GENTA INC DE/
Form S-1/A
March 09, 2009

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As filed with the Securities and Exchange Commission on March 6, 2009
Registration No. 333-153278

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
AMENDMENT NO. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
GENTA INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	**2836**	**33-0326866**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

200 Connell Drive
Berkeley Heights, New Jersey 07922
(908) 286-9800
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Raymond P. Warrell, Jr., M.D.
Chairman and Chief Executive Officer
Genta Incorporated
200 Connell Drive
Berkeley, New Jersey 07922
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to*:*
Emilio Ragosa, Esq.
Morgan, Lewis & Bockius LLP
502 Carnegie Center
Princeton, New Jersey 08540
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.
If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o
If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Proposed maximum aggregate offering price**	**Amount of registration fee[(1)]**
Convertible Debt Securities (2)	(3)	(3)
Shares of Common Stock (par value $0.001 per share) underlying convertible debt securities	$ [ ]	$ [ ]
Shares of Common Stock (par value $0.001 per share) issuable as payment at interest under the Convertible Debt Securities	$ [ ]	$ [ ]
Warrants		(3)
Shares of Common Stock (par value $0.001 per share) underlying Warrants	$ [ ]	$ [ ]
Total	$ 23,000,000	$ 905(4)

(1) Estimated solely for the purpose of calculating the amount of the registration in accordance with Rule 457(o) under the Securities Act of 1933, as amended, based on the average of the high and low sale prices of the Registrant s common stock on March 2, 2009 , as reported by the Over-the-Counter bulletin board. In accordance with Rule 416 under the Securities Act of 1933, in order to prevent dilution, a

presently indeterminable number of shares of common stock are registered hereunder which may be issued in the event of a stock split, stock dividend or similar transaction. No additional registration fee has been paid for these shares of common stock.

(2) Consists of $[ ] aggregates principal amount of convertible debt securities, top up rights to purchase $[ ] aggregate principal amount of convertible debt securities and consent rights for $[ ] aggregate principal amount of convertible debt securities.

(3) Pursuant to Rule 457(g), no separate registration fee is required for the Convertible Debt Securities or the Warrants because we are registering those securities in the same registration statement as the underlying common stock.

(4) A registration fee of $905.00 was previously paid in connection with the initial filing of this Registration Statement on Form S-1 (File No. 333-153278), which was filed by the Company on August 29, 2008.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

Subject to completion, dated March 6, 2009

GENTA INCORPORATED

Up to [___] in Convertible Debt Securities

[___] shares of Common Stock underlying the Convertible Debt Securities

[___] shares of Common Stock issuable as payment of interest on the Convertible Debt Securities

Warrants to purchase [___] shares of Common Stock

[___] shares of Common Stock underlying the Warrants

We are offering convertible debt securities convertible into [___] shares of our common stock, [___] shares of common stock underlying the convertible debt securities, [___] shares of common stock issuable as payment of interest on the convertible debt securities, warrants to purchase [___] shares of our common stock and [___] shares of common stock underlying the warrants collectively referred to as the securities. All costs associated with this registration will be borne by us.

On February [___], 2009, the closing price of our common stock was $[___] per share. Our common stock is quoted on the OTC Bulletin Board under the symbol GNTA.OB .

Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under the applicable state law or that an exemption from registration is available.

These securities are speculative and involve a high degree of risk.

Please refer to Risk Factors beginning on page 7.

	Price to Public	Placement Agent Discounts and Commissions	Proceeds to Genta, before expenses
Per Share	$ [__]	$ [__]	$ [__]
Total	$ [__]	$ [__]	$ [__]

We have retained Rodman & Renshaw, LLC as placement agent to use its reasonable best efforts to solicit offers to purchase our securities in this offering in one or more closings. We have agreed to indemnify the placement agent against some liabilities, including liabilities under the Securities Act of 1933, as amended, or the Securities Act, and to contribute to payments that the placement agent may be required to make in respect thereof.

None of the proceeds from the sale of securities will be placed in escrow, trust or any similar account, and all of the subscription monies will be immediately available for our use. There is no minimum amount of securities that must be sold.

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

We expect to deliver the securities to purchasers pursuant to this prospectus on or about [___].

The date of this prospectus is [___], 2009.

Rodman & Renshaw, LLC

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus. We are offering to sell the securities, and seeking offers to buy the securities, only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of when this prospectus is delivered or when any sale of our common stock occurs.

For investors outside the United States: Neither we nor the placement agent has done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

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PROSPECTUS SUMMARY

This summary does not contain all of the information you should consider before buying our securities. You should read the entire prospectus carefully, especially the Risk Factors section and our consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our securities.

Introduction

Unless otherwise stated, all references to us, our, we, Genta, the Company and similar designations refer to G Incorporated and its subsidiaries.

This offering relates to the sale of convertible debt securities convertible into [___] shares of our common stock, [___] shares of common stock underlying the convertible debt securities [___] warrants to purchase shares of our common stock and [___] shares of common stock issuable upon exercise of the warrants.

Overview

We are a biopharmaceutical company engaged in pharmaceutical, or drug, research and development. We are dedicated to the identification, development and commercialization of novel drugs for the treatment of cancer and related diseases. Our research portfolio consists of two major programs: DNA/RNA Medicines (which includes our lead oncology drug, Genasense®); and Small Molecules (which includes our marketed product, Ganite®, and the investigational compounds tesetaxel and G4544).

The DNA/RNA Medicines program includes drugs that are based on using modifications of either DNA or RNA as drugs that can be used to treat disease. These technologies include antisense, decoys, and small interfering or micro RNAs. Our lead drug from this program is an investigational antisense compound known as Genasense®, an oblimersen sodium injection. Genasense® is designed to block the production of a protein known as Bcl-2. Current science suggests that Bcl-2 is a fundamental, although not the sole, cause of the inherent resistance of cancer cells to anticancer treatments, such as chemotherapy, radiation, and monoclonal antibodies. While Genasense® has displayed some anticancer activity when used by itself, we are developing the drug primarily as a means of amplifying the cytotoxic effects of other anticancer treatments.

Genasense® has been studied in combination with a wide variety of anticancer drugs in a number of different cancer indications. We have reported results from randomized trials of Genasense® in a number of diseases. Under our own sponsorship or in collaboration with others, we are currently conducting additional clinical trials. We are especially interested in the development, regulatory approval, and commercialization of Genasense® in at least three diseases: melanoma; chronic lymphocytic leukemia, referred to herein as CLL; and non-Hodgkin s lymphoma, referred to herein as NHL.

Genasense® has been submitted for regulatory approval in the U.S. on two occasions and to the European Union, or EU, once. These applications proposed the use of Genasense® plus chemotherapy for patients with advanced melanoma (U.S. and EU) and relapsed or refractory CLL (U.S.-only). None of these applications were approved. At present, an appeal of a denial of a New Drug Application, or NDA, for CLL is pending before the FDA. Nonetheless, we believe that Genasense® can ultimately be approved and commercialized for both of these indications, as well as for other diseases, and we have undertaken a number of initiatives in this regard that are described below. We are finalizing accrual of patients to a second randomized Phase 3 study in patients with advanced melanoma, known as AGENDA, which should complete in 2009.

Melanoma

The initial NDA for Genasense® in melanoma was withdrawn in 2004 after an advisory committee to the Food and Drug Administration, or FDA, failed to recommend approval. A negative decision was also received for a similar application in melanoma from the European Medicines Agency, or EMEA, in 2007. Data from the Phase 3 trial that comprised the primary basis for these applications were published in a peer-reviewed journal in 2006. These results showed that treatment with Genasense® plus dacarbazine compared with dacarbazine alone in patients with advanced melanoma was associated with a statistically significant increase in overall response, complete response, durable response, and progression-free survival, or PFS. However, the primary endpoint of overall

survival approached but did not quite reach statistical significance (P=0.077). Subsequently, our analysis of this trial showed that there was a significant treatment interaction effect related to levels of a blood enzyme known as LDH. When this effect was analyzed by treatment arm, survival was shown to be significantly superior for patients with a non-elevated LDH who received Genasense® (P=0.018; n=508). Moreover, this benefit was particularly noteworthy for patients whose baseline LDH did not exceed 80% of the upper limit of normal for this lab value. LDH had also been previously described by others as the single most important prognostic factor in advanced melanoma.

Based on this data, as noted above, in August 2007 we initiated a new Phase 3 trial of Genasense® plus chemotherapy in advanced melanoma. The trial, known as AGENDA, is a randomized, double-blind, placebo-controlled study in which patients are randomly assigned to receive Genasense® plus dacarbazine or dacarbazine alone. The study uses LDH as a biomarker to identify patients who are most likely to respond to Genasense®, based on data obtained from our preceding trial in melanoma. The co-primary endpoints of AGENDA are progression-free survival and overall survival.

AGENDA is designed to expand evidence for the safety and efficacy of Genasense® when combined with dacarbazine for patients who have not previously been treated with chemotherapy. The study prospectively targets patients who have low-normal levels of LDH. We expect to enroll approximately 300 subjects at approximately 80 sites worldwide in this trial. Genasense® in melanoma has been designated an Orphan Drug in Australia and the United States, and the drug has Fast Track designation in the United States. Data on the final assessment of PFS and an interim assessment of overall survival are expected in 2009. If these data are positive, we expect to discuss these results with the FDA and EMEA and to secure agreement from these agencies that we may commence submission of new regulatory applications for the approval of Genasense® plus chemotherapy in patients with advanced melanoma. Approval by FDA and EMEA will allow Genasense® to be commercialized by us in the U.S. and in the European Union.

Given our belief in the activity of Genasense® in melanoma, we have initiated and expect to initiate additional clinical studies in this disease. One such study is the Phase 2 trials of Genasense® plus a different chemotherapy regimen consisting of Abraxane®, commonly known as paclitaxel albumen, plus Temodar®, commonly known as temozolomide. We also expect to examine different dosing regimens that will improve the dosing convenience and commercial acceptance of Genasense®, including its administration by brief intravenous, or IV, infusions over 1 to 2 hours.

CLL

As noted above, our initial NDA for the use of Genasense® plus chemotherapy in patients with relapsed or refractory in CLL was also unsuccessful. In CLL, we conducted a randomized Phase 3 trial in 241 patients with relapsed or refractory disease who were treated with fludarabine and cyclophosphamide, commonly known as Flu/Cy, with or without Genasense®. The trial achieved its primary endpoint: a statistically significant increase (17% vs. 7%; P=0.025) in the proportion of patients who achieved a complete response, or CR, defined as a complete or nodular partial response. Patients who achieved this level of response also experienced disappearance of predefined disease symptoms. A key secondary endpoint, duration of CR, was also significantly longer for patients treated with Genasense® (median > 36 months in the Genasense® group, versus 22 months in the chemotherapy-only group).

Other secondary endpoints were not improved by the addition of Genasense®. The percentage of patients who experienced serious adverse events was increased in the Genasense® arm; however, the percentages of patients who discontinued treatment due to adverse events were equal in the treatment arms. The incidence of certain serious adverse reactions, including but not limited to nausea, fever and catheter-related complications, was increased in patients treated with Genasense®.

We submitted our NDA to the FDA in December 2005 in which we sought accelerated approval for the use of Genasense® in combination with Flu/Cy for the treatment of patients with relapsed or refractory CLL who had previously received fludarabine. In December 2006, we received a non-approvable notice for that application from FDA. However, we believed that our application met the regulatory requirements for approval. In April 2007, we filed an appeal of the non-approvable notice using FDA s Formal Dispute Resolution process. In March 2008, we received a formal notice from FDA s Center for Drug Evaluation and Research, or CDER, that indicated additional confirmatory evidence would be required to support approval of Genasense® in CLL. In that communication, FDA recommended

two alternatives for exploring that confirmatory evidence. One option was to conduct an additional

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clinical trial. The other option was to collect additional information regarding the clinical course and progression of disease in patients from the completed trial. We have elected to pursue both of these options.

For the first option, we submitted a new protocol in the second quarter of 2008 that sought Special Protocol Assessment, or SPA, from the FDA and Scientific Advice from the EMEA. This protocol is similar in design to the completed trial and uses the same chemotherapy and randomization scheme. The major difference is that the trial focuses on the patient population who derived maximal benefit in the completed trial. This group is characterized by patients who had received less extensive chemotherapy prior to entering the trial and who were defined as being non-refractory to fludarabine. We have deferred initiation of this trial until we receive a response to the second option, described below.

For the second option, we sought information regarding long-term survival on patients who had been accrued to our already completed Phase 3 trial. At a scientific meeting in June 2008, we announced the results of long-term follow-up from the completed Phase 3 trial that comprised the original NDA. With 5 years of follow-up, we showed that patients treated with Genasense® plus chemotherapy who achieved either a CR or a partial response, or PR, had also achieved a statistically significant increase in survival.

