon common stock issuable upon conversion of Series B Preferred Stock, pursuant to the Series B Preferred Stock and Warrant Purchase Agreement, dated as of April 5, 2007, as amended, as described in the attached proxy statement, which would result in the issuance of greater than 20% of Alteon's presently issued and outstanding capital stock;
3. To approve an amendment contained in the proposed Amended and Restated Certificate of Incorporation of Alteon to increase the number of shares of preferred stock authorized for issuance;
4. To approve an amendment contained in the proposed Amended and Restated Certificate of Incorporation of Alteon to designate the Series B Preferred Stock to be issued in the financing;
5. To approve an amendment contained in the proposed Amended and Restated Certificate of Incorporation of Alteon to change the name of the Company to Synvista Therapeutics, Inc.;
6. To approve an amendment contained in the proposed Amended and Restated Certificate of Incorporation of Alteon to amend the provisions relating to the indemnification of directors;
7. To approve an amendment contained in the proposed Amended and Restated Certificate of Incorporation of Alteon to eliminate references to any retired or cancelled series of preferred stock;
8. To approve a reverse stock split of the issued and outstanding shares of Alteon common stock (such split to combine a number of outstanding shares between fifty (50) and one hundred (100) (such final number to be determined by the Company's Board of Directors) outstanding shares of Alteon common stock, into one (1) share of Alteon common stock);
9. To consider and vote upon an adjournment of the annual meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposals 1 through 8;

10. 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; and

11. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on May 24, 2007 are entitled to vote at the meeting or any adjournment or postponement thereof. Only stockholders or their proxy holders and Alteon guests may attend the meeting. A complete list of those stockholders entitled to vote will be kept at the principal executive offices of Alteon, 221 West Grand Avenue, Suite 200, Montvale, NJ 07645 for a period of ten days prior to the meeting.

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**Your vote is important. The affirmative vote of the holders of a majority of the votes cast in person or by proxy at the Alteon annual meeting is required for approval of Proposals 1, 2, 9 and 10. The affirmative vote of the holders of a majority of the shares of Alteon common stock outstanding on the record date for the annual meeting is required for approval of Proposals 3, 4, 5, 6, 7 and 8. Proposal 2 can not be passed without the passage of proposals 1, 3, 4 and 8; proposal 4 can not be passed without the passage of proposals 2 and 3 and proposal 8 can not be passed without the passage of proposals 2, 3 and 4.**

**You are urged to attend the annual meeting in person, but if you are unable to do so, the Board of Directors would appreciate the prompt return of the enclosed proxy card, dated and signed, or, if your proxy card or voting instruction form so indicates, your prompt vote electronically via the Internet or telephone. *We strongly encourage you to vote electronically if you have that option.***

Noah Berkowitz, M.D., Ph.D.

Secretary

June 22, 2007

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**Alteon Inc.**  
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**Montvale, NJ 07645**  
**(201) 934-5000**

**PROXY STATEMENT FOR THE ALTEON INC.**  
**2007 ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON JULY 20, 2007**

**QUESTIONS AND ANSWERS ABOUT THE FINANCING AND THE ANNUAL MEETING**

**Q:** *Why did you send me this proxy statement?*

A: We sent you this proxy statement and the enclosed proxy card because Alteon's Board of Directors is soliciting your proxy to vote at the 2007 annual meeting of stockholders, and any adjournments of the meeting, to be held on July 20, 2007, at 10:00 a.m., Eastern Time, at the Marriott Park Ridge, 300 Brae Boulevard, Park Ridge, NJ 07656. This proxy statement along with the accompanying Notice of Annual Meeting of Stockholders summarizes the purposes of the meeting and the information you need to know to vote at the annual meeting.

On June 28, 2007 we began sending this proxy statement, the attached notice of annual meeting and the enclosed proxy card to all stockholders entitled to vote at the meeting. We are also enclosing with this proxy statement our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007. The following sections of the Form 10-K are also incorporated by reference into this proxy statement: the financial statements, including the notes thereto, and the unaudited quarterly financial data for the two-year period ended December 31, 2006 (Part II, Items 8(a) and 8(b)); Management's Discussion and Analysis of Financial Condition and Results of Operations (Part II, Item 7); and Qualitative and Quantitative Disclosures About Market Risk (Part II, Item 7A). The following sections of the Form 10-Q are also incorporated by reference into this proxy statement: the unaudited condensed consolidated financial statements, including the notes thereto (Part I, Item 1); Management's Discussion and Analysis of Financial Condition and Results of Operations (Part I, Item 2); and Qualitative and Quantitative Disclosure About Market Risk (Part I, Item 3). You can also find a copy of our 2006 Annual Report on Form 10-K and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 on the Internet through the SEC's electronic data system called EDGAR at [www.sec.gov](http://www.sec.gov) or through the Investor Relations section of our website at [www.alteon.com](http://www.alteon.com).

**Q:** *When and where is the stockholder meeting?*

A: The Alteon annual meeting will take place on July 20, 2007 at 10:00 a.m., Eastern Time at the Marriott Park Ridge, 300 Brae Boulevard, Park Ridge, NJ 07656.

**Q:** *Why are we seeking approval for the issuance of Series B Preferred Stock?*

A: As a result of being listed for trading on the American Stock Exchange ("AMEX"), issuances of our common stock are subject to the AMEX Company Guide, including Rule 713 of the Company Guide. Under Rule 713, stockholder approval must be obtained in connection with the sale, issuance, or potential issuance by a listed company of shares of common stock, or of securities convertible into common stock, in an amount equal to 20% or more of the presently outstanding stock, for less than the greater of book or market value of the stock. As of May 24, 2007, we had 129,318,588 shares of common stock outstanding.

On April 5, 2007, we entered into a Series B Preferred Stock and Warrant Purchase Agreement, as amended, which we refer to as the purchase agreement, under which we will, subject to certain conditions, issue up to 500,000,000

(prior to the implementation of a reverse stock split as discussed elsewhere in this proxy statement) shares of our Series B Preferred Stock, \$0.01 par value per share (the “Series B Preferred Stock”), and warrants to purchase up to 125,000,000 (prior to the implementation of a reverse stock split, as discussed elsewhere in this proxy statement) shares of Series B Preferred Stock (the “Financing”) to the purchasers who are participating in the Financing. The issuance of the Series B Preferred Stock and warrants to the purchasers requires stockholder approval under Rule 713. In addition, a total of up to 625,000,000 shares of our common stock (prior to the implementation of the reverse stock split discussed elsewhere in the proxy statement) may be issued, assuming full conversion of all of the Series B Preferred Stock and the exercise of the warrants to purchase shares of Series B Preferred Stock issued in connection with the Financing, and additional shares of Series B Preferred Stock may be issued upon the operation of certain anti-dilution adjustments provided in the terms of the Series B Preferred Stock and the warrants. Pursuant to the terms of the Financing, shares of the Series B Preferred Stock will be sold at a price equal to \$0.05 per share (calculated prior to the implementation of the reverse stock split as discussed elsewhere in this proxy statement).

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The purchasers of the Series B Preferred Stock will include the following funds affiliated with Baker Brothers Investments (“BBI”), which is a group of affiliated funds dedicated to investing in public and private healthcare companies: Baker/Tisch Investments, L.P., Baker Biotech Fund I, L.P., Baker Brothers Life Sciences, L.P., 14159, L.P. and Baker Bros. Investments II, L.P. The natural persons who will control the voting and disposition of the shares held by the entities affiliated with BBI are Felix J. Baker, Ph.D. and Julian Baker.