Previous analyses had shown a significant survival benefit in patients who attained CR. Extended follow-up showed that all major responses, CR and PR, achieved with Genasense® were associated with significantly increased survival compared with all major responses achieved with chemotherapy alone (median = 56 months vs. 38 months, respectively). After 5 years of follow-up, 22 of 49, or 45%, responders in the Genasense® group were alive compared with 13 of 54, or 24%, responders in the chemotherapy-only group (hazard ratio = 0.6; P = 0.038). Moreover, with 5 years of follow-up, 12 of 20 patients, or 60%, in the Genasense® group who achieved CR were alive. Five of these patients remained in continuous CR without relapse, and 2 additional patients had relapsed but had not required additional therapy. By contrast, only 3 of 8 CR patients in the chemotherapy-only group were alive, all 3 had relapsed, and all 3 had required additional anti-leukemic treatment.

We believe that the significant survival benefit associated with major responses to Genasense® may provide the confirmatory evidence of clinical benefit that was requested by the FDA. We submitted these new data to the FDA in the second quarter of 2008, and the submission was accepted by the FDA as a complete response to the non-approvable decision letter. In December 2008, we received a complete response letter from the Office of Oncology Drug Products, or OODP, at the FDA, indicating that the OODP cannot approve the NDA in its present form and suggested the need for an additional clinical study. We have appealed this decision to CDER and expect a decision on this appeal in the first half of 2009.

As with melanoma, we believe the clinical activity in CLL should be explored with additional clinical research. We plan to explore combinations of Genasense® with other drugs that are used for the treatment of CLL, and to examine more convenient dosing regimens.

NHL

Lastly, several trials have shown definite evidence of clinical activity for Genasense® in patients with NHL. We would like to conduct additional clinical studies in patients with NHL to test whether Genasense® can be approved in this indication. Previously, we reported that randomized trials of Genasense® in patients with myeloma, AML, hormone-refractory prostate cancer, commonly known as HRPC, small cell lung cancer and non small cell lung cancer were not sufficiently positive to warrant further investigation on the dose-schedules that were examined or with the chemotherapy that was employed in these trials. Data from these trials have been presented at various scientific meetings. However, we believe that alternate dosing schedules, in particular the use of brief high-dose IV infusions, provide an opportunity to re-examine the drug s activity in some of these indications.

Tesetaxel

On March 7, 2008, we obtained an exclusive worldwide license for tesetaxel, a novel taxane compound that is taken by mouth. Tesetaxel has completed Phase 2 trials in a number of cancer types, and the drug has shown definite evidence of antitumor activity in gastric cancer and breast cancer. Tesetaxel also appears to be associated with a lower incidence of peripheral nerve damage, a common side effect of taxanes that limits the maximum amount of these drugs that can be given to patients. At the time we obtained the license, tesetaxel was on clinical hold by FDA and other regulatory agencies due to the occurrence of several fatalities in the setting of severe neutropenia. In the second

quarter of 2008, we filed a response to the FDA requesting a lift of the clinical hold that was granted on June 23, 2008. We received notice from FDA that tesetaxel has been granted designation as an

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Orphan Drug for treatment of patients with advanced melanoma in December 2008, and for treatment of patients with advanced gastric cancer in January 2009. Orphan Drug status provides for a period of marketing exclusivity, certain tax benefits, and an exemption from certain fees upon submission of a NDA. In January 2009, we announced that we had initiated a new clinical trial with tesetaxel that will examine the clinical pharmacology of the drug over a narrow dosing range around the established Phase 2 dose.

The tesetaxel program seeks to secure a first-to-market advantage for tesetaxel relative to other oral taxanes. We believe success in this competitive endeavor will maximize return to stockholders. Accordingly, we have identified three oncology indications in which we believe tesetaxel may have sufficient efficacy and safety to warrant regulatory approval. We believe it may be possible to secure regulatory approval in these indications on the basis of endpoints that can be identified in clinical trials that are relatively limited in scope. We submitted a proposed trial design to FDA for Special Protocol Assessment in gastric cancer in February 2009.

In addition to these three smaller indications, we are interested in examining the activity of tesetaxel in patients with HRPC. Docetaxel, also known as Taxotere®, is the only taxane approved for first-line use in patients with HRPC. Although docetaxel has been shown to extend survival in men with HRPC, its use is associated with a high incidence of moderate-to-severe toxicity. If tesetaxel is shown to be active in HRPC, we believe its safety profile may be substantially superior to docetaxel and may supplant that drug for first-line use in this indication. However, the development of drugs in this indication is very costly. Additional funding will be required to support the extended clinical testing that will be required to secure regulatory approval in HRPC. As previously noted, the Phase 2a study previously conducted in patients with advanced breast cancer was positive and yielded an overall response rate of 38%.

Pipeline

Our third pipeline product is G4544, which is a novel oral formulation of a gallium-containing compound that we developed in collaboration with Emisphere Technologies, Inc. We completed a single-dose Phase 1 study of an initial formulation of this new drug, known as G4544(a), and the results were presented at a scientific meeting in the second quarter of 2008. We are planning another study using a modified formulation, known as G4544(b) . The FDA has indicated that a limited, animal toxicology study in a single species will be required prior to initiation of multi-dose studies of G4544(b). Progress in the clinical development of G4544 program was delayed in 2008 due to financial constraints, but we currently expect to continue our program when our financial condition improves.

We currently intend to pursue a 505(b)(2) strategy to establish bioequivalence to our marketed product, Ganite®, for the initial regulatory approval of G4544. However, we believe this drug may also be useful for treatment of other diseases associated with accelerated bone loss, such as bone metastases, Paget s disease and osteoporosis. In addition, new uses of gallium-containing compounds have been identified for treatment of certain infectious diseases, particularly severe infections involving the bacteria Pseudomonas aeruginosa, which are frequently lethal in patients with cancer and cystic fibrosis. While we have no current plans to begin clinical development in the area of infectious disease, we intend to support research conducted by certain academic institutions by providing clinical supplies of our gallium-containing drugs.

Ganite

Lastly, we have announced our intention to seek a buyer for Ganite®, our sole marketed product. Our financial constraints have prevented us from investing in adequate commercial support for Ganite®, and the intellectual property that provided us with an exclusive position in the United States has now expired.

We maintain an active Business Development program. We are seeking development and commercialization partners for our existing products and are seeking to acquire additional drugs that will enhance the value of our pipeline to our stockholders.

About Us

Genta was incorporated in Delaware on February 4, 1988. Our principal executive offices are located at 200 Connell Drive, Berkeley Heights, New Jersey 07922. Our telephone number is (908) 286-9800. The address of our website is www.Genta.com. Information on our website is not part of this prospectus. Our website address is included in this prospectus as an inactive technical reference only.

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SUMMARY OF THE OFFERING

The securities	We are offering: up to $[___] in aggregate principal amount of [___]% senior subordinated secured convertible notes, which we refer to in this prospectus as the 2009 Notes ; rights to purchase an additional $[___] million in aggregate principal amount of 2009 Notes; [___] shares of common stock issuable upon conversion of or otherwise in respect of the 2009 Notes; warrants to purchase [___] shares of common stock; and [___] shares of common stock issuable upon exercise of warrants.
The offering	**Initial Sale** Commencing upon the effectiveness of the registration statement of which this prospectus forms a part, we will offer and sell $[___] million in aggregate principal amount of 2009 Notes. We refer to this initial closing of the offering as the initial sale. Each purchaser of 2009 Notes in the initial sale will also receive (i) a warrant to purchase a number of shares of our common stock equal to 10% of the number of shares of our common stock underlying the 2009 Note purchased by such purchaser having the terms outlined in this prospectus, and (ii) the top up right described below. The offer and sale of the initial $[___] million in 2009 Notes and related warrants and top up rights are expected to occur in a single closing as soon as practical following the effectiveness of the registration statement. **Top Up Rights** Each purchaser of 2009 Notes and related warrants in the offering will receive the right, which we refer to in this prospectus as the top up right, to purchase additional 2009 Notes at any time or from time to time in one or more closings during the period commencing on the closing date of the initial sale and ending one year following the closing of the initial sale in an aggregate principal amount equal to the principal amount of the 2009 Notes purchased by such purchaser in the initial sale. In the event that any purchaser should exercise a top up right, we will issue to such purchaser a warrant to purchase a number of shares of our common stock equal to 10% of the number of shares of our common stock underlying the 2009 Note purchased by such

	purchaser in such exercise. In the aggregate, the top up rights we will grant to the purchasers of the 2009 Notes will represent the right to acquire an additional $[___] million of 2009 Notes and corresponding warrants to purchase an additional [___] shares of common stock.
Consent Required	We cannot undertake the transactions described in this prospectus without the consent of certain of the holders of our outstanding 15% Senior Secured Convertible Notes due 2010, which we refer to in this prospectus as the 2008 Notes. Concurrently with the closing of the initial sale, we will enter into a consent and amendment agreement with each holder of the 2008 Notes. Under the terms of these agreements, each holder of 2008 Notes will agree to provide such holder s consent to and approval of the transactions described in this prospectus, and will agree to certain amendments to the 2008 Notes necessary to permit the transactions described in this prospectus. In exchange for these consents, we will agree to offer each such holder the right, which we refer to in this prospectus as a purchase right , at any time and from time to time during the one year period following the initial sale, to purchase additional 2009 Notes from us, up to a total aggregate principal amount equal to 50% of the face amount of the 2008 Notes held by such holder on the date of the initial sale. As of the date of this prospectus, there was an aggregate of $[___] million in principal amount of 2008 Notes outstanding. In addition, the holders of the 2008 Notes agree that the anti-dilution adjustment to the 2008 Notes as set forth in the form of 2008 Note, as a result of the transactions described herein, shall cause the conversion price in the 2008 Notes to be reset to $[___] Assuming no changes to the principal amount of 2008 Notes outstanding between the date of this prospectus and the closing of the initial sale, the purchase rights will represent the right to acquire an additional $[___] million of 2009 Notes. As a result, the 2008 Notes outstanding as of the date of this prospectus will be convertible into [___] shares of our common stock upon the issuance of the 2009 Notes.
Use of proceeds	The proceeds will be used to advance our product candidates through clinical trials and clinical development, and general corporate purposes, including working capital needs and potential acquisition or licenses to intellectual property. See Use of Proceeds.
Fees and expenses	

	We estimate that the total fees and expenses of this offering will be approximately $[___].
Material US federal income tax consequences	For a discussion of material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the 2009 Notes, shares of common stock into which the 2009 Notes are convertible, warrants and shares of common stock into which the warrants are exercisable, see Material U.S. federal income tax consequences.
Trading	Our common stock is traded on the OTC Bulletin Board under the symbol GNTA.OB. We do not intend to list the 2009 Notes or warrants on any national securities exchange or automated quotation system.
Placement agent	Rodman & Renshaw, LLC will act a placement agent for the placement for the securities being offered pursuant to this prospectus.
Risk Factors	You should read the Risk Factors section of this prospectus for a discussion of factors to consider carefully before deciding to invest in our 2009 Notes and warrants.

The number of shares of our common stock that will be outstanding prior to this offering is 486,723,939 shares of common stock outstanding as of December 31, 2008. This amount excludes:

- 2,130,963 shares of common stock issuable upon exercise of stock options outstanding under our 1998 Stock Incentive Plan as of December 31, 2008 at a weighted average exercise price of $22.19 per share, of which, options to purchase 1,298,949 shares were exercisable;
- 102,267 shares of common stock issuable upon exercise of stock options outstanding under our 1998 Non-Employee Directors Stock Incentive Plan as of December 31, 2008 at a weighted average exercise price of $22.61 per share, of which, options to purchase 102,267 shares were exercisable;
- 153,541 shares of common stock available for future grant under our 1998 Non Employee Directors Stock Incentive Plan as of December 31, 2008;
- 40,000,000 shares of common stock issuable upon exercise of warrants outstanding as of December 31, 2008 at an exercise price of $0.02 per share;
- 1,181,482 shares of common stock issuable upon the conversion of our Series A Convertible Preferred Stock as of December 31, 2008; and
- 1,554,036,321 shares of common stock issuable upon the conversion of our 15% Senior Secured Convertible Notes due 2010 as of December 31, 2008.

Unless otherwise indicated, all information in this prospectus assumes there is no over-allotment option, no conversion of convertible notes or preferred stock and no exercise of stock options or warrants after December 31, 2008.

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SUMMARY OF THE TERMS OF THE 2009 NOTES

Issuer	Genta Incorporated.
Notes	Up to $[___] aggregate principal amount of [___]% Senior Subordinated Secured Convertible Notes due 2011, which we refer to herein as the 2009 Notes.
Maturity	The notes will mature on [___], 2011, unless earlier converted.
Interest payment dates	We will pay [___]% interest per annum on the principal amount of the 2009 Notes, payable [semi-annually in arrears on March ___and September ___of each year, starting on September ___, 2009, to holders of record at the close of business on the preceding March 1 and September 1 respectively]. Accrued but unpaid interest shall also be paid in the event of any conversion and at maturity of the 2009 Notes. Interest will accrue on the 2009 Notes from and including their original issue date, or from and including the record date with respect to the previous interest payment date, to, but excluding, the current record date, conversion date or maturity date, as applicable. Interest will accrue on the basis of a 360-day year consisting of twelve 30-day months. Interest on the 2009 Notes will be paid in cash or, at our option at any time following the authorization date, shares of common stock, valued at 90% of the Daily VWAP of the common stock on the trading day immediately preceding the interest payment date, conversion date or maturity date, as the case may be, provided that the following conditions, which we refer to as the equity conditions , have been met: we have sufficient authorized shares available to cover the payment of interest in shares; such shares shall not require registration with, or approval of, any governmental authority under any state or federal law before such shares may be validly issued or delivered or if such registration is required or such approval must be obtained, such registration shall be completed or such approval shall be obtained prior to the applicable interest payment date, conversion date or maturity date, as applicable; and such shares will, upon issue, be duly and validly issued and fully paid and nonassessable and free of any preemptive or similar rights. In addition, our ability to pay interest in shares of common stock is subject to the limitations set forth below and under Permanent limitation on the right to convert notes.

	Under the 2009 Notes, the Daily VWAP means, for any date, (i) the daily volume weighted average price of our common stock for such date on the principal trading market for our common stock as reported by Bloomberg Financial L.P. (based on a trading day from 9:30 a.m. Eastern Time to 4:02 p.m. Eastern Time); (ii) if our common stock is not then listed or quoted on a trading market and if prices for the common stock are then reported in the Pink Sheets published by the Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of our common stock so reported; or (iii) in all other cases, the most recent quoted bid price and if not available, the average midpoint of the last bid or ask prices from at least three investment bankers engaged for purposes of determining the Daily VWAP.
Ranking	The 2009 Notes will be: secured on a second-priority lien basis by all of our assets; subordinated to our existing 2008 Notes and any other existing and future senior secured indebtedness; senior to any existing and future indebtedness that by its terms ranks junior to the 2009 Notes; and pari-passu with our other existing and future indebtedness except in the case of existing and future unsecured indebtedness to the extent of the value of assets securing the 2009 Notes remaining after application to any senior secured indebtedness.

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Collateral	The 2009 Notes are secured by a second-priority lien on all of our assets. For more details, see Description of notes Security.
Sharing of liens	We may secure additional indebtedness incurred after the date of issuance of the 2009 Notes by granting liens upon any or all of the collateral securing the 2009 Notes, including on a senior basis, which may be on an equal basis with the first-priority liens securing the 2008 Notes, or on a pari passu or junior basis.
No restrictions on additional indebtedness	The indenture does not limit the amount of additional indebtedness, including secured indebtedness, which we can create, incur, assume or guarantee, nor does the indenture limit the amount of indebtedness or other liabilities that our subsidiaries can create, incur, assume or guarantee. To the extent we incur additional secured indebtedness, the liens securing the 2009 Notes would be senior to the liens securing such additional secured indebtedness only to the extent that the liens securing the 2009 Notes have been perfected prior to, and have priority over, the liens securing such additional secured indebtedness.
Conversion rights	The 2009 Notes will be convertible at any time, subject to prior maturity, into shares of our common stock, based on an initial conversion rate, subject to adjustment, of [___] shares per $1,000 in principal amount of the 2009 Notes (which represents an initial conversion price of $[___] per share).
Mandatory conversion	Subject to the limitations set forth below and under Provisional limitation on the right to convert notes and Permanent limitation on the right to convert notes , at any time or from time to time, we may elect to cause the conversion, in whole or in part, of the 2009 Notes by providing thirty (30) days written notice of the date on which such conversion is to occur, which we refer to as a mandatory conversion date. Any such conversion shall be made pro-rata among all holders of 2009 Notes. We will only be permitted to cause the conversion on a mandatory conversion date if, on the proposed mandatory conversion date (i) the Daily VWAP is equal to or greater than $[___] (as appropriately adjusted for stock splits, stock dividends, reorganizations, recapitalizations, stock combinations and the like) for each of the twenty (20) consecutive prior trading days ending on the trading day immediately prior to the notice date, (ii) the common stock issuable upon the mandatory conversion would, immediately upon issuance, be freely tradable without restrictions and (iii) we have sufficient authorized shares for full conversion of the 2009 Notes. On any mandatory

	conversion date, we will also pay the noteholders an amount in cash equal to the accrued and unpaid interest on the outstanding principal balance of the 2009 Notes, or at our sole discretion, we will issue shares of our common stock in payment of any such accrued but unpaid interest provided that the equity conditions are met. See Description of notes Conversion rights Mandatory conversion.
Covenant to increase our authorized shares	We do not have a sufficient number of shares of our common stock currently authorized and available for issuance to allow for full conversion of the 2009 Notes, payment of interest in shares of our common stock or exercise of the warrants, and are required to seek stockholder approval at our next annual meeting of stockholders, or, alternatively, at a special meeting of stockholders, of, and to effect no later than the date that is 105 days from the date on which the first 2009 Note is issued: (1) an increase the number of shares of our authorized common stock from 6,000,000,000 to at least [___] and to reserve for issuance shares of our common stock sufficient to permit full conversion of all 2009 Notes that may be issued, to allow us to pay interest on all such 2009 Notes in shares of our common stock and to allow exercise of all warrants that we may issue in conjunction with the issuance of 2009 Notes; and (2) a 1-_____ reverse stock split of our common stock. In this prospectus, we refer to the date of the latest to occur of the increase in the number of shares of our authorized stock and the effectiveness of the reverse stock split as the authorization date. An event of default will occur under the 2009 Notes if we fail to effect the increase in authorized stock and the reverse stock split by the date that is 105 days from the date on which the first 2009 Note is issued.

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Limitations on transfers of the 2009 Notes	The initial purchasers of the 2009 Notes will be required to agree not to transfer, sell or otherwise dispose of the 2009 Notes until the Release Date.
Provisional limitation on right to convert notes	We refer to the date that is the earlier of (1) the date 105 days following the date on which the first 2009 Note is issued, and (2) the authorization date, as the release date. Until the Release Date: (i) a 2009 Note may only be converted by a holder (or beneficial holder) or by us in any mandatory conversion on any day to the extent that, together with all prior conversions under such note, the total amount of such note that has been converted does not exceed the product of (A) 10% of the original principal amount of 2009 Notes held by such holder (or beneficial holder), and (B) the number of whole or partial calendar weeks since the date of the initial sale; and (ii) a holder (or beneficial holder) may only convert such 2009 Notes to the extent of such holder s (or beneficial holder s) pro rata allocation of the number of shares of common stock we have authorized and available for issuance. As of the date hereof, the number of shares we have authorized and available for issuance is [_____] shares of common stock. See Description of notes Conversion rights Provisional limitation on right to convert notes.
Permanent limitation on right to convert notes	We cannot effect a conversion of the 2009 Notes, whether voluntary or mandatory, and the holder (or beneficial holder) may not request a conversion of such 2009 Notes, if such conversion would result in the beneficial holder and the beneficial holder s affiliates owning more than 4.999% of our outstanding common stock after conversion. See Description of notes Conversion rights Permanent limitation on right to convert notes.
Sinking fund	None.
Events of default	If an event of default on the 2009 Notes has occurred and is continuing, the principal amount of the 2009 Notes plus any accrued and unpaid interest may become immediately due and payable. These amounts automatically become due and payable upon certain events of default. See Description of 2009 Notes Events of default.
DTC eligibility	The 2009 Notes will be issued in registered form without interest coupons, in denominations of integral multiples of $1,000

	principal amount, in the form of global securities and will be represented by one or more global certificates, deposited with, or on behalf of, DTC and registered in the name of a DTC or a nominee of DTC. Beneficial interests in the global securities will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants. Except in limited circumstances, holders may not exchange interests in their 2009 Notes for certificated securities. See Description of notes Form, denomination and registration of notes.
Listing and trading	The 2009 Notes are a new issue of securities, and there is currently no established trading market for the 2009 Notes. An active or liquid market may not develop for the 2009 Notes or, if developed, be maintained. We have not applied, and do not intend to apply, for the listing of the 2009 Notes on any securities exchange. Our common stock is listed on the OTC Bulletin Board under the symbol GNTA.OB.

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SUMMARY OF THE TERMS OF THE WARRANTS

Issuer	Genta Incorporated.
Warrants	Warrants to purchase an aggregate of up to [___] shares of our common stock.
Term	The warrants are exercisable during the period commencing on the date six months from the date of their issuance and ending on the date that is five years from the date of their issuance.
Exercise Price	The exercise price of the warrants is $[___] per share of common stock.
Net Exercise	In lieu of paying the exercise price for the shares of common stock issuable upon exercise of the warrants, at any time when the shares of common stock deliverable upon exercise of the warrants would not upon such exercise be freely tradable without restriction, the holder of the warrants may elect to convert the warrant into a number of shares of common stock equal to the value of the shares of common stock as to which the holder of the warrant is electing to exercise the warrant, less the exercise price otherwise payable upon exercise of such number of shares.
Adjustments	The exercise price and number and type of securities or other property issuable upon exercise of the warrants will be subject to adjustment for stock splits, stock dividends, recapitalizations, reclassifications and other events effecting the shares of our common stock.
Permanent limitation on right to exercise or convert warrants	The warrants cannot be exercised or converted if such exercise or conversion would result in the holder and the holder s affiliates owning more than 4.999% of our outstanding common stock after conversion.
Listing and trading	The warrants are a new issue of securities, and there is currently no established trading market for the warrants. An active or liquid market is not expected to develop for the warrants or, if developed, be maintained. We have not applied, and do not intend to apply, for the listing of the warrants on any securities exchange. Our common stock is listed on the OTC Bulletin Board under the symbol GNTA.OB.

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SUMMARY OF THE TERMS OF THE TOP UP RIGHTS

Issuer	Genta Incorporated.
Securities	The right to purchase up to $[___] in principal amount of additional 2009 Notes.
Term	The top up rights are exercisable during the period commencing on the date of the initial sale of 2009 Notes and ending one year from the date of the initial sale of 2009 Notes.
Listing and trading	The top-up rights are a new issue of securities, and there is currently no established trading market for the top-up rights. An active or liquid market is not expected to develop for the top-up rights or, if developed, be maintained. We have not applied, and do not intend to apply, for the listing of the top-up rights on any securities exchange. Our common stock is listed on the OTC Bulletin Board under the symbol GNTA.OB.

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SUMMARY OF THE TERMS OF THE PURCHASE RIGHTS

Issuer	Genta Incorporated.
Securities	The right to purchase up to $[___] in principal amount of additional 2009 Notes.
Term	The purchase rights are exercisable during the one year period from the date of the initial sale of 2009 Notes.
Listing and trading	The purchase rights are a new issue of securities, and there is currently no established trading market for the purchase rights. An active or liquid market is not expected to develop for the purchase rights or, if developed, be maintained. We have not applied, and do not intend to apply, for the listing of the purchase rights on any securities exchange. Our common stock is listed on the OTC Bulletin Board under the symbol GNTA.OB.

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SELECTED FINANCIAL INFORMATION

The following table summarizes our selected financial information. You should read the selected financial information together with our consolidated financial statements and the related notes appearing at the end of this prospectus, and the Management s Discussion and Analysis of Financial Condition and Results of Operations section and other financial information included in this prospectus.

The as adjusted balance sheet data below gives effect to the sale of our convertible debt securities, warrants to purchase shares of our common stock and the consent rights in this offering, at an assumed public offering price of $[___] per share, after deducting placement agent discounts and commissions and estimated offering expenses. The as further adjusted balance sheet also gives effect to the top up rights.