The purchasers of the Series B Preferred Stock will also include Atticus Global Advisors, Ltd. (“AGA”) and Green Way Managed Account Series, Ltd., in respect to its segregated account, Green Way Portfolio D (“Green Way”). AGA and Green Way are an investment partnership and a managed account for which Atticus Capital LP (“Atticus Capital”) is the sole investment manager and has sole investment authority. Atticus Management LLC (“Atticus Management”) is the sole general partner of Atticus Capital and Mr. Timothy R. Barakett is the Chairman, Chief Executive Officer and sole Managing Member of Atticus Management. Accordingly, Mr. Barakett may be deemed to have control over the voting and disposition of the shares purchased by AGA and Green Way.

***Q: What are the terms of the Series B Preferred Stock and Warrant Purchase Agreement?***

**A:** The Company anticipates that it will raise up to \$25,000,000 in the Financing, including the conversion of \$6,000,000 of the Company’s Senior Convertible Secured Promissory Notes, as further discussed below, plus accrued interest thereon. Under the terms of the Financing, the Series B Preferred Stock will be sold at \$0.05 per share (calculated prior to the implementation of the reverse stock split as discussed elsewhere in this proxy statement). Prior to the implementation of the reverse stock split, Alteon may be required to issue up to 500,000,000 shares of Series B Preferred Stock, and warrants to purchase up to 125,000,000 shares of its Series B Preferred Stock, exercisable at \$0.05 per share for a five-year period from the date of issuance. Each holder of Series B Preferred Stock will be entitled to cast, at any stockholder meeting, 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. The Series B Preferred Stock will be convertible into common stock at any time at the option of the holder at an initial conversion rate of 1:1, subject to adjustment. On April 4, 2007, the day prior to the execution of the Financing agreement, the closing price of a share of our common stock was \$0.10, as reported by AMEX, and on May 24, 2007 the closing price of a share of our common stock was \$0.05, as reported by AMEX.

Upon the closing of the Financing, the Senior Convertible Secured Promissory Notes, in an aggregate principal amount of \$6,000,000, issued by Alteon pursuant to a Note and Warrant Purchase Agreement, dated January 11, 2007, as amended, by and among Alteon and the lenders named therein, plus all accrued but unpaid interest thereon (approximately \$92,055 through May 31, 2007), will be 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 notes divided by the price per share at which the Series B Preferred Stock is sold, and thereafter the notes will be cancelled.

The holders of the Senior Convertible Secured Promissory Notes include the following funds affiliated with BBI: Baker/Tisch Investments, L.P., Baker Biotech Fund I, L.P., Baker Brothers Life Sciences, L.P., 14159, L.P. and Baker Bros. Investments II, L.P. The natural persons who control the disposition of the senior convertible secured promissory notes held by the entities affiliated with Baker Brothers Investments are Felix J. Baker, Ph.D. and Julian Baker.

In connection with the Financing, we have entered into a Registration Rights Agreement with the investors. Under the terms of the Registration Rights Agreement, we have agreed to file a registration statement with the Securities and Exchange Commission for the resale of the shares of common stock issuable upon conversion of Series B Preferred Stock issued in the Financing, as well as upon conversion of Series B Preferred Stock underlying the warrants sold in the Financing. Failure to file the registration statement in a timely manner will result in payment by us to each investor of liquidated damages, subject to limitations set forth in the Registration Rights Agreement. These liquidated damages will also be 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.

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Holders of the Series B Preferred Stock will be entitled to additional rights and preferences described elsewhere in this proxy statement. As a result of the pricing terms of the securities to be issued in the Financing, the Financing will result in substantial and immediate dilution of the interests of our existing stockholders.

Due to the rights that are afforded to the holders of the Series B Preferred Stock, including the price per share at which the shares of Series B Preferred Stock will be sold, the anti-dilution protection as discussed elsewhere in this proxy statement, the 1:1 conversion ratio into common stock and the registration rights associated with the common stock underlying the shares of Series B Preferred Stock, there is a possibility that the per share price of our common stock may decrease as a result of the issuance of the Series B Preferred Stock.

**Q: *What effect will the Financing have on the capital structure and control of Alteon?***

A: If completed, we may be required to issue up to 500,000,000 shares of Series B Preferred Stock and warrants to purchase up to 125,000,000 shares of Series B Preferred Stock (both prior to the implementation of the reverse stock split as discussed elsewhere in this proxy statement) in the Financing, which, assuming the full conversion of such shares of Series B Preferred Stock into our common stock, would represent approximately 79% of our issued and outstanding capital stock as of May 24, 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 Alteon would occur. As noted above, each holder of Series B Preferred Stock will be 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 will have approximately 41% of the voting power of Alteon. The Series B Preferred Stock will be convertible into common stock at any time at the option of the holder at an initial conversion rate of 1:1, subject to adjustment. Thus, if the holders of the Series B Preferred Stock convert all of their shares of Series B Preferred Stock into shares of common stock, and exercise all of their warrants to acquire shares of Series B Preferred Stock which are then converted into shares of common stock, they will have approximately 83% of the voting power of Alteon. In addition, purchasers of the Series B Preferred Stock will be 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 Alteon, which means that holders of the Series B Preferred Stock will be entitled to receive the proceeds out of any sale or liquidation of Alteon 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 receive no value for their shares upon such a sale or liquidation.

Alteon will have the right to automatically convert the Series B Preferred Stock into common stock in certain circumstances. An equivalent of \$7,500,000 (measured as of the original issue date) of Series B Preferred Stock will automatically be converted into common stock when (i) the thirty-day prior trailing average closing price of Alteon common stock, as reported by the American Stock Exchange, for the entire six months preceding such time is equal to at least the price at which shares of Series B Preferred Stock were sold in the Financing and (ii) the registration statement for resale of securities issued in the Financing has been declared effective by the SEC and is continuously effective for a one and one-half year period. Thereafter, the remainder of the outstanding Series B Preferred Stock will automatically be converted into common stock when (i) the thirty-day prior trailing average closing price of Alteon common stock, as reported by the American Stock Exchange for the entire six months preceding such time, is equal to at least two times the price at which shares of Series B Preferred Stock were sold in the Financing and (ii) the registration statement for the resale of securities issued in the Financing has been declared effective by the SEC and is continuously effective for a one and one-half year period.

**Q: *When do you expect the Financing to be completed?***

A:

We are working towards completing the Financing as quickly as possible. We hope to complete the Financing by July 31, 2007. However, the exact timing of completion of the Financing cannot be determined yet because completion of the Financing is subject to a number of conditions.

***Q: How many authorized but unissued shares of Alteon common stock and preferred stock will exist after the closing of the Financing, and taking into account the reverse stock split?***

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A: The following table reflects the capital structure of the Company before and after the annual meeting, assuming, for purposes of illustration only, the implementation of a reverse stock split in a ratio of 1:75, and taking into account the approval of all of the proposals being presented to the stockholders by this proxy statement:

	<b>Prior to the 2007 Annual Meeting</b>	<b>After the 2007 Annual Meeting</b>
Common Stock Authorized	300,000,000	300,000,000
Common Stock Issued and Outstanding	129,318,858	1,724,251
Common Stock Reserved for Issuance	66,758,107	11,492,752
Common Stock Unreserved and Unissued	103,923,035	281,782,997
Preferred Stock Authorized	1,999,329	15,000,000
Series A Preferred Stock Authorized (Shareholder Rights Plan)	400,000	400,000
Series A Preferred Stock Issued (Shareholder Rights Plan)	0	0
Series B Preferred Stock Authorized	0	8,333,333
Series B Preferred Stock Issued	0	6,666,667
Series B Preferred Stock Reserved for Issuance	0	1,666,667
Preferred Stock Unreserved and Unissued	1,599,329	6,266,667

***Q: Does the Board of Directors of Alteon recommend voting in favor of the issuance of securities in the Financing?***

A: Yes, after careful consideration, including the solicitation and review of alternative sources of funding, licensing and other strategic opportunities, Alteon's Board of Directors has unanimously determined the Financing to be in the best interests of the Alteon stockholders and has declared the Financing advisable.

As of May 24, 2007, all executive officers and directors of Alteon, together with their affiliates, own as a group approximately 15% of the shares of Alteon common stock entitled to vote at the Alteon annual meeting. A vote of a majority of the total votes represented by the shares of Alteon common stock present in person or by proxy at the annual meeting is required to approve the Financing. However, we are required to effect a reverse stock split, described below, in connection with the Financing, which will require the affirmative vote of a majority of our outstanding shares.

***Q: Why are we seeking approval for the reverse stock split?***

A: On October 9, 2006, we received a letter from AMEX indicating that we were not in compliance with the following listing standards in the AMEX Company Guide: (i) Section 1003(a)(i), as a result of our shareholder'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), 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), as a result of our shareholder's equity of less than \$6,000,000 and losses from continuing operations and/or net losses in our five most recent fiscal years. We were required to submit a proposal setting forth our Plan of Compliance pursuant to which we outlined our plan to regain compliance with the relevant provisions of the AMEX Company Guide. We submitted this plan on November 6, 2006. 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 Staff requested that Alteon effect a reverse stock split of its common stock in order to increase the selling price of Alteon common stock. Further, we have agreed with the purchasers of the Series B Preferred Stock to effect a reverse



stock split as part of the Financing. On May 24, 2007, the closing price of our common stock as reported on AMEX was \$0.05 per share.

The Board of Directors has unanimously approved the reverse stock split partly as a means of increasing the share price of Alteon common stock. Our Board of Directors believes that maintaining our listing on AMEX may provide a broader market for Alteon common stock and facilitate the use of Alteon common stock in financing and other transactions. In addition, continuing listing on AMEX is a condition to the closing of the Financing, and we expect the reverse stock split to facilitate the continuation of such listing. We cannot assure you, however, that the reverse stock split will result in an increase in the per share price of our common stock, or if it does, how long the increase would be sustained, if at all. Although the stock split is designed to raise the stock price, there is no guarantee that the share price will rise proportionately to the reverse stock split, so the end result could be a loss of value. In addition, while we expect the reverse stock split to assist with our plan to regain compliance with AMEX listing standards, the reverse stock split itself will not address the fact that our shareholder's equity is less than \$2,000,000. We do, however, expect that our receipt of the net proceeds of the Financing will address the deficiency in our shareholder's equity and allow us to regain compliance with the aspects of the AMEX listing standards relating to shareholder's equity.

**Q: *Does the Board of Directors of Alteon recommend voting in favor of the reverse stock split?***

A: Yes, after careful consideration, Alteon's Board of Directors has unanimously determined the reverse stock split to be in the best interests of the Alteon shareholders and has declared the reverse stock split advisable. Alteon's Board of Directors approved the reverse stock split and recommends that Alteon stockholders approve it as well.

**Q: *How does the Board of Directors recommend that I vote on the other proposals?***

A: The Board of Directors recommends that you vote as follows:

- **"FOR"** the approval of the amendment to the Alteon 2005 Stock Plan;
- **"FOR"** the approval of all of the proposals related to Alteon's Amended and Restated Certificate of Incorporation;
- **"FOR"** the adjournment of the annual meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the amendment to the Alteon 2005 Stock Plan, the issuance of our securities as part of the Financing, the amendment and restatement of the Company's Restated Certificate of Incorporation or the reverse stock split; and
- **"FOR"** the ratification of the selection of independent auditors for our fiscal year ending December 31, 2007.

If any other matter is presented, the proxy card provides that your shares will be voted by the proxy holder listed on the proxy card in accordance with his or her best judgment. At the time this proxy statement was printed, we knew of no matters that needed to be acted on at the annual meeting, other than those discussed in this proxy statement.

**Q: *Will any changes be made to the Alteon Board of Directors as a result of the Financing?***

A. Yes. Following the closing of the Financing, our Board of Directors will be fixed at seven (7) persons, consisting of (a) three (3) incumbent directors, (b) one (1) vacancy that may be filled at any time after the closing of the Financing with a new director designated by the investors affiliated with BBI who held convertible promissory notes that were converted into Series B Preferred Stock at the closing of the Financing, which new director shall be reasonably acceptable to the Company, and (c) three (3) additional vacancies. As long as the investors affiliated with BBI who held convertible promissory notes that were converted into Series B Preferred Stock at the closing of the Financing hold at least 50% of the shares of Series B Preferred Stock issued to them in the Financing, such investors will have the right, at their option, to designate two (2) people to fill two (2) of the three (3) additional vacancies. If two (2) vacancies are not available at the time such purchasers choose to designate two (2) members of the Board of Directors, the Board shall use its commercially reasonable efforts to cause two (2) of its

then-current members to resign their positions in order to create vacant seats for the purchaser designees. These seats will then be filled by appointment of such persons by the other members of the Board who are then in office, and not by election by our stockholders. No persons have yet been identified to serve in these vacant positions.

**Q: *Who can vote?***

A: Only stockholders who own Alteon common stock at the close of business on May 24, 2007 are entitled to vote at the Alteon annual meeting. On this record date, there were 129,318,858 shares of Alteon common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on any matter presented at the meeting. Alteon common stock is currently our only class of voting stock.

**Q: *How many votes do I have?***

A: Each share of Alteon common stock that you own entitles you to one vote.

**Q: *How do I vote?***

A: You may vote by mail by completing, signing and dating your proxy card and returning it in the enclosed, postage-paid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted:

· as you instruct, and

· according to the best judgment of the proxy holder if a proposal comes up for a vote at the annual meeting that is not on the proxy card.

If you return a signed card, but do not provide voting instructions, your shares will be voted:

· FOR the approval of the amendment to the Alteon 2005 Stock Plan, FOR the issuance of securities in the Financing pursuant to the Purchase Agreement, FOR the approval of all of the proposals of Alteon's Amended and Restated Certificate of Incorporation, FOR the approval of the reverse stock split, FOR any proposal by the Alteon Board of Directors to adjourn the meeting; and FOR the ratification of J.H. Cohn LLP as Alteon's independent registered public accounting firm for the fiscal year ending December 31, 2007;

· according to the best judgment of the proxy holder if a proposal comes up for a vote at the annual meeting that is not on the proxy card or for the adjournment or postponement of the annual meeting.

If you are a stockholder of record of Alteon, you may also vote by telephone at the toll-free number 1-800-PROXIES or on the Internet at [www.voteproxy.com](http://www.voteproxy.com). If you are a beneficial owner of Alteon common stock, you may be able to vote electronically as well, if your proxy card or voting instruction form so indicates. See the instructions on your proxy card or voting instruction form. You are strongly encouraged to vote electronically if you are given that option.

**Q: *What do I do if I want to change my vote?***

A: Just send in a later-dated, signed proxy card to Alteon's Secretary before the meeting. Or, you can attend the meeting in person and vote. You may also revoke your proxy by sending a notice of revocation to Alteon's Secretary at Alteon's principal executive offices, 221 West Grand Avenue, Suite 200, Montvale, New Jersey 07645. If you voted via the Internet or telephone, you can submit a later vote using those same methods.