	Year ended December 31, (in thousands except per share amounts)		
	2008	**2007**	**2006**
Consolidated Statements of Operations Data:			
Product sales net	$ 363	$ 580	$ 708
Total revenues	363	580	708
Costs of goods sold	102	90	108
Operating expenses	33,410	26,116	59,764
Amortization of deferred financing costs	(11,229)		
Fair value conversion feature liability	(460,000)		
Fair value warrant liability	(2,000)		
All other (expense)/income -net	(1,435)	836	1,454
Loss before income taxes	(507,813)	(24,790)	(57,710)
Income tax benefit	1,975	1,470	929
Net loss	$ (505,838)	$ (23,320)	$ (56,781)
Net loss per basic and diluted common share *	$ (9.10)	$ (0.79)	$ (2.52)
Common shares used in computing net loss per basic and diluted share *	55,576	29,621	22,553

* *all figures prior to July 2007 have been retroactively adjusted to reflect a 1-for-6 reverse stock split effected in July 2007*

	December 31, 2008	**December 31, 2008 (unaudited as further**	
	(unaudited as		**December 31, 2008**

	adjusted)	adjusted)	(as reported)
Balance Sheet Data:			
Cash, cash equivalents and marketable securities	$ [__]	$ [__]	$ 4,908
Working capital (deficit)*	[__]	[__]	(5,220)
Total assets	[__]	[__]	12,693
Total stockholders equity (deficit)	[__]	[__]	(4,864)

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RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this prospectus before deciding to invest in our securities. The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occurs, our business, financial condition or results of operations would likely suffer. In such case, the market price of our common stock would likely decline due to the occurrence of any of these risks, and you may lose all or part of your investment.

Risks Related to Our Business

Our business will suffer if we fail to obtain timely funding.

Our operations to date have required significant cash expenditures. Prior to completion of this offering, we have less than two months operating cash remaining. Our future capital requirements will depend on the results of our research and development activities, preclinical studies and clinical trials, competitive and technological advances, and regulatory activities of the FDA and other regulatory authorities. In order to commercialize our products, seek new product candidates and continue our research and development programs, we will need to raise significant additional funds irrespective of market conditions.

If we are unable to raise additional funds, we will need to do one or more of the following:

delay, scale back or eliminate some or all of our research and product development programs;

license third parties to develop and commercialize products or technologies that we would otherwise seek to develop and commercialize ourselves;

attempt to sell our company;

cease operations; or

declare bankruptcy.

Presently, with no further financing, we will run out of funds in the first quarter of 2009. We currently do not have any additional financing in place. If we are unable to raise additional financing, we could be required to reduce our spending plans, reduce our workforce, license to others products or technologies we would otherwise seek to commercialize ourselves and sell certain assets. There can be no assurance that we can obtain financing, if at all, on terms acceptable to us.

On June 5, 2008, we entered into definitive agreements with institutional and accredited investors to place senior secured convertible notes due in 2010 and totaling in aggregate up to $40 million in gross proceeds before fees and expenses. The closing of the first $20 million of notes took place on June 9, 2008.

The notes bear interest at an annual rate of 15% payable at quarterly intervals in stock or cash at our option, and are convertible into shares of our common stock at a conversion rate of 100,000 shares of common stock for every $1,000 of principal. We have the right to force conversion of the notes in whole or in part if the closing bid price of our common stock exceeds $0.50 for a period of 20 consecutive trading days. Certain members of our senior management participated in this offering. The notes are secured by a first lien on all of our assets.

We will need to obtain more funding in the future through collaborations or other arrangements with research institutions and corporate partners or public and private offerings of our securities, including debt or equity financing. We may not be able to obtain adequate funds for our operations from these sources when needed or on acceptable terms. Future collaborations or similar arrangements may require us to license valuable intellectual property to, or to share substantial economic benefits with, our collaborators. If we raise additional capital by issuing additional equity or securities convertible into equity, our stockholders may experience dilution and our share price may decline. Any debt financing may result in restrictions on our spending.

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We may be unsuccessful in our efforts to obtain approval from the FDA or EMEA and commercialize Genasense® or our other pharmaceutical products.

The commercialization of our pharmaceutical products involves a number of significant challenges. In particular, our ability to commercialize products, such as Ganite® and Genasense®, depends, in large part, on the success of our clinical development programs, our efforts to obtain regulatory approvals and our sales and marketing efforts directed at physicians, patients and third-party payors. A number of factors could affect these efforts, including:

our ability to demonstrate clinically that our products are useful and safe in particular indications;

delays or refusals by regulatory authorities in granting marketing approvals;

our limited financial resources and sales and marketing experience relative to our competitors;

actual and perceived differences between our products and those of our competitors;

the availability and level of reimbursement for our products by third-party payors;

incidents of adverse reactions to our products;

side effects or misuse of our products and the unfavorable publicity that could result; and

the occurrence of manufacturing, supply or distribution disruptions.

We cannot assure you that Genasense® will receive FDA or EMEA approval. For example, the NDA for Genasense® in melanoma was withdrawn in 2004 after an advisory committee to the FDA failed to recommend approval. A negative decision was also received for a similar application in melanoma from the EMEA in 2007. Our initial NDA for the use of Genasense® plus chemotherapy in patients with relapsed or refractory CLL was also unsuccessful. At present, an appeal of our NDA for CLL is pending before FDA and we expect to receive a response in the first half of 2009. We are also currently accruing patients to our randomized AGENDA Phase 3 study in patients with advanced melanoma that should complete in 2009.

Our financial condition and results of operations have been and will continue to be significantly affected by FDA and EMEA action with respect to Genasense®. Any adverse events with respect to FDA and/or EMEA approvals could negatively impact our ability to obtain additional funding or identify potential partners. Ultimately, our efforts may not prove to be as effective as those of our competitors. In the United States and elsewhere, our products will face significant competition. The principal conditions on which our product development efforts are focused and some of the other disorders for which we are conducting additional studies, are currently treated with several drugs, many of which have been available for a number of years or are available in inexpensive generic forms. Thus, even if we obtain regulatory approvals, we will need to demonstrate to physicians, patients and third-party payors that the cost of our products is reasonable and appropriate in light of their safety and efficacy, the price of competing products and the relative health care benefits to the patient. If we are unable to demonstrate that the costs of our products are reasonable and appropriate in light of these factors, we will likely be unsuccessful in commercializing our products.

Recurring losses and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern and we may not be able to continue as a going concern.

Our recurring losses from operations and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern and as a result, our independent registered public accounting firm included an explanatory paragraph in its report on our consolidated financial statement for the year ended December 31, 2008 with respect to this uncertainty. Substantial doubt about our ability to continue as a going concern may create negative reactions to the price of the common shares of our stock and we may have a more difficult time obtaining financing.

We have prepared our financial statements on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of

liabilities that might be necessary should we be unable to continue in existence.

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We have relied on and continue to rely on our contractual collaborative arrangements with research institutions and corporate partners for development and commercialization of our products. Our business could suffer if we are not able to enter into suitable arrangements, maintain existing relationships, or if our collaborative arrangements are not successful in developing and commercializing products.

We have entered into collaborative relationships relating to the conduct of clinical research and other research activities in order to augment our internal research capabilities and to obtain access to specialized knowledge and expertise. Our business strategy depends in part on our continued ability to develop and maintain relationships with leading academic and research institutions and with independent researchers. The competition for these relationships is intense, and we can give no assurances that we will be able to develop and maintain these relationships on acceptable terms.

We also seek strategic alliances with corporate partners, primarily pharmaceutical and biotechnology companies, to help us develop and commercialize drugs. Various problems can arise in strategic alliances. A partner responsible for conducting clinical trials and obtaining regulatory approval may fail to develop a marketable drug. A partner may decide to pursue an alternative strategy or focus its efforts on alliances or other arrangements with third parties. A partner that has been granted marketing rights for a certain drug within a geographic area may fail to market the drug successfully. Consequently, strategic alliances that we may enter into may not be scientifically or commercially successful.

We cannot control the resources that any collaborator may devote to our products. Any of our present or future collaborators may not perform their obligations as expected. These collaborators may breach or terminate their agreements with us, for instance upon changes in control or management of the collaborator, or they may otherwise fail to conduct their collaborative activities successfully and in a timely manner.

In addition, our collaborators may elect not to develop products arising out of our collaborative arrangements or to devote sufficient resources to the development, regulatory approval, manufacture, marketing or sale of these products. If any of these events occur, we may not be able to develop our products or commercialize our products.

An important part of our strategy involves conducting multiple product development programs. We may pursue opportunities in fields that conflict with those of our collaborators. In addition, disagreements with our collaborators could develop over rights to our intellectual property. The resolution of such conflicts and disagreements may require us to relinquish rights to our intellectual property that we believe we are entitled to. In addition, any disagreement or conflict with our collaborators could reduce our ability to obtain future collaboration agreements and negatively impact our relationship with existing collaborators. Such a conflict or disagreement could also lead to delays in collaborative research, development, regulatory approval or commercialization of various products or could require or result in litigation or arbitration, which would be time consuming and expensive, divert the attention of our management and could have a significant negative impact on our business, financial condition and results of operations.

We anticipate that we will incur additional losses and we may never be profitable.

We have never been profitable. We have incurred substantial annual operating losses associated with ongoing research and development activities, preclinical testing, clinical trials, regulatory submissions and manufacturing activities. From the period since our inception to December 31, 2008, we have incurred a cumulative net deficit of $944.1 million. We may never achieve revenue sufficient for us to attain profitability. Achieving profitability is unlikely unless Genasense® receives approval from the FDA or EMEA for commercial sale in one or more indications.

Our business depends heavily on a small number of products.

We currently market and sell one product, Ganite® and the principal patent covering its use for the approved indication expired in April 2005. If Genasense® is not approved, if approval is significantly delayed, or if

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in the event of approval the product is commercially unsuccessful, we do not expect significant sales of other products to offset this loss of potential revenue.

To diversify our product line in the long term, it will be important for us to identify suitable technologies and products for acquisition or licensing and development. If we are unable to identify suitable technologies and products, or if we are unable to acquire or license products we identify, we may be unable to diversify our product line and to generate long-term growth.

We may be unable to obtain or enforce patents, other proprietary rights and licenses to protect our business; we could become involved in litigation relating to our patents or licenses that could cause us to incur additional costs and delay or prevent our introduction of new drugs to market.

Our success will depend to a large extent on our ability to:

obtain U.S. and foreign patent or other proprietary protection for our technologies, products and processes;

preserve trade secrets; and

operate without infringing the patent and other proprietary rights of third parties.

Legal standards relating to the validity of patents covering pharmaceutical and biotechnological inventions and the scope of claims made under these types of patents are still developing, and they involve complex legal and factual questions. As a result, our ability to obtain and enforce patents that protect our drugs is highly uncertain. If we are unable to obtain and enforce patents and licenses to protect our drugs, our business, results of operations and financial condition could be adversely affected.

We hold numerous U.S., foreign and international patents covering various aspects of our technology, which include novel compositions of matter, methods of large-scale synthesis and methods of controlling gene expression and methods of treating disease. In the future, however, we may not be successful in obtaining additional patents despite pending or future applications. Moreover, our current and future patents may not be sufficient to protect us against competitors who use similar technology. Additionally, our patents, the patents of our business partners and the patents for which we have obtained licensing rights may be challenged, narrowed, invalidated or circumvented. Furthermore, rights granted under our patents may not be broad enough to cover commercially valuable drugs or processes, and therefore, may not provide us with sufficient competitive advantage with respect thereto.

The pharmaceutical and biotechnology industries have been greatly affected by time-consuming and expensive litigation regarding patents and other intellectual property rights. We may be required to commence, or may be made a party to, litigation relating to the scope and validity of our intellectual property rights or the intellectual property rights of others. Such litigation could result in adverse decisions regarding the patentability of our inventions and products, the enforceability, validity or scope of protection offered by our patents or our infringement of patents held by others. Such decisions could make us liable for substantial money damages, or could bar us from the manufacture, sale or use of certain products. Moreover, an adverse decision may also compel us to seek a license from a third party. The costs of any license may be prohibitive and we may not be able to enter into any required licensing arrangement on terms acceptable to us.

The cost to us of any litigation or proceeding relating to patent or license rights, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of complex patent or licensing litigation more effectively than we can because of their substantially greater resources. Uncertainties resulting from the initiation and continuation of any patent or related litigation could have a material adverse effect on our ability to compete in the marketplace.

We also may be required to participate in interference proceedings declared by the U.S. Patent and Trademark Office in opposition or similar proceedings before foreign patent offices and in International Trade Commission proceedings aimed at preventing the importation of drugs that would compete unfairly with our drugs. These types of proceedings could cause us to incur considerable costs.

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Tesetaxel, its potential uses, composition, and methods of manufacturing are covered under a variety of patents licensed exclusively from Daiichi Sankyo, Inc. We believe that composition-of-matter claims on tesetaxel extend to at least 2020 in the U.S. and Europe and to 2022 in Japan. A number of other patents have been filed worldwide for this compound.

The principal patent covering the use of Ganite® for its approved indication expired in April 2005.

Our patent portfolio includes approximately 65 granted patents and 66 pending applications in the U.S. and foreign countries. We endeavor to seek appropriate U.S. and foreign patent protection on our oligonucleotide technology.