**Q: *What if I receive more than one proxy card?***

A: You may receive more than one proxy card or voting instruction form if you hold shares of our common stock in more than one account, which may be in registered form or held in street name. Please vote in the manner described under "How Do I Vote?" for each account to ensure that all of your shares are voted.

***Q: If my shares are held in “street name” by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?***

A: If you do not provide your broker, bank or nominee with instructions on how to vote your “street name” shares, your broker, bank or nominee will not be permitted to vote them on the matters that are to be considered by the Alteon stockholders at the annual meeting, except for the ratification of our independent registered public accounting firm. You should therefore be sure to provide your broker with instructions on how to vote your shares.

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If you wish to vote your shares in person, you must bring to the meeting a letter from the broker, bank or nominee confirming your beneficial ownership in the shares to be voted.

**Q:** *What happens if I do not return a proxy card or otherwise provide proxy instructions?*

A: The failure to return your proxy card or otherwise provide proxy instructions could be a factor in establishing a quorum for the annual meeting of Alteon stockholders, which is required to transact business at the meeting.

**Q:** *What constitutes a quorum at the meeting?*

A: The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Alteon common stock is necessary to constitute a quorum at the meeting. Votes of stockholders of record who are present at the meeting in person or by proxy, abstentions, and broker non-votes are counted for purposes of determining whether a quorum exists.

**Q:** *What vote is required to approve each proposal and how are votes counted?*

A: **Proposal 1: Approve  
Amendment to the Alteon 2005  
Stock Plan to Increase the  
Shares Available for Issuance  
under the Plan**

The affirmative vote of a majority of the votes present or represented by proxy and entitled to vote at the annual meeting is required to approve the amendment to the Alteon 2005 Stock Plan. Abstentions will be treated as votes against this proposal. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote.

- Proposal 2: Approve Issuance of Securities in the Financing** The affirmative vote of a majority of the votes present or represented by proxy and entitled to vote at the annual meeting is required to approve the issuance of securities in the Financing pursuant to the Purchase Agreement. Abstentions will be treated as votes against this proposal. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote.
- Proposal 3: Approve an Increase in the Number of Shares of Alteon Preferred Stock Authorized for Issuance** The affirmative vote of the majority of the Company's outstanding common stock is required to approve an increase in the number of shares of Alteon preferred stock authorized for issuance as set forth in Alteon's Amended and Restated Certificate of Incorporation. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Abstentions and broker non-votes will be treated as votes against this proposal.
- Proposal 4: Approve the Designation of the Series B Preferred Stock** The affirmative vote of the majority of the Company's outstanding common stock is required to approve the designation of the Series B Preferred Stock as set forth in Alteon's Amended and Restated Certificate of Incorporation. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Abstentions and broker non-votes will be treated as votes against this proposal.
- Proposal 5: Approve a Change of the Company's Name** The affirmative vote of the majority of the Company's outstanding common stock is required to approve a change to the name of the Company as set forth in Alteon's Amended and Restated Certificate of Incorporation. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Abstentions and broker non-votes will be treated as votes against this proposal.
- Proposal 6: Approve a Change to the Provisions of Alteon's Restated Certificate of Incorporation that Relate to the Indemnification of Directors** The affirmative vote of the majority of the Company's outstanding common stock is required to approve a change to the provisions that relate to the indemnification of members of the Board of Directors as set forth in Alteon's Amended and Restated Certificate of Incorporation. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Abstentions and broker non-votes will be treated as votes against this proposal.
- Proposal 7: Approve the Elimination of Retired and Cancelled Alteon Preferred Stock** The affirmative vote of the majority of the Company's outstanding common stock is required to approve the elimination of any reference to retired or cancelled preferred stock as set forth in Alteon's Amended and Restated Certificate of Incorporation. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Abstentions and broker non-votes will be treated as votes against

this proposal.

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**Proposal 8: Approve a Reverse Stock Split**

The affirmative vote of the majority of the Company's outstanding common stock is required to approve the reverse stock split. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Abstentions and broker non-votes will be treated as votes against this proposal.

**Proposal 9: Approve Adjournment of the Annual Meeting, if Necessary, if a Quorum is Present, to Solicit Additional Proxies if There are not Sufficient Votes in Favor of Proposals 1, 2, 3, 4, 5, 6, 7 and 8**

The affirmative vote of a majority of the votes present or represented by proxy and entitled to vote at the annual meeting is required to approve the adjournment of the annual meeting. Abstentions will be treated as votes against this proposal. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote.

**Proposal 10: Ratify Selection of Auditors**

The affirmative vote of a majority of the votes present or represented by proxy and entitled to vote at the annual meeting is required to ratify the selection of independent auditors. Abstentions will be treated as votes against this proposal. Brokerage firms have authority to vote customers' unvoted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to select our independent registered public accounting firm. However, if our stockholders do not ratify the selection of J.H. Cohn LLP as our independent registered public accounting firm for 2007, the Audit Committee of our Board of Directors may reconsider its selection.

We cannot complete the financing transaction unless you approve the amendment to the Alteon 2005 Stock Plan, the increase in the number of authorized shares of preferred stock, the designation of the Series B Preferred Stock, the issuance of shares and warrants as part of the financing transaction, the reverse stock split, and Alteon's Amended and Restated Certificate of Incorporation. In addition, proposal 2 can not be passed without the passage of proposals 1, 3, 4 and 8; proposal 4 can not be passed without the passage of proposals 2 and 3 and proposal 8 can not be passed without the passage of proposals 2, 3 and 4.

**Q:** *Is voting confidential?*

A: We will keep all the proxies, ballots and voting tabulations private. We only let our Inspector of Elections (American Stock Transfer & Trust Company) examine these documents. Management will not know how you voted on a specific proposal unless it is necessary to meet legal requirements. We will, however, forward to management any written comments you make, on the proxy card or elsewhere.

**Q:** *What are the costs of soliciting these proxies?*

A: Alteon will pay all of the costs of soliciting the proxies. Alteon directors and employees may solicit proxies in person or by telephone, fax or e-mail. Alteon will pay these employees and directors no additional compensation for these services. Alteon will ask banks, brokers and other institutions, nominees and fiduciaries to forward these proxy materials to their principals and to obtain authority to execute proxies. Alteon will then reimburse them for their expenses.

**Q:** *What does "Householding of Annual Disclosure Documents" mean?*

A: In December 2000, the Securities and Exchange Commission adopted a rule concerning the delivery of annual disclosure documents. The rule allows us or your broker to send a single set of our annual report and proxy statement to any household at which two or more of our stockholders reside, if we or your broker believe that the stockholders are members of the same family. This practice, referred to as “householding,” benefits both you and the Company. It reduces the volume of duplicate information received at your household and helps to reduce the Company’s expenses. The rule applies to our annual reports, proxy statements and information statements. Once you receive notice from your broker or from us that communications to your address will be “household,” the practice will continue until you are otherwise notified or until you revoke your consent to the practice. Each stockholder will continue to receive a separate proxy card or voting instruction card.

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If your household received a single set of disclosure documents this year, but you would prefer to receive your own copy, please contact our transfer agent, American Stock Transfer & Trust Company, by calling their toll free number, 1-800-937-5449.

If you do not wish to participate in “householding” and would like to receive your own set of our annual disclosure documents in future years, or, conversely, if you share an address with another one of our stockholders and together both of you would like to receive only a single set of our annual disclosure documents, follow these instructions:

If your Company shares are registered in your own name, please contact our transfer agent, American Stock Transfer & Trust Company, and inform them of your request by calling them at 1-800-937-5449 or writing to them at 6201 15th Avenue, Brooklyn, NY 11219.

If a broker or other nominee holds your Company shares, please contact the broker or other nominee directly and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

***Q: Will representatives of J.H. Cohn LLP, Alteon’s independent registered public accounting firm, be present at the annual meeting?***

A: Yes. Representatives of J.H. Cohn are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

***Q: Who do I call if I have questions about the meeting or the Financing?***

A: Alteon stockholders may call Alteon Investor Relations at 201-934-5000.

## GENERAL INFORMATION

Our Board of Directors is soliciting proxies for the annual meeting of stockholders to be held on July 20, 2007 at 10:00 a.m., Eastern Time at the Marriott Park Ridge, 300 Brae Boulevard, Park Ridge, NJ 07656, and at any adjournment or postponement of the annual meeting. This proxy statement contains important information for you to consider when deciding how to vote on the matters before the annual meeting.

Voting materials, which include this proxy statement and the proxy card, will be mailed to stockholders entitled to notice of, and to vote at, the annual meeting on or about June 28, 2007. Our principal executive office is located at 221 West Grand Avenue, Suite 200, Montvale, New Jersey 07645, and our telephone number is (201) 934-5000.

### Solicitation

We will bear the cost of solicitation of proxies, including expenses in connection with preparing and mailing this proxy statement. We will furnish copies of solicitation materials to brokerage houses, fiduciaries, and custodians to forward to beneficial owners of our common stock held in their names. In addition, we will reimburse brokerage firms and other persons representing beneficial owners of stock for their expenses in forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram and personal solicitation by our directors, officers and other employees. No additional compensation will be paid to our directors, officers or other employees for such services.

### Record Date, Voting Rights and Outstanding Shares

Our Board of Directors has set May 24, 2007 as the record date for the annual meeting. Only holders of record at the close of business on that date will be entitled to notice of, and to vote at, the annual meeting. As of May 24, 2007 we had 129,318,858 shares of common stock outstanding. Each share of common stock is entitled to one vote on each proposal that will come before the annual meeting. A majority of the outstanding shares of common stock will constitute a quorum at the annual meeting. Abstentions and broker non-votes (as described below) are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business.

### Broker Non-Votes

A broker non-vote occurs when a broker cannot vote a customer's shares registered in the broker's name because the customer did not send the broker instructions on how to vote on the matter. If the broker does not have instructions and is barred by law or applicable rules from exercising its discretionary voting authority in the particular matter, then the shares will not be voted on the matter, resulting in a "broker non-vote."

### Revocability of Proxy and Voting of Shares

Any stockholder giving a proxy has the power to revoke it at any time before the annual meeting. It may be revoked by mailing to our Secretary at our principal executive offices, 221 West Grand Avenue, Suite 200, Montvale, New Jersey 07645, an instrument of revocation or a duly executed proxy bearing a later date. If a stockholder is permitted to vote electronically via the Internet or telephone, a proxy may be revoked by the submission of a later electronic proxy. A proxy may also be revoked by attendance at the annual meeting and an election given to our Secretary to vote in person (subject to the restriction that a stockholder holding shares in street name must bring to the annual meeting a legal proxy from the broker, bank or other nominee holding that stockholder's shares that confirms that stockholder's beneficial ownership of the shares and gives the stockholder the right to vote the shares). If not revoked, the proxy will be voted at the annual meeting in accordance with the stockholder's instructions. If no instructions are indicated, the proxy will be voted (i) FOR each proposal presented by Alteon management for a vote at the meeting, (ii) FOR any proposal by the Alteon Board of Directors to adjourn the meeting, and (iii) according to the best

judgment of the proxy holder if a proposal comes up for a vote at the annual meeting that is not on the proxy card or for the adjournment or postponement of the annual meeting.

**Dissenters' Rights of Appraisal**

Our stockholders do not have dissenters' rights of appraisal with respect to proposals being voted upon at the annual meeting.

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**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of May 24, 2007, except as otherwise set forth below, by (i) each person who is known by us to own beneficially more than 5% of the common stock, (ii) each director, (iii) each named executive officer and (iv) all current directors and named executive officers as a group. Unless otherwise indicated, the address for each director and executive officer listed is 221 West Grand Avenue, Suite 200, Montvale, NJ 07645.

Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(1)	Percent of Class(2)
Genentech, Inc.		
1 DNA Way South San Francisco, CA 94080-4990	14,290,663	11%
Noah Berkowitz, M.D., Ph.D.	8,931,700	7%
Noah C. Berkowitz Family Trust	6,337,800 (3)	5%
Marilyn G. Breslow	358,201 (4)	*
Thomas A. Moore	322,334 (5)	*
Malcolm MacNab, M.D., Ph.D.	704,200 (6)	1%
Mary C. Tanner	7,203,648 (7)	6%
Wayne P. Yetter	744,394 (8)	1%
All current directors and officers as a group (6 persons)	18,264,477 (9)	15%

\* Less than one percent

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and generally includes voting or investment power with respect to securities. Shares of common stock subject to stock options and warrants currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage ownership of the person holding such options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage ownership of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(2) Applicable percentage of ownership is based on 129,318,858 shares of common stock outstanding.

(3) Dr. Berkowitz's wife is the trustee and has the power to vote and dispose of the shares. Dr. Berkowitz disclaims beneficial ownership of the shares.

(4) Includes 198,201 shares of common stock subject to options that are exercisable within 60 days of May 24, 2007 and 160,000 shares of common stock subject to a restricted stock agreement that vest in annual installments of 54,000, 53,000 and 53,000 on July 21, 2007, July 21, 2008 and July 21, 2009, respectively, with the unvested portion subject to repurchase by the Company.

(5)

Includes 24,000 shares of common stock held directly by Mr. Moore and 138,334 shares of common stock subject to options which are exercisable within 60 days of May 24, 2007 and 160,000 shares of common stock subject to a restricted stock agreement that vest in annual installments of 54,000, 53,000 and 53,000 on July 21, 2007, July 21, 2008 and July 21, 2009, respectively, with the unvested portion subject to repurchase by the Company.

(6) Includes 704,200 shares of common stock subject to options that are exercisable within 60 days of May 24, 2007.

(7) Includes 5,212,146 shares of common stock held directly by Ms. Tanner and 1,831,502 shares of common stock subject to options and warrants which are exercisable within 60 days of May 24, 2007 and 160,000 shares of common stock subject to a restricted stock agreement that vest in annual installments of 54,000, 53,000 and 53,000 on July 21, 2007, July 21, 2008 and July 21, 2009, respectively, with the unvested portion subject to repurchase by the Company.

(8) Includes 306,327 shares of common stock held directly by Mr. Yetter and 278,067 shares of common stock subject to options that are exercisable within 60 days of May 24, 2007 and 160,000 shares of common stock subject to a restricted stock agreement that vest in annual installments of 54,000, 53,000 and 53,000 on July 21, 2007, July 21, 2008 and July 21, 2009, respectively, with the unvested portion subject to repurchase by the Company.

(9) Includes 14,474,173 shares of common stock held directly by all current officers and directors and 3,150,304 shares of common stock subject to options and warrants which are exercisable within 60 days of May 24, 2007 and 640,000 shares of common stock subject to a restricted stock agreement that vest in annual installments of 216,000, 212,000 and 212,000 on July 21, 2007, July 21, 2008 and July 21, 2009, respectively, with the unvested portion subject to repurchase by the Company.