We have licensed ten U.S. patents relating to Genasense® and its backbone chemistry that expire between 2008 and 2015. The U.S. composition patents for Genasense® may be eligible for extension under Waxman-Hatch provisions. Corresponding patent applications have been filed in three foreign countries. We also own five U.S. patent applications relating to methods of using Genasense® expected to expire in 2020 and 2026, with approximately 50 corresponding foreign patent applications and granted patents.

Most of our products are in an early stage of development, and we may never receive regulatory approval for these products.

Most of our resources have been dedicated to the research and development of potential antisense pharmaceutical products such as Genasense®, based upon oligonucleotide technology. While we have demonstrated the activity of antisense oligonucleotide technology in model systems in vitro and in animals, Genasense® is our only antisense product to have been tested in humans. Several of our other technologies that serve as a possible basis for pharmaceutical products are only in preclinical testing. Results obtained in preclinical studies or early clinical investigations are not necessarily indicative of results that will be obtained in extended human clinical trials. Our products may prove to have undesirable and unintended side effects or other characteristics that may prevent our obtaining FDA or foreign regulatory approval for any indication. In addition, it is possible that research and discoveries by others will render our oligonucleotide technology obsolete or noncompetitive.

We will not be able to commercialize our product candidates if our preclinical studies do not produce successful results or if our clinical trials do not demonstrate safety and efficacy in humans.

Our success will depend on the success of our currently ongoing clinical trials and subsequent clinical trials that have not yet begun. It may take several years to complete the clinical trials of a product, and a failure of one or more of our clinical trials can occur at any stage of testing. We believe that the development of each of our product candidates involves significant risks at each stage of testing. If clinical trial difficulties and failures arise, our product candidates may never be approved for sale or become commercially viable. We do not believe that any of our product candidates have alternative uses if our current development activities are unsuccessful.

There are a number of difficulties and risks associated with clinical trials. These difficulties and risks may result in the failure to receive regulatory approval to sell our product candidates or the inability to commercialize any of our product candidates. The possibility exists that:

- we may discover that a product candidate does not exhibit the expected therapeutic results in humans, may cause harmful side effects or have other unexpected characteristics that may delay or preclude regulatory approval or limit commercial use if approved;

- the results from early clinical trials may not be statistically significant or predictive of results that will be obtained from expanded, advanced clinical trials;

- institutional review boards or regulators, including the FDA, may hold, suspend or terminate our clinical research or the clinical trials of our product candidates for various reasons, including noncompliance with regulatory requirements or if, in their opinion, the participating subjects are being exposed to unacceptable health risks;

- subjects may drop out of our clinical trials;

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our preclinical studies or clinical trials may produce negative, inconsistent or inconclusive results, and we may decide, or regulators may require us, to conduct additional preclinical studies or clinical trials; and

the cost of our clinical trials may be greater than we currently anticipate.

We cannot assure you that our ongoing preclinical studies and clinical trials will produce successful results in order to support regulatory approval of Genasense® in any territory or for any indication. Failure to obtain approval, or a substantial delay in approval of Genasense® for these or any other indications would have a material adverse effect on our results of operations and financial condition.

Clinical trials are costly and time consuming and are subject to delays; our business would suffer if the development process relating to our products were subject to meaningful delays.

Clinical trials are very costly and time-consuming. The length of time required to complete a clinical study depends upon many factors, including, but not limited to, the size of the patient population, the ability of patients to get to the site of the clinical study, the criteria for determining which patients are eligible to join the study and other issues. Delays in patient enrollment and other unforeseen developments could delay completion of a clinical study and increase its costs, which could also delay any eventual commercial sale of the drug that is the subject of the clinical trial.

Our commencement and rate of completion of clinical trials also may be delayed by many other factors, including the following:

inability to obtain sufficient quantities of materials for use in clinical trials;

inability to adequately monitor patient progress after treatment;

unforeseen safety issues;

the failure of the products to perform well during clinical trials; and

government or regulatory delays.

If we fail to obtain the necessary regulatory approvals, we cannot market and sell our products in the United States.

The FDA imposes substantial pre-market approval requirements on the introduction of pharmaceutical products. These requirements involve lengthy and detailed preclinical and clinical testing and other costly and time-consuming procedures. Satisfaction of these requirements typically takes several years or more depending upon the type, complexity and novelty of the product. We cannot apply for FDA approval to market any of our products under development until preclinical and clinical trials on the product are successfully completed. Several factors could prevent successful completion or cause significant delays of these trials, including an inability to enroll the required number of patients or failure to demonstrate adequately that the product is safe and effective for use in humans. If safety concerns develop, the FDA could stop our trials before completion. We may not market or sell any product for which we have not obtained regulatory approval. We cannot assure you that the FDA will ever approve the use of our products that are under development. If the patient populations for which our products are approved are not sufficiently broad, or if approval is accompanied by unanticipated labeling restrictions, the commercial success of our products could be limited and our business, results of operations and financial condition could consequently be materially adversely affected.

If the third party manufacturers upon which we rely fail to produce our products in the volumes that we require on a timely basis, or comply with stringent regulations applicable to pharmaceutical drug manufacturers, we may face delays in the commercialization of, or be unable to meet demand for, our products and may lose potential revenues.

We do not manufacture any of our products or product candidates and we do not plan to develop any capacity to do so. We have contracted with third-party manufacturers to manufacture Ganite® and Genasense®. The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products

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often encounter difficulties in production, especially in scaling up initial production. These problems include difficulties with production costs and yields, quality control and assurance and shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. Our third-party manufacturers may not perform as agreed or may terminate their agreements with us.

In addition to product approval, any facility in which Genasense® is manufactured or tested for its ability to meet required specifications must be approved by the FDA and/or the EMEA before it can manufacture Genasense®. Failure of the facility to be approved could delay the approval of Genasense®.

We do not currently have alternate manufacturing plans in place. The number of third-party manufacturers with the expertise, required regulatory approvals and facilities to manufacture bulk drug substance on a commercial scale is limited, and it would take a significant amount of time to arrange for alternative manufacturers. If we need to change to other commercial manufacturers, the FDA and comparable foreign regulators must approve these manufacturers facilities and processes prior to our use, which would require new testing and compliance inspections, and the new manufacturers would have to be educated in or independently develop the processes necessary for the production of our products.

Any of these factors could cause us to delay or suspend clinical trials, regulatory submissions, required approvals or commercialization of our products or product candidates, entail higher costs and result in our being unable to effectively commercialize our products. Furthermore, if our third-party manufacturers fail to deliver the required commercial quantities of bulk drug substance or finished product on a timely basis and at commercially reasonable prices, and we were unable to promptly find one or more replacement manufacturers capable of production at a substantially equivalent cost, in substantially equivalent volume and on a timely basis, we would likely be unable to meet demand for our products and we would lose potential revenues.

Even if we obtain regulatory approval, we will be subject to ongoing regulation, and any failure by us or our manufacturers to comply with such regulation could suspend or eliminate our ability to sell our products.

Ganite®, Genasense® and tesetaxel (if they obtain regulatory approval), and any other product we may develop will be subject to ongoing regulatory oversight, primarily by the FDA. Failure to comply with post-marketing requirements, such as maintenance by us or by the manufacturers of our products of current Good Manufacturing Practices as required by the FDA, or safety surveillance of such products or lack of compliance with other regulations could result in suspension or limitation of approvals or other enforcement actions. Current Good Manufacturing Practices are FDA regulations that define the minimum standards that must be met by companies that manufacture pharmaceuticals and apply to all drugs for human use, including those to be used in clinical trials, as well as those produced for general sale after approval of an application by the FDA. These regulations define requirements for personnel, buildings and facilities, equipment, control of raw materials and packaging components, production and process controls, packaging and label controls, handling and distribution, laboratory controls and recordkeeping. Furthermore, the terms of any product candidate approval, including the labeling content and advertising restrictions, may be so restrictive that they could adversely affect the marketability of our product candidates. Any such failure to comply or the application of such restrictions could limit our ability to market our product candidates and may have a material adverse effect on our business, results of operations and financial condition. Such failures or restrictions may also prompt regulatory recalls of one or more of our products, which could have material and adverse effects on our business.

The raw materials for our products are produced by a limited number of suppliers, and our business could suffer if we cannot obtain needed quantities at acceptable prices and qualities.

The raw materials that we require to manufacture our drugs, particularly oligonucleotides, are available from only a few suppliers. If these suppliers cease to provide us with the necessary raw materials or fail to provide us with an adequate supply of materials at an acceptable price and quality, we could be materially adversely affected.

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If third-party payors do not provide coverage and reimbursement for use of our products, we may not be able to successfully commercialize our products.

Our ability to commercialize drugs successfully will depend in part on the extent to which various third-party payors are willing to reimburse patients for the costs of our drugs and related treatments. These third-party payors include government authorities, private health insurers and other organizations, such as health maintenance organizations. Third-party payors often challenge the prices charged for medical products and services. Accordingly, if less costly drugs are available, third-party payors may not authorize or may limit reimbursement for our drugs, even if they are safer or more effective than the alternatives. In addition, the federal government and private insurers have changed and continue to consider ways to change the manner in which health care products and services are provided and paid for in the United States. In particular, these third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products. In the future, it is possible that the government may institute price controls and further limits on Medicare and Medicaid spending. These controls and limits could affect the payments we collect from sales of our products. Internationally, medical reimbursement systems vary significantly, with some countries requiring application for, and approval of, government or third-party reimbursement. In addition, some medical centers in foreign countries have fixed budgets, regardless of levels of patient care. Even if we succeed in bringing therapeutic products to market, uncertainties regarding future health care policy, legislation and regulation, as well as private market practices, could affect our ability to sell our products in quantities, or at prices, that will enable us to achieve profitability.

Our business exposes us to potential product liability that may have a negative effect on our financial performance and our business generally.

The administration of drugs to humans, whether in clinical trials or commercially, exposes us to potential product and professional liability risks, which are inherent in the testing, production, marketing and sale of human therapeutic products. Product liability claims can be expensive to defend and may result in large judgments or settlements against us, which could have a negative effect on our financial performance and materially and adversely affect our business. We maintain product liability insurance (subject to various deductibles), but our insurance coverage may not be sufficient to cover claims. Furthermore, we cannot be certain that we will always be able to maintain or increase our insurance coverage at an affordable price. Even if a product liability claim is not successful, the adverse publicity and time and expense of defending such a claim may interfere with or adversely affect our business and financial performance.

We may incur a variety of costs to engage in future acquisitions of companies, products or technologies, and the anticipated benefits of those acquisitions may never be realized.

As a part of our business strategy, we may make acquisitions of, or significant investments in, complementary companies, products or technologies, although no significant acquisition or investments are currently pending. Any future acquisitions would be accompanied by risks such as:

- difficulties in assimilating the operations and personnel of acquired companies;
- diversion of our management s attention from ongoing business concerns;
- our potential inability to maximize our financial and strategic position through the successful incorporation of acquired technology and rights into our products and services;
- additional expense associated with amortization of acquired assets;
- maintenance of uniform standards, controls, procedures and policies; and
- impairment of existing relationships with employees, suppliers and customers as a result of the integration of new management personnel.

We cannot guarantee that we will be able to successfully integrate any business, products, technologies or personnel that we might acquire in the future, and our failure to do so could harm our business.

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We face substantial competition from other companies and research institutions that are developing similar products, and we may not be able to compete successfully.

In many cases, our products under development will be competing with existing therapies for market share. In addition, a number of companies are pursuing the development of antisense technology and controlled-release formulation technology and the development of pharmaceuticals utilizing such technologies. We compete with fully integrated pharmaceutical companies that have more substantial experience, financial and other resources and superior expertise in research and development, manufacturing, testing, obtaining regulatory approvals, marketing and distribution. Smaller companies may also prove to be significant competitors, particularly through their collaborative arrangements with large pharmaceutical companies or academic institutions. Furthermore, academic institutions, governmental agencies and other public and private research organizations have conducted and will continue to conduct research, seek patent protection and establish arrangements for commercializing products. Such products may compete directly with any products that may be offered by us.

Our competition will be determined in part by the potential indications for which our products are developed and ultimately approved by regulatory authorities. For certain of our potential products, an important factor in competition may be the timing of market introduction of our or our competitors products. Accordingly, the relative speed with which we can develop products, complete the clinical trials and approval processes and supply commercial quantities of the products to the market are expected to be important competitive factors. We expect that competition among products approved for sale will be based, among other things, on product efficacy, safety, reliability, availability, price, patent position and sales, marketing and distribution capabilities. The development by others of new treatment methods could render our products under development non-competitive or obsolete.

Our competitive position also depends upon our ability to attract and retain qualified personnel, obtain patent protection, or otherwise develop proprietary products or processes and secure sufficient capital resources for the often-substantial period between technological conception and commercial sales. We cannot assure you that we will be successful in this regard.