## MANAGEMENT

### The Board of Directors

Pursuant to our Restated Certificate of Incorporation, our Board of Directors is divided into three classes, each of which serves a term of three years. Class A consists of Mr. Moore and Ms. Breslow, whose terms will expire at the upcoming annual meeting. Class B consists of Dr. Berkowitz, whose term will expire at the annual meeting of stockholders in 2008. Class C consists of Ms. Tanner and Mr. Yetter, whose terms will expire at the annual meeting of stockholders in 2009.

Following the closing of the Financing described below under Proposal 2, for so long as the purchasers in the Financing who held convertible promissory notes that were converted into shares of Series B Preferred Stock at the closing of the Financing hold 50% of the shares purchased at the closing of the Financing, such purchasers will have the right, but not the obligation, to designate two directors to our Board of Directors. Promptly following written notice by such purchasers of their election to exercise the designation right pursuant to the Purchase Agreement, and only if there are more than five directors then serving on the Board of Directors, the Board of Directors shall use its commercially reasonable efforts to cause two of its then-current members to resign their positions in order to create vacant seats for the purchaser designees. The purchasers have not yet identified the persons whom they intend to designate as members of the Board of Directors.

The current Board of Directors is comprised of the following persons:

Name	Age	Served as a Director Since	Positions with Alteon
Noah Berkowitz, M.D., Ph.D.	43	2006	President, Chief Executive Officer and Director
Marilyn G. Breslow*	62	1988	Director
Thomas A. Moore*	56	2001	Director
Mary C. Tanner	56	2006	Director
Wayne P. Yetter	61	2006	Director

\*Ms. Breslow and Mr. Moore have decided not to stand for re-election to the Board of Directors at the annual meeting.

The Company is undertaking the process of identifying qualified candidates to serve on the Company's Board of Directors to fill the vacancies created by the departure of Ms. Breslow and Mr. Moore following the annual meeting. The Company is actively searching for candidates with suitable qualifications, experience and expertise to serve on the Board of Directors.

Our Board has determined that the following members of the Board qualify as independent under the definition promulgated by the American Stock Exchange: Ms. Breslow, Mr. Moore, Ms. Tanner and Mr. Yetter.

The principal occupations and business experience, for at least the past five years, of each director are as follows:

**Noah Berkowitz, M.D., Ph.D.**, the Company's President and Chief Executive Officer, joined the Company following its merger with HaptoGuard in July 2006. Dr. Berkowitz earned his B.A., M.D., and Ph.D. from Columbia University and trained at the National Cancer Institute in medical oncology. Prior to founding HaptoGuard in 2004, he was a consultant to a variety of biotechnology companies in Israel, including Predix Pharmaceuticals, IDGene and Teva. He



was previously Vice President of Clinical Development at IMPATH Inc., a NASDAQ-traded, “cancer information company” where he co-developed a division, IMPATH Predictive Oncology, focused on biopharmaceutical partnerships supporting the discovery and development of cancer-related, targeted diagnostics and therapeutics. Prior to IMPATH, Dr. Berkowitz was the founder of Physician Choice Inc., a contract research organization specializing in pharmacoeconomics and outcomes.

**Mary C. Tanner** has served as a director of the Company since July 2006. Ms. Tanner is a Principal and founder of Life Sciences Partners, a healthcare advisory and investment firm. Previously, from 2000 to 2004, she was Senior Managing Director at Bear Stearns & Co., and Senior Managing Director and head of the Life Sciences practice at Lehman Brothers, Inc. During her 25 year career on Wall Street, Ms. Tanner has worked on or supervised over 550 transactions with a total value of over \$175 billion, including ten large pharmaceutical mergers. Ms. Tanner received her B.A. from Harvard University.

**Wayne P. Yetter** has served as a director of the Company since July 2006. Mr. Yetter has served as Chief Executive Officer of Verispan, LLC, a healthcare information company founded by Quintiles Transnational Corp. and McKesson Corp, since September 2005. From November 2004 through September 2005, Mr. Yetter served as President and Chief Executive Officer of Odyssey Pharmaceuticals, Inc. to assist Odyssey's parent, PLIVA d.d., implement its strategy to exit the proprietary pharmaceutical business. After serving in Vietnam, Mr. Yetter began his career in the pharmaceuticals industry in 1970 as a sales representative for Pfizer. From Pfizer, he joined Merck & Co in 1977, where he led the Marketing Operations Group and then became President of the Asia Pacific region before starting the new company, Astra Merck, in 1991 as President and CEO. Mr. Yetter then joined Novartis Pharmaceuticals in 1997, where he was President and CEO of the U.S. pharmaceutical business. In 1999, he joined IMS and later led its spinout company, Synavant, where he was Chairman and CEO for three years before the company merged with Dendrite International in 2003. Following the merger, Mr. Yetter founded and has acted as principal of BioPharm Advisory LLC since September 2003. Mr. Yetter was formerly Chairman of the Board for Transkaryotic Therapies Inc., which was acquired by Shire Pharmaceuticals in 2005. Mr. Yetter received his B.A. in Biology from the Wilkes University, and his M.B.A. from Bryant University.

### **Committees of the Board of Directors and Meetings**

The Board of Directors has a Compensation Committee, which reviews compensation arrangements for employees of and consultants to Alteon, as well as salaries and compensation arrangements for executive officers. In 2006, the Compensation Committee was comprised of Alan J. Dalby, Thomas A. Moore, George M. Naimark, Ph.D., and Wayne P. Yetter.

The Board of Directors has a Nominating Committee, which reviews the qualifications of candidates and proposes nominees to serve as directors on our Board of Directors and nominees for membership on Board committees. In 2006, the Nominating Committee was comprised of Edwin D. Bransome, Jr., M.D., David K. McCurdy, Thomas A. Moore and Wayne P. Yetter.

The Board of Directors has an Audit Committee, which oversees the accounting and financial reporting processes and the audits of our financial statements. In 2006, the Audit Committee was comprised of Edwin D. Bransome, Jr., Marilyn G. Breslow, David K. McCurdy, Thomas A. Moore, Mark Novitch, M.D. and Mary Tanner.

During 2006, Edwin D. Bransome, Jr., M.D., David K. McCurdy, Mark Novitch, Alan J. Dalby, and George M. Naimark, Ph.D., each resigned from our Board of Directors.

All of the current members of the Compensation Committee, the Nominating Committee and the Audit Committee are independent, as such term is defined by Section 121.A of the American Stock Exchange listing standards. The Board of Directors does not currently have an "audit committee financial expert," within the meaning of applicable regulations of the Securities and Exchange Commission, serving on its Audit Committee. The Board of Directors believes that one or more members of the Audit Committee satisfy the financial sophistication requirement of the American Stock Exchange and are capable of (i) understanding generally accepted accounting principles ("GAAP") and financial statements; (ii) assessing the application of GAAP in connection with our accounting for estimates, accruals and reserves; (iii) analyzing and evaluating our financial statements; (iv) understanding our internal controls and procedures for financial reporting; and (v) understanding audit committee functions, all of which are attributes of an audit committee financial expert. However, the Board of Directors believes that these members may not have obtained these attributes through the experience specified in the Securities and Exchange Commission's rules with respect to audit committee financial experts, and therefore, may not qualify to serve in that role.

Please see the Compensation Committee Report and Compensation Discussion and Analysis set forth elsewhere in this proxy statement for a discussion about the processes and procedures adopted by the Compensation Committee for the consideration and determination of executive and director compensation.

The Audit Committee held 8 meetings, the Compensation Committee held 4 meetings and the Nominating Committee held no meetings during the year ended December 31, 2006. There were 22 meetings of the Board of Directors in 2006. Each of the incumbent directors attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors held during the year ended December 31, 2006 and (ii) the total number of meetings held by all committees of the Board on which he or she served during the year ended December 31, 2006, except for Mr. Alan J. Dalby, who attended 1 of the 9 meetings of the Board and committees of the Board held until his resignation in July 2006. The Board has adopted a written charter for the Audit Committee, the Compensation Committee and the Nominating Committee. These written charters are available on our website at [www.alteon.com](http://www.alteon.com).

## Director Nomination Process

The Nominating Committee reviews the qualifications of candidates and proposes nominees to serve as directors on our Board of Directors and nominees for membership on Board committees. It is the Nominating Committee's policy to consider potential candidates for Board membership recommended by its members, management, stockholders and others. The Nominating Committee has not established any specific minimum qualifications that must be met for a recommendation for a position on the Board of Directors. Instead, the Nominating Committee conducts appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates for nomination to the Board of Directors giving due consideration to such criteria, including without limitation, diversity, experience, skill set and the ability to act on behalf of stockholders, as it believes appropriate and in the best interests of Alteon and its stockholders. All potential director candidates are evaluated based upon the same criteria, and the Nominating Committee makes no distinction in its evaluation of candidates based upon whether such candidates are recommended by stockholders or others. Once the evaluation is complete, the Nominating Committee recommends the nominees to the Board of Directors, which makes the final determination. If a stockholder wishes to nominate a candidate to be considered for election as a director at the 2008 annual meeting of stockholders using the procedures set forth in our amended and restated by-laws, it must follow the procedures described in "Advance Notice of Stockholder Nominees for Director and Other Stockholder Proposals" set forth in our amended and restated by-laws. If a stockholder wishes simply to propose a candidate for consideration as a nominee by the Nominating Committee, it should follow the procedures set forth in Appendix B, "Procedures for Shareholders Submitting Nominating Recommendations," to our Nominating Committee Charter, which is available on our website at [www.alteon.com](http://www.alteon.com).

## Stockholder Communications to the Board

Stockholders and other parties interested in communicating directly with the Chairman or with the Board of Directors as a group may do so by writing to Chairman, Alteon Inc., 221 West Grand Avenue, Suite 200, Montvale, New Jersey 07645. All correspondence received by Alteon and addressed to the Chairman is forwarded directly to the Board of Directors.

## Director Attendance at Annual Meeting

Our incumbent Directors, except for Ms. Tanner and Mr. Yetter, attended our annual meeting of stockholders in 2006. Ms. Tanner and Mr. Yetter were not serving on our Board of Directors at the time of our 2006 annual meeting. Each Director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including attending meetings of the stockholders, the Board and committees of which he or she is a member.

## Executive Officers

The following table sets forth certain information regarding our executive officer who is not also a director. We have employment agreements with Noah Berkowitz, M.D., Ph.D., and Malcolm MacNab, M.D., Ph.D., the terms of which are described elsewhere in this proxy statement.

Name	Age	Position
Malcolm W. MacNab, M.D., Ph.D.	60	Vice President, Clinical Development

**Dr. MacNab** has served as our Vice President, Clinical Development since July 2006. Dr. MacNab received his M.D. and Ph.D. in vascular pharmacology from Temple University in Philadelphia, and received post-graduate training in Internal Medicine and Hematology at the Medical College of Pennsylvania. Prior to joining Alteon, from 2004 to 2006, Dr. MacNab served as Vice President, Clinical Development of HaptoGuard. From 1997 to 2004, Dr. MacNab

served as the Vice President of Cardiovascular and Metabolism Clinical Development and Medical Affairs at Novartis, where he was instrumental in the development, approval and marketing of Diovan, an angiotensin receptor blocker used for the treatment of hypertension and heart failure, and Lotrel, a combination product for the treatment of hypertension. Prior to Novartis, Dr. MacNab was Vice President in Cardiovascular Development at CIBA Pharmaceuticals.

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## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Discussion and Analysis

We have prepared the following Compensation Discussion and Analysis to provide you with information that we believe is necessary to understand our executive compensation policies and decisions as they relate to the compensation of our named executive officers.

We have developed and implemented compensation policies, plans and programs which (1) provide a total compensation package that is intended to be competitive with the compensation arrangements used by our peer companies within the biotechnology industry, in order to enable us to attract and retain high-caliber executive personnel, and (2) seek to align the financial interests of our employees with those of our stockholders by relying heavily on long-term incentive compensation, in the form of stock options, for which the number of shares to be granted is based on performance. To achieve these objectives, the Compensation Committee of our Board of Directors has implemented compensation plans that tie a portion of executive officers' overall compensation to meeting specific research, clinical, regulatory and operational goals. Because we believe the performance of every employee is important to our success, we are mindful of the effect our executive compensation and incentive programs have on all of our employees.

Our management develops our compensation plans by analyzing publicly-available compensation data for national and regional companies in the biotechnology and pharmaceutical industries that are at a similar size and stage of development as we are. We believe that the practices of this group of companies provide us with appropriate compensation benchmarks because these companies have similar organizational structures and tend to compete with us for executives and other key personnel in the clinical, financial and administrative areas, among others. As part of the process of benchmarking executive compensation, we review biopharmaceutical companies that have specified criteria that we believe will give us the most accurate comparison, including market capitalization, revenue and location of offices. Specifically, we conducted an analysis of proxy statement information for comparable companies meeting the following criteria: "Biopharmaceutical company, market capitalization of in a range of \$20 million to \$200 million, little or no revenue and located on either the East or West Coast." Approximately 30 companies met these criteria. Information on executive compensation from each of these companies was gathered from their individual proxy statements and outlined for comparison. The information gathered included annual base salary, annual cash bonus, and other annual compensation and stock option grants. At the time at which our analysis was conducted, our market capitalization was greater than \$20 million. It has since been reduced due to a decrease in our price per share.

Based on an analysis of the data gathered, the average points of the data are calculated and a comparison of our executive officers' total compensation package, including long-term stock options, is made. We believe that analyzing the compensation packages of companies with whom we compete for talent enables us to create compensation packages that are fair and competitive to attract and retain top talent. We have engaged an experienced consultant to help us analyze these data and to compare our compensation programs with the practices of the companies represented in the compensation data we review.

Based on management's analyses and recommendations, the Compensation Committee has approved a pay-for-performance compensation philosophy, which is intended to bring base salaries and total executive compensation in line with approximately the 50th percentile of the companies in our industry with a similar market capitalization, financial status and geographic location, represented in the compensation data we review.

We work within the framework of a pay-for-performance philosophy to determine each component of an executive officer's initial and ongoing compensation package based on numerous factors, including:

- the individual's particular background and circumstances, including prior relevant work experience and depth of experience;
- the individual's role with us and the compensation paid to persons with similar roles and responsibilities in the companies represented in the compensation data that we have reviewed;
- the demand for individuals with the individual's specific expertise and experience at the time of hire;
- performance goals and other expectations for the position;
- comparison to other executives within our company having similar levels of expertise and experience; and
- uniqueness of industry skills.