We are dependent on our key executives and scientists, and the loss of key personnel or the failure to attract additional qualified personnel could harm our business.

Our business is highly dependent on our key executives and scientific staff. The loss of key personnel or the failure to recruit necessary additional or replacement personnel will likely impede the achievement of our development objectives. There is intense competition for qualified personnel in the pharmaceutical and biotechnology industries, and there can be no assurances that we will be able to attract and retain the qualified personnel necessary for the development of our business.

We may be adversely affected by the current economic environment.

Our ability to obtain financing, invest in and grow our business, and meet our financial obligations depends on our operating and financial performance, which in turn is subject to numerous factors. In addition to factors specific to our business, prevailing economic conditions and financial, business and other factors beyond our control can also affect our business and ability to raise capital. We cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

Risks Related to Outstanding Litigation

The outcome of and costs relating to the pending stockholder class action and stockholder derivative actions are uncertain.

In September 2008, several of our stockholders, on behalf of themselves and all others similarly situated, filed a class action complaint against us, our Board of Directors, and certain of our executive officers in Superior Court of New Jersey, captioned Collins v. Warrell, Docket No. L-3046-08. The complaint alleges that in issuing convertible notes in June 2008, our Board of Directors, and certain officers breached their fiduciary duties, and we aided and abetted the breach of fiduciary duty. Defendants filed a motion to dismiss on December 29, 2008. Plaintiffs opposition is due on or before February 13, 2009, and Defendants reply is due March 16, 2009. It is possible that

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oral argument on the motion will be held on March 20, 2009. Discovery has begun. We, the Board of Directors and Officers deny these allegations and intend to vigorously defend this lawsuit.

In November 2008, a complaint against us and our transfer agent, BNY Mellon Shareholder Services, was filed in the Supreme Court of the State of New York by an individual stockholder. The complaint alleges that we and our transfer agent caused or contributed to losses suffered by the stockholder. We deny the allegations of the complaint and intend to vigorously defend this lawsuit.

Risks Related to Our Common Stock

Provisions in our restated certificate of incorporation and bylaws and Delaware law may discourage a takeover and prevent our stockholders from receiving a premium for their shares.

Provisions in our restated certificate of incorporation and bylaws may discourage third parties from seeking to obtain control of us and, therefore, could prevent our stockholders from receiving a premium for their shares. Our restated certificate of incorporation gives our Board of Directors the power to issue shares of preferred stock without approval of the holders of common stock. Any preferred stock that is issued in the future could have voting rights, including voting rights that could be superior to that of our common stock. The affirmative vote of 66 2/3% of our voting stock is required to approve certain transactions and to take certain stockholder actions, including the amendment of certain provisions of our certificate of incorporation. Our bylaws contain provisions that regulate how stockholders may present proposals or nominate directors for election at annual meetings of stockholders.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which contains restrictions on stockholder action to acquire control of us.

In September 2005, our Board of Directors approved a Stockholder Rights Plan and declared a dividend of one preferred stock purchase right, which we refer to as a Right, for each share of our common stock held of record as of the close of business on September 27, 2005. In addition, Rights shall be issued in respect of all shares of common stock issued after such date. The Rights contain provisions to protect stockholders in the event of an unsolicited attempt to acquire us, including an accumulation of shares in the open market, a partial or two-tier tender offer that does not treat all stockholders equally and other activities that the Board believes are not in the best interests of stockholders. The Rights may discourage a takeover and prevent our stockholders from receiving a premium for their shares.

We have not paid, and do not expect to pay in the future, cash dividends on our common stock.

We have never paid cash dividends on our common stock and do not anticipate paying any such dividends in the foreseeable future. We currently intend to retain our earnings, if any, for the development of our business.

Our stock price is volatile.

The market price of our common stock, like that of the common stock of many other biopharmaceutical companies, has been and likely will continue to be highly volatile. Factors that could have a significant impact on the future price of our common stock include but are not limited to:

- the results of preclinical studies and clinical trials by us or our competitors;
- announcements of technological innovations or new therapeutic products by us or our competitors;
- government regulation;
- developments in patent or other proprietary rights by us or our respective competitors, including litigation;
- fluctuations in our operating results; and
- market conditions for biopharmaceutical stocks in general.

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At December 31, 2008, we had 486.7 million shares of common stock outstanding, 43.4 million shares reserved for the conversion of convertible preferred stock and the exercise of outstanding options and warrants, 1.7 billion shares reserved for interest payments and conversion of outstanding convertible notes and 2.5 billion shares reserved for interest payments and conversion of our yet-to-be issued second tranche of convertible notes. As of the date of this prospectus, we have 1,009.4 million shares of common stock outstanding, 43.4 million shares reserved for the conversion of convertible preferred stock and the exercise of outstanding options and warrants and 1.7 billion shares reserved for interest payments and conversion of outstanding convertible notes. Future sales of shares of our common stock by existing stockholders, holders of preferred stock who might convert such preferred stock into common stock, holders of convertible notes who might convert such convertible notes into common stock and option and warrant holders who may exercise their options and warrants to purchase common stock also could adversely affect the market price of our common stock. Moreover, the perception that sales of substantial amounts of our common stock might occur could adversely affect the market price of our common stock.

As our convertible noteholders convert their notes into shares of our common stock, our stockholders will be diluted.

On June 5, 2008, we entered into a securities purchase agreement with certain institutional and accredited investors, to place up to $40 million of senior secured convertible notes, referred to herein as the notes, with such investors. On June 9, 2008, we placed $20 million of such notes in the initial closing. The notes bear interest at an annual rate of 15% per annum payable at quarterly intervals in stock or cash at our option, and will be convertible into shares of our common stock at a conversion rate of 100,000 shares of common stock for every $1,000 of principal, or $0.01 per share; provided, however, at no time may the holder of a note convert such note if such conversion would cause the holder to beneficially own more than 4.999% of the then outstanding shares of our common stock. Until June 9, 2009, the holders of the notes have the right, but not the obligation, to purchase in whole or in part up to an additional $20 million of notes. We have the right to force conversion of the notes in whole or in part if the closing bid price of our common stock exceeds $0.50 for a period of 20 consecutive trading days. Certain members of our senior management participated in the initial closing. Pursuant to the general security agreement, the notes are secured by a first lien on all of our assets, subject to certain exceptions set forth in such security agreement.

Through February 4, 2009, we have issued 905.6 million shares of our common stock upon the voluntary conversion of convertible notes and have issued 4.0 million shares of our common stock in lieu of cash for interest payments on the convertible notes.

The conversion of some or all of our notes will dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon conversion of the notes could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the price of our common stock.

If holders of our notes elect to convert their notes and sell material amounts of our common stock in the market, such sales could cause the price of our common stock to decline, and such downward pressure on the price of our common stock may encourage short selling of our common stock by holders of our notes or others.

As of the date of this prospectus, we have amended the 2008 Notes to delete the second tranche option to purchase an additional $20 million of 2008 Notes.

Concurrent with this offering, we are amending our 2008 Notes for, among other things, the following:

reduce the conversion price for $0.01 per share to $[___] per share; and

modify the share reservation covenant as described further in this prospectus.

If there is significant downward pressure on the price of our common stock, it may encourage holders of notes or others to sell shares by means of short sales to the extent permitted under the U.S. securities laws. Short sales involve the sale by a holder of notes, usually with a future delivery date, of common stock the seller does not own. Covered short sales are sales made in an amount not greater than the number of shares subject to the short seller s right to acquire common stock, such as upon conversion of notes. A holder of notes may close out any covered short position by converting its notes or purchasing shares in the open market. In determining the source of shares to close out the covered short position, a holder of notes will likely consider, among other things, the price of common stock available for purchase in the open market as compared to the conversion price of the notes. The existence of a significant

number of short sales generally causes the price of common stock to decline, in part because it indicates that a number of market participants are taking a position that will be profitable only if the price of the common stock declines.

Our common stock is considered a penny stock and does not qualify for exemption from the penny stock restrictions, which may make it more difficult for you to sell your shares.

Our common stock is classified as a penny stock by the SEC and is subject to rules adopted by the SEC regulating broker-dealer practices in connection with transactions in penny stocks. The SEC has adopted

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regulations which define a penny stock to be any equity security that has a market price of less than $5.00 per share, or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, these rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule relating to the penny stock market. Disclosure is also required to be made about current quotations for the securities and about commissions payable to both the broker-dealer and the registered representative. Finally, broker-dealers must send monthly statements to purchasers of penny stocks disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. As a result of our shares of common stock being subject to the rules on penny stocks, the liquidity of our common stock may be adversely affected.

Risks Related to this Offering

We have a significant amount of debt. Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

We have a significant amount of debt. As of December 31, 2008, we had a total outstanding debt balance of $15.5 million, consisting solely of 2008 Notes. As adjusted to give effect to this offering, on December 31, 2008, we estimate we would have had approximately $[_____] million of outstanding debt.

Our aggregate level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under our outstanding debt, including the 2009 Notes;
- resulting in an event of default if we fail to comply with the restrictive covenants contained in our debt agreements, which could result in all of our debt becoming due and payable and, in the case of an event of default under our secured debt, could permit the lenders to foreclose on our assets securing such debt;
- reducing the availability of our cash on hand by approximately $[_____] million, including estimated expenses incurred in connection with the offering, and reducing cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

Our substantial amount of secured debt may prevent us from obtaining additional financing in the future or make the terms of securing such additional financing more onerous to us.

The 2008 Notes are secured by a first priority lien on our assets and the 2009 Notes are expected to be secured by a second-priority lien on our assets. While the terms or availability of additional capital is always uncertain, should we need to obtain additional financing in the future, because of the existing liens on our assets, it may be even more difficult for us to do so. Potential future lenders may be unwilling to provide financing on an unsecured basis and may not agree to share the collateral with our existing secured debt. Alternatively, if we are able to raise additional financing in the future, the terms of any such financing may be onerous to us. This potential inability to obtain borrowings or our obtaining borrowings on unfavorable terms could negatively impact our operations and impair our ability to maintain sufficient working capital.

The market value of the notes, warrants, top-up rights and purchase rights may be exposed to substantial volatility.

A number of factors, including factors specific to us and our business, financial condition and liquidity, the price of our common stock, economic and financial market conditions, interest rates, unavailability of capital and financing

sources, volatility levels and other factors could lead to a decline in the value of the 2009 Notes, warrants, top-up rights and purchase rights and a lack of liquidity in the market, if any, for the 2009 Notes, warrants, top-up rights and purchase rights. As has recently been evident in the current turmoil in the global financial markets, the present economic slowdown and the uncertainty over its breadth, depth and duration, the entire convertible note market can experience sudden and sharp price swings and changes in liquidity, which can be exacerbated by large or sustained sales by major investors in the convertible notes, a default by a high-profile issuer, regulatory changes, or simply a change in the market s psychology regarding convertible notes. Moreover, if one or more of the rating agencies rates the 2009 Notes and assigns a rating that is below the expectations of investors, or lowers its or their rating(s) of the 2009 Notes, the price of the notes would likely decline.

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Declines in the market price of our common stock may depress the trading price of the 2009 Notes warrants, top-up rights and purchase rights.

The market price of our common stock has experienced, and may continue to experience, significant volatility. From January 1, 2007 through May 7, 2008, the trading price of our common stock on the NASDAQ Global Market ranged from a low of $0.15 per share to a high of $3.36 per share. From May 7, 2008 through March 2, 2009, the trading price of our common stock on the OTC Bulletin Board has ranged from a low of $0.0027 per share to a high of $0.75 per share. Because the 2009 Notes are convertible into, and the warrants are exercisable for, shares of our common stock, declines in the price of our common stock may depress the trading price of the 2009 Notes warrants, top-up rights and purchase rights. The risk of depressed prices of our common stock also applies to holders who receive shares of common stock upon conversion of their 2009 Notes or exercise of their warrants.

Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common stock, including, among other things:

- our operating and financial performance and prospects;
- our ability to repay our debt;
- quarterly variations in operating results;
- investor perceptions of us and the industry and markets in which we operate;
- changes in earnings estimates or buy/sell recommendations by analysts; and
- general financial, domestic, international, economic and other market conditions.

In addition, the stock market in recent months has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common stock, regardless of our operating performance. In addition, sales of substantial amounts of our common stock in the public market, or the perception that those sales may occur, could cause the market price of our common stock to decline. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management.

These factors, among others, could significantly depress the trading price of the 2009 Notes, warrants, top-up rights and purchase rights and the price of our common stock issued upon conversion of the 2009 Notes and exercise of the warrants.

The conversion rate of the 2009 Notes may not be adjusted for certain dilutive events that may occur.