The Compensation Committee of our Board of Directors also has implemented an annual performance management program, under which annual performance goals are determined and set forth in writing at the beginning of each calendar year for the corporation as a whole and each individual employee. Annual corporate goals are proposed by management and approved by the Compensation Committee and set during the first quarter of each calendar year. These corporate goals target the achievement of specific research, clinical, regulatory and operational milestones. Annual individual goals focus on contributions that are expected to facilitate the achievement of the corporate goals and are set during the first quarter of each calendar year. The Chief Executive Officer establishes the individual goals for the executive officers who directly report to him. The Chief Executive Officer's individual goals are approved by the Compensation Committee. With respect to non-executive employees, individual goals are proposed by the individual's direct supervisor. Annual salary increases, annual cash bonuses and annual stock option awards granted to employees are tied to the achievement of these corporate and each individual's performance goals.

At the end of each calendar year, we evaluate corporate and individual performance against the written goals for the recently completed year. Consistent with our compensation philosophy, the supervisor prepares a written evaluation of the employee's performance, and receives input from other employees. The employee then has the opportunity to evaluate him or herself. The supervisor and employee meet to review and discuss the evaluation, with an emphasis on clear and strong communication by both parties. This process leads to a recommendation for annual employee salary increases, annual stock option awards and bonuses, if any, which are then reviewed and approved by the Compensation Committee. The Chief Executive Officer prepares written evaluations of the other executive officers and gives such executive officers the opportunity to complete a written self-evaluation. Both parties then meet to discuss the evaluations. The Chief Executive Officer then submits recommendations to the Compensation Committee for salary increases, stock option awards and bonuses, if any. With respect to the Chief Executive Officer, corporate and individual goals for the upcoming year are established by the Compensation Committee. The Chief Executive Officer's individual performance evaluation is conducted by the Compensation Committee, which determines his compensation adjustments and awards. The performance review process begins in October and concludes at the December meeting of our Board of Directors. For all employees, including our executive officers, annual base salary increases, annual stock option awards and annual cash bonuses, to the extent granted, are implemented during the fourth quarter of the calendar year.

### **Compensation Components**

The primary components of executive compensation include base salary and long-term equity incentives in the form of stock options. We primarily rely on long-term incentive compensation, in the form of stock options, to motivate the executive officers and other employees. This allows us to retain cash for research and development projects.

Executive officers also are eligible to earn an annual cash incentive award, the amount of which is based upon (1) the position level of the executive officer, and (2) the attainment of specific individual non-financial performance objectives. The Committee sets these performance objectives at the beginning of the fiscal year.

The components of our compensation package are as follows:

#### ***Base Salary***

Base salaries for our executive officers are established based on the scope of their responsibilities, their prior relevant background and depth of experience, taking into account competitive market compensation paid by companies represented in the compensation data we review for similar positions and the overall market demand for such executives at the time of hire. As with total executive compensation, we believe that executive officers' base salaries should generally target the average, or 50%, calculation of the range of salaries for executives in similar positions and responsibilities in the companies of similar market capitalization, financial status, and geographic location to us represented in the compensation data we review. An executive officer's base salary also is evaluated together with



other components of the executive officer's compensation to ensure that the executive officer's total compensation is in line with our overall compensation philosophy. The average current salary, based on approximately 30 comparable companies, for a President & CEO is \$361,377 and \$252,925 for a Vice President in Clinical Development. Comparatives were not completed for Kenneth I. Moch, Judith Hedstrom or Mary Phelan since their relationship with the Company had terminated prior to our annual review process.

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The Chief Executive Officer is responsible for developing the annual salary plan for our other executive officers. This plan is presented for review and approval by the Compensation Committee. The compensation packages of comparable companies are evaluated to determine whether and to what extent that compensation is comparable to the present compensation packages of the executive officers. Taking into account this analysis and the above factors, the Chief Executive Officer is able to make a qualified decision regarding any increases to the executive officer's compensation. Other executive officers are responsible only for the compensation decisions of the non-executive employees who directly report to them.

The same criteria are used by the Compensation Committee in deciding the Chief Executive Officer's compensation. Data from comparable companies' chief executive officers is evaluated, along with factors such as level of responsibility, depth of experience, achievement of goals and expected future contributions, before making a final decision on the Chief Executive Officer's compensation package. Our Chief Executive Officer's compensation is governed in part by the employment agreement that he has entered into with us, which we assumed as part of the merger that we engaged in with HaptoGuard in July 2006. Under that agreement, Dr. Berkowitz is entitled to a base salary of \$264,000 per year.

Base salaries are reviewed annually as part of our performance management program and increased for merit reasons, based on the executive officer's success in meeting or exceeding individual performance objectives and an assessment of whether significant corporate goals were achieved. If necessary, we also realign base salaries with market levels for the same positions in the companies of similar market capitalization, financial status, and geographic location to us represented in the compensation data we review, if we identify significant market changes in our data analysis. Additionally, we may adjust base salaries as warranted throughout the year for promotions or other changes in the scope or breadth of an executive officer's role or responsibilities. The factors used for setting compensation and decision making are the same factors used to evaluate whether an executive officer's compensation should be increased or decreased.

### ***Annual Cash Bonus***

Our compensation program provides executive officers with the opportunity to earn an annual cash incentive award, the amount of which is based upon (1) the position level of the executive officer, and (2) the attainment of specific individual non-financial performance objectives. The Compensation Committee sets these performance objectives at the beginning of the fiscal year. Currently, executive officers and certain senior non-executive employees may be eligible for annual performance-based cash bonuses in amounts ranging from 15%-35% of their base salaries, as set forth in their employment offer letters. In its discretion, the Compensation Committee may, however, award bonus payments to our executive officers above or below the amounts specified in their respective offer letters, depending on the achievement by the executive officers of performance goals as set and determined by the Committee. As provided in his employment agreement, our Chief Executive Officer is eligible for an annual performance-based bonus of up to 35% of his annual base salary, the specific amount of which, if any, will be determined by the Board of Directors or the Compensation Committee in their sole discretion.

Performance objectives for Dr. Berkowitz for the year ended December 31, 2006 included achieving milestones in the development of the company's lead compounds as well as executing the merger of HaptoGuard, Inc. into Alteon which was completed in July 2006, expanding certain intellectual property rights to our licensed compounds and seeking appropriate financing and partnership agreements to advance the development of the company's lead compounds.

Performance objectives for Dr. MacNab focused on the design and implementation of research and clinical programs to advance the development of the company's lead compounds. The specific plans were adjusted throughout the year due to limited financial resources to fund programs and the rationalization of HaptoGuard and Alteon scientific programs following the merger. A key objective was the initiation of a Phase II clinical trial for ALT - 2074, which was achieved.

The Compensation Committee used its discretion to assess the overall performance of Dr. Berkowitz in achieving key 2006 objectives and awarded Dr. Berkowitz a bonus of 75% of his target award. The Compensation Committee considered Dr. Berkowitz's accomplishments in light of the significant changes that occurred during the year including the HaptoGuard merger with Alteon. The Compensation Committee can use its discretion to grant bonuses even if established performance objectives are not met, but would consider mitigating circumstances and other accomplishments achieved during the year that may not have been anticipated when the objectives were established. The Compensation Committee does embrace a "pay for performance" philosophy.

The Compensation Committee also assessed the accomplishments of Dr. MacNab during 2006 and supported the recommendation of Dr. Berkowitz that Dr. MacNab be awarded a bonus for 2006 at 50% of target.

Ms. Phelan was granted a retention bonus in 2006.

***Stock Options***

*Initial Stock Option Awards*

Executive officers who join us are a