As described more fully herein, we will adjust the conversion rate of the 2009 Notes for certain events, including, among others:

- the issuance of stock dividends on our common stock;
- the issuance of certain rights or warrants;
- certain subdivisions and combinations of our capital stock;
- the distribution of capital stock, indebtedness, cash or other assets; and
- certain tender or exchange offers.

We will not adjust the conversion rate for other events, such as an issuance of common stock for cash or in connection with an acquisition, that may adversely affect the trading price of the notes or our common stock. If we engage in any of these types of transactions, the value of the common stock into which your notes may be convertible may be diluted. An event that adversely affects the value of the notes, but does not result in an adjustment to the conversion

rate, may occur.

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We may not be able to provide you with all of the shares of our common stock that you would otherwise be entitled to receive upon a conversion of the 2009 Notes, upon payment of interest in shares of our common stock or upon exercise of the warrants because the 2009 Notes and warrants contain a cap on the shares we may issue to any holder.

You will not be entitled to convert the 2009 Notes or exercise the warrants to the extent (and only to the extent) that such conversion or exercise would cause you (including your affiliates) to become, directly or indirectly, a beneficial owner (as defined within the meaning of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of more than 4.999% of the shares of our common stock outstanding at such time. This limitation also applies to our ability to pay interest in shares of our common stock. We refer to this limitation as the issuance cap.

We may not be able to provide you with all of the shares of our common stock that you would otherwise be entitled to receive upon a conversion of the 2009 Notes, upon payment of interest in shares of our common stock or upon exercise of the warrants because we do not have a sufficient number of shares of our common stock currently authorized and available for issuance.

We do not have a sufficient number of shares of our common stock currently authorized and available for issuance to allow for full conversion of the 2009 Notes, payment of interest in shares of our common stock or exercise of the warrants, and are required to seek stockholder approval at our next annual meeting of stockholders, or, alternatively, at a special meeting of stockholders, of, and to effect not later than the date that is 105 days from the date on which the first 2009 Note is issued:

(1) an increase the number of shares of our authorized common stock from 6,000,000,000 to at least [_____] and to reserve for issuance shares of our common stock sufficient to permit full conversion of all 2009 Notes that may be issued, to allow us to pay interest on all such 2009 Notes in shares of our common stock and to allow exercise of all warrants that we may issue in conjunction with the issuance of 2009 Notes; and

(2) a 1-_____ reverse stock split of our common stock.

We cannot assure you that we will be successful in obtaining approval to increase the authorized shares of our common stock or to effect a 1-_____ reverse stock split. If we fail to obtain approval for both of these proposals, you may not be able to fully convert the 2009 Notes or exercise the warrants. In addition, the failure to effect the increase in our authorized shares and the reverse stock split will trigger a default under the indenture governing the 2009 Notes.

We may not have the ability to pay principal or interest on the 2009 Notes when due.

The 2009 Notes mature on [ ], 2011 and bear interest semi-annually at a rate of [_____]% per annum. Absent additional financing, we will likely not have sufficient funds to pay the principal upon maturity or upon any acceleration thereof. In addition, we may not have sufficient funds to pay interest on the 2009 Notes. In addition, we may not be permitted to pay interest in shares of our common stock because of the equity conditions have not been met or because of the provisional and permanent limitations on conversion of the 2009 Notes. If we fail to pay principal or interest on the 2009 Notes when due, we will be in default under the indenture governing the 2009 Notes.

We are subject only to limited covenants in the indenture for the 2009 Notes, and these limited covenants may not protect your investment.

The indenture for the 2009 Notes does not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;
- restrict our ability to repurchase our securities; or
- restrict our ability to make investments or to pay dividends or make other payments in respect of our common stock or other securities.

Furthermore, the indenture governing the 2009 Notes will not restrict our ability to incur additional indebtedness, including additional secured indebtedness, or our ability to designate any secured indebtedness as senior to, or pari-passu with, the 2009 Notes. We could engage in many types of transactions, such as incurring additional

indebtedness or engaging in acquisitions, refinancings or recapitalizations, which could substantially affect our capital structure and the value of the 2009 Notes, warrants, top-up rights and purchase rights and our common stock. For these reasons, you should not consider the covenants in the indenture as a significant factor in evaluating whether to invest in the 2009 Notes, warrants, top-up rights and purchase rights.

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If an active and liquid trading market for the 2009 Notes, warrants, top-up rights and purchase rights does not develop, the market price of the 2009 Notes, warrants, top-up rights and purchase rights may decline and you may be unable to sell your 2009 Notes, warrants, top-up rights and purchase rights.

The 2009 Notes, warrants, top-up rights and purchase rights are a new issue of securities for which there is currently no public market. We do not intend to list the 2009 Notes, warrants, top-up rights and purchase rights on any national securities exchange. An active trading market is not expected to develop for the 2009 Notes, warrants, top-up rights and purchase rights. Even if a trading market for the 2009 Notes, warrants, top-up rights and purchase rights develops, the market may not be liquid. If an active trading market does not develop, you may be unable to resell your 2009 Notes, warrants, top-up rights and purchase rights or may only be able to sell them at a substantial discount.

Future issuances of common stock and hedging activities may depress the trading price of our common stock and the 2009 Notes, warrants, top-up rights and purchase rights.

Any issuance of equity securities by us after this offering, including the issuance of shares upon conversion of the 2009 Notes, warrants, top-up rights and purchase rights, could dilute the interests of our existing stockholders, including holders who have received shares upon conversion of their 2009 Notes or exercise of the warrants, and could substantially decrease the trading price of our common stock and the 2009 Notes, warrants, top-up rights and purchase rights. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy, for acquisitions, to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants or options, in order to satisfy obligations under debt that remains outstanding, or for other reasons. As of December 31, 2008, we had:

- 2,130,963 shares of common stock issuable upon exercise of stock options outstanding under our 1998 Stock Incentive Plan as of December 31, 2008 at a weighted average exercise price of $22.19 per share, of which, options to purchase 1,298,949 shares were exercisable;

- 102,267 shares of common stock issuable upon exercise of stock options outstanding under our 1998 Non-Employee Directors Stock Incentive Plan as of December 31, 2008 at a weighted average exercise price of $22.61 per share, of which, options to purchase 102,267 shares were exercisable;

- 153,541 shares of common stock available for future grant under our 1998 Non Employee Directors Stock Incentive Plan as of December 31, 2008;

- 40,000,000 shares of common stock issuable upon exercise of warrants outstanding as of December 31, 2008 at an exercise price of $0.02 per share;

- 1,181,482 shares of common stock issuable upon the conversion of our Series A Convertible Preferred Stock as of December 31, 2008; and

- 1,554,036,321 shares of common stock issuable upon the conversion of our 2008 Notes as of December 31, 2008, which upon completion of this offering, taking into account the anti-dilution adjustment and assuming a conversion price of $[___] per share, will become convertible into [___] shares of common stock.

In addition, the price of our common stock could also be affected by possible sales of our common stock by investors who view our convertible notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This hedging or arbitrage could, in turn, affect the trading price of the notes and any common stock that holders receive upon conversion of the notes.

Provisions in the indenture for the 2009 Notes, our charter documents and Delaware law could discourage an acquisition of us by a third party, even if the acquisition would be favorable to you.

The indenture for the 2009 Notes prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the 2009 Notes. These and other provisions, including the provisions of our charter documents and Delaware law described under Description of capital stock could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to you. In addition, in

September 2005, the Board of Directors adopted a stockholder rights plan and declared a dividend of one preferred stock purchase right, or right, for each outstanding share of our common stock, payable to holders of record as of the close of business on September 27, 2005. In addition, rights shall be issued in respect of all shares of common stock issued after such date, including the shares issued hereunder, pursuant to the plan. Generally, the rights become exercisable upon the earlier of the close of business on the tenth business day following the first public announcement that any person or group has become a beneficial owner of 15% or more of our common stock and the close of business on the tenth business day after the date of the commencement of a tender or exchange offer by any person which would, if consummated, result in such person becoming a beneficial owner of 15% or more of the our common stock.

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An adverse rating of the 2009 Notes may cause their trading price to fall.

We do not intend to seek a rating of the 2009 Notes. However, if a rating agency rates the 2009 Notes, it may assign a rating that is lower than investors expectations. Ratings agencies also may lower ratings on the 2009 Notes in the future. If rating agencies assign a lower-than-expected rating to the 2009 Notes or to our credit ratings in general or reduce, or indicate that they may reduce, their ratings in the future, the trading price of the 2009 Notes could significantly decline, the liquidity of any market for the 2009 Notes could be adversely impacted, our cost of financing could increase and our access to the capital markets could be limited. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time. Rating agencies may review the ratings assigned to the 2009 Notes due to developments that are beyond our control. We cannot assure you that any ratings on the 2009 Notes will not be downgraded in the near future.

You may have to pay US taxes if we adjust the conversion rate in certain circumstances, even if you do not receive any cash.

We will adjust the conversion rate of the 2009 Notes for stock splits and combinations, stock dividends, cash dividends and certain other events that affect our capital structure. If we adjust the conversion rate, you may be treated as having received a constructive distribution from us, resulting in taxable income to you for US federal income tax purposes, even though you would not receive any cash in connection with the conversion rate adjustment and even though you might not exercise your conversion right.

As a holder of 2009 Notes or warrants, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold 2009 Notes or warrants, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will have the rights with respect to our common stock only when we deliver shares of common stock to you upon conversion of your 2009 Notes or exercise of your warrants. For example, in the event that an amendment is proposed to our Certificate of Incorporation or code of regulations requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the date you are deemed to have received common stock upon conversion, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

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Recent actions taken by the SEC to address abusive short selling may not effectively prevent security holders from engaging in short sales, which could further contribute to downward pressure on the trading price of our common stock. At the same time, these actions may also make it more difficult and/or expensive to hedge positions in convertible securities.

The SEC recently adopted various rules and rule amendments to address potentially manipulative short selling activities, including adopting new anti-fraud rule, Rule 10b-21 under the Exchange Act to address naked short selling, amending Rule 203 of Regulation SHO to eliminate an exception for certain options market makers, and adopting new Rule 204T of Regulation SHO, which generally mandates that a sales transaction for common stock be closed out on the fourth day following the trade s date. In particular, Rule 10b-21 specifically provides that it is a manipulative or deceptive device or contrivance for any seller of equity securities of a public company to deceive its brokers about its intention or ability to deliver the relevant securities in time for settlement and to fail to deliver shares by the close of business on the trade s settlement date. As a result of the SEC s focus on closing out failures to deliver securities in connection with sales transactions, a holder of 2009 Notes may find it more difficult and/or expensive to hedge its investment. However, the full effects of the recent SEC actions, if any, are not clear, including whether such actions will deter short selling and the effect these rule changes will have on the market for convertible securities generally and on the market for the 2009 Notes.

Your rights in the collateral may be adversely affected by the failure to create, attach or perfect security interests in collateral.

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly created, attached to collateral and perfected, and its priority retained, through certain actions undertaken by the secured party. The liens on or against the collateral securing the 2009 Notes may not be properly created or attached, or perfected with respect to the claims of the notes, if the collateral agent is not able to take the actions necessary to create, attach or perfect any of these liens in a timely manner. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, can only be perfected at the time such property and rights are acquired and identified. We have limited obligations to create, attach and perfect the security interest of the holders of the notes in specified collateral. We cannot assure you that the trustee or the collateral agent for the notes will monitor, or that we will inform such trustee or collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly create, attach and perfect the security interest in such after-acquired collateral. The collateral agent for the 2009 Notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the creation, attachment or perfection of any security interest. Such failure may result in the loss of the security interest in the collateral or the priority of the security interest in favor of the 2009 Notes against third parties.

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In the event of our bankruptcy, the ability of the holders of the 2009 Notes to realize upon the collateral will be subject to certain bankruptcy law limitations.

The ability of holders of the 2009 Notes to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of our bankruptcy. Under federal bankruptcy law, secured creditors are prohibited from repossessing their security from a debtor in a bankruptcy case, or from disposing of security repossessed from such a debtor, without bankruptcy court approval, which may not be given. Moreover, applicable federal bankruptcy laws generally permit the debtor to continue to use and expend collateral, including cash collateral, and to provide liens senior to the liens of the collateral agent for the 2009 Notes, to secure indebtedness incurred after the commencement of a bankruptcy case, provided that the secured creditor either consents or is given adequate protection. Adequate protection could include cash payments or the granting of additional security, if and at such times as the presiding court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition of the collateral during the pendency of the bankruptcy case, the use of collateral (including cash collateral) and the incurrence of such senior indebtedness. In view of the lack of a precise definition of the term adequate protection and the broad discretionary powers of a US bankruptcy court, we cannot predict whether or when the collateral agent under the indenture for the notes could foreclose upon or sell the collateral, and the holders of the notes will not be compensated for any delay in payment or loss of value of the collateral through the provision of adequate protection, except to the extent of any grant of additional liens that are junior to the first-priority obligations.

The value of the collateral may not be sufficient to secure the full amount of your claims or entitle you to post-petition interest.

The 2009 Notes are secured by a second priority lien on our assets. However, as of December 31, 2008, we had approximately $15.5 million principal amount of 2008 Notes outstanding, which are senior to the 2009 Notes and have a first priority security interest in our assets. In addition, the indenture does not restrict our ability to issue additional secured indebtedness. Under the proposed terms of the intercreditor agreement, the 2009 Notes would not receive any proceeds from the collateral until the 2008 Notes and any other senior secured indebtedness has been paid in full. Furthermore, the 2009 Notes may be required to be share in any remaining proceeds from the collateral with any future secured debt that is pari-passu with the 2009 Notes. If the proceeds from the sale of our assets are insufficient to pay all amounts due under the senior secured debt and the 2009 Notes, then the holders of 2009 notes would only have an unsecured claim against our remaining assets, subordinated to the claims of any senior creditors and pari-passu with the claims of our trade creditors and other unsecured and unsubordinated indebtedness.

In any bankruptcy proceeding with respect to us, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the collateral with respect to the notes on the bankruptcy filing date was, after allowing for the satisfaction of the claims of senior creditors with respect thereto, less than the then-current principal amount of the notes. Upon a finding by the bankruptcy court that the notes are under-collateralized, the claims in the bankruptcy proceeding with respect to the notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral. Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of the notes to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of the notes to receive other adequate protection under federal bankruptcy laws. In addition, if any payments of post-petition interest had been made at the time of such a finding of under-collateralization, those payments could be recharacterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the notes.

No fair market value appraisal of the collateral was prepared in connection with this offering and we therefore cannot assure you that the note holders interest value in the collateral equals or exceeds the principal amounts of the notes, and we believe it is likely that such value of the collateral is less than the principal amounts of the notes. In addition, some or all of our assets may be illiquid and difficult to sell for full value and the ability of the holders of the 2009 Notes or the trustee to realize on the collateral may be subject to bankruptcy law limitations. Accordingly, the holders of the 2009 Notes would likely receive less than the amount of their investment upon our liquidation or reorganization.

Our use of the offering proceeds may not yield a favorable return on your investment.

We currently anticipate that the net proceeds from this offering will be used primarily for clinical development, research and development activities, commercialization expenses and for general corporate purposes. In addition, we may also use such proceeds to acquire equipment, potential licenses and acquisitions of complementary products, technologies or businesses. If we only raise three million dollars, our expenses will comprise approximately 7% of the aggregate offering proceeds. There is a substantial likelihood that we would need to raise additional funds within the next two months. If we only raise ten million dollars, our expenses will comprise approximately 2% of the aggregate offering proceeds. There is a substantial likelihood that we would need to raise additional funds before the end of 2009.

Pending the application of the net proceeds, we intend to invest the net proceeds in investment-grade, interest-bearing securities. Our management has broad discretion over how these proceeds are used and could spend the proceeds in ways with which you may not agree. Pending the use of the proceeds in this offering, we will invest them. However, the proceeds may not be invested in a manner that yields a favorable or any return.

As a new investor, you will incur substantial dilution as a result of this offering and future equity issuances, and as a result, our stock price could decline.

The offering price will be substantially higher than the net tangible book value per share of our outstanding common stock. As a result, based on our capitalization as of December 31, 2008, investors purchasing common stock in this offering will incur immediate dilution of $[___] per share, based on the assumed offering price of $[___] per share. We believe that following this offering, our current cash, cash equivalents and short-term investments, together with the anticipated proceeds from this offering, will be sufficient to fund our operations through the third quarter of 2009; however, our projected revenue may decrease or our expenses may increase and that would lead to our cash resources being consumed earlier than currently anticipated. In addition to this offering, subject to market conditions and other factors, we likely will pursue raising additional funds in the future, as we continue to build our business. In future years, we will likely need to raise significant additional funding to finance our operations and to fund clinical trials, regulatory submissions and the development, manufacture and marketing of other products under development and new product opportunities. Accordingly, we may conduct substantial future offerings of equity or debt securities. The exercise of outstanding options and warrants and future equity issuances, including future public offerings or future private placements of equity securities and any additional shares issued in connection with acquisitions, will also result in dilution to investors. In addition, the market price of our common stock could fall as a result of resales of any of these shares of common stock due to an increased number of shares available for sale in the market.

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FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements regarding management s plans and objectives for future operations including plans and objectives relating to our planned marketing efforts and future economic performance. The forward-looking statements and associated risks set forth in this prospectus include or relate to, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our ability to obtain and retain sufficient capital for future operations, and (e) our anticipated needs for working capital. These statements may be found under Management s Discussion and Analysis of Financial Condition and Results of Operations and Business , as well as in this prospectus generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under Risk Factors and matters described in this prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this prospectus will in fact occur.

The forward-looking statements herein are based on current expectations that involve a number of risks and uncertainties. Such forward-looking statements are based on assumptions that there will be no material adverse competitive or technological change in conditions in our business, that demand for our products and services will significantly increase, that our President will remain employed as such, that our forecasts accurately anticipate market demand, and that there will be no material adverse change in our operations or business or in governmental regulations affecting us or our manufacturers and/or suppliers. The foregoing assumptions are based on judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Accordingly, although we believe that the assumptions underlying the forward-looking statements are reasonable, any such assumption could prove to be inaccurate and therefore there can be no assurance that the results contemplated in forward-looking statements will be realized. In addition, as disclosed elsewhere in the Risk Factors section of this prospectus, there are a number of other risks inherent in our business and operations which could cause our operating results to vary markedly and adversely from prior results or the results contemplated by the forward-looking statements. Growth in absolute and relative amounts of cost of goods sold and selling, general and administrative expenses or the occurrence of extraordinary events could cause actual results to vary materially from the results contemplated by the forward-looking statements. Management decisions, including budgeting, are subjective in many respects and periodic revisions must be made to reflect actual conditions and business developments, the impact of which may cause us to alter marketing, capital investment and other expenditures, which may also materially adversely affect our results of operations. In light of significant uncertainties inherent in the forward-looking information included in this prospectus, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

Some of the information in this prospectus contains forward-looking statements that involve substantial risks and uncertainties. Any statement in this prospectus and in the documents incorporated by reference into this prospectus that is not a statement of an historical fact constitutes a forward-looking statement . Further, when we use the words may , expect , anticipate , plan , believe , seek , estimate , internal and similar words, we intend to identify s expressions that may be forward-looking statements. We believe it is important to communicate certain of our expectations to our investors. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions that could cause our future results to differ materially from those expressed in any forward-looking statements. Many factors are beyond our ability to control or predict. You are accordingly cautioned not to place undue reliance on such forward-looking statements. Important factors that may cause our actual results to differ from such forward-looking statements include, but are not limited to, the risk factors discussed below. Before you invest in our common stock, you should be aware that the occurrence of any of the events described under Risk Factors below or elsewhere in this prospectus could have a material adverse effect on our business, financial condition and results of operation. In such a case, the trading price of our common stock could decline and you could lose all or part of your investment.

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USE OF PROCEEDS

We estimate that the net proceeds to us from our sale of convertible debt securities in an aggregate principal amount of $[___] and warrants to purchase [___] shares of our common stock in this offering will be approximately $[___] million, assuming a public offering price of $[___] per share and after deducting estimated placement agent discounts and commissions and offering expenses payable by us. Each $0.10 increase or decrease in the assumed public offering price would increase or decrease, respectively, the net proceeds to us by approximately $[___], assuming the aggregate principal amount of convertible debt securities and warrants to purchase shares of our common stock offered by us, as set forth above, remains the same and after deducting placement agent discounts and commissions and estimated offering expenses.

Investors will be relying on the judgment of our management, who will have broad discretion regarding the application of the proceeds of this offering. The amounts and timing of our actual expenditures will depend upon numerous factors, including the amount of cash generated by our operations, our cash needs and the amount of competition we face. We may find it necessary or advisable to use portions of the proceeds from this offering for other purposes.

We intend to use our net proceeds of this offering approximately as follows:

65% to advance our lead product candidate Genasense® through clinical trials, especially for the long-term follow-up of patients entered into our Phase 3 trial of Genasense® in melanoma, known as AGENDA;

15% of the proceeds will be reserved to further advance clinical development of our next two clinical-stage pipeline products, tesetaxel and G4544. The clinical development plans for these products are described elsewhere in this document. However, there is no expectation that these funds will be sufficient to fully fund all expenses that we expect to incur in this effort, and additional funds will be required for this purpose; and

20% of the proceeds will be spent for general corporate purposes, including working capital needs, payment of accrued liabilities and potential acquisitions or licenses to intellectual property as may be needed to defend or expand our product portfolio as described below.

Our potential use of net proceeds for acquisitions may include the acquisition or licensing of marketed anti-cancer products or rights to potential new products or product candidates. Although we periodically evaluate acquisition and in-licensing opportunities, we currently have no commitments or agreements with respect to any specific acquisition or license.

Pending the uses described above, we intend to invest the net proceeds of this offering in short- to medium-term investment grade, interest-bearing securities.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We currently intend to retain our future earnings, if any, to finance the expansion of our business and do not expect to pay any cash dividends in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion and restrictions imposed by lenders, if any.

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CAPITALIZATION

The following table describes our capitalization as of December 31, 2008:

- on an actual basis; and
- on an as adjusted basis to give effect to our sale of convertible debt securities in an aggregate principal amount of $[___], which includes the top up rights and consent rights, [___] shares of our common stock issuable as payment for interest on the convertible debt securities and warrants to purchase [___] shares of our common stock in this offering at an assumed public conversion price of $[___] per share, after deducting estimated placement agent discounts and commissions and offering expenses.

You should read this capitalization table together with our consolidated financial statements and the related notes appearing at the end of this prospectus and the Management s Discussion and Analysis of Financial Condition and Results of Operations section and other financial information included in this prospectus.

	As of December 31, 2008	
	Actual	As Adjusted (unaudited)
	(in thousands)	
Convertible notes due June 7, 2010, $15,540 outstanding net of debt discount of ($11,186)	$ 4,354	$ [__]
Common stock, $.001 par value; 6,000,000,000 shares authorized, 486,724 shares issued and outstanding at December 31, 2008 and [___] shares issued and outstanding at December 31, 2008 (as adjusted)	487	[__]
Preferred stock, 5,000 authorized:		
Series A convertible preferred stock, $.001 par value; 8 shares issued and outstanding, liquidation value of $385 at December 31, 2008 (actual and as adjusted)		
Series G participating cumulative preferred stock, $.001 par value; 0 shares issued and outstanding at December 31, 2008 (actual and as adjusted)		
Additional paid-in capital	938,775	[__]
Accumulated deficit	(944,126)	(944,630)
Total stockholders (deficit)/ equity	(4,864)	[__]
Total capitalization	$ (510)	$ [__]

The number of shares of our common stock that will be outstanding after this offering is based on 486,723,939 shares of common stock outstanding as of December 31, 2008. This amount excludes:

- 2,130,963 shares of common stock issuable upon exercise of stock options outstanding under our 1998 Stock Incentive Plan as of December 31, 2008 at a weighted average exercise price of $22.19 per share, of which, options to purchase 1,298,949 shares were exercisable;
- 102,267 shares of common stock issuable upon exercise of stock options outstanding under our 1998 Non-Employee Directors Stock Incentive Plan as of December 31, 2008 at a weighted average exercise price of $22.61 per share, of which, options to purchase 102,267 shares were exercisable;

153,541 shares of common stock available for future grant under our 1998 Non Employee Directors Stock Incentive Plan as of December 31, 2008;

40,000,000 shares of common stock issuable upon exercise of warrants outstanding as of December 31, 2008 at an exercise price of $0.02 per share;

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1,181,482 shares of common stock issuable upon the conversion of our Series A Convertible Preferred Stock as of December 31, 2008; and

1,554,036,321 shares of common stock issuable upon the conversion of our 15% Senior Secured Convertible Notes due 2010 as of December 31, 2008.

Unless otherwise indicated, all information in this prospectus assumes no conversion of convertible notes or preferred stock and no exercise of stock options after December 31, 2008.

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DILUTION

Our net tangible book value as of December 31, 2008 was approximately $(4.9) million, or $(0.01) per share of common stock. Net tangible book value per share is determined by dividing our total tangible assets less total liabilities by the actual number of outstanding shares of our common stock. After giving effect to our issuance of convertible debt securities in an aggregate principal amount of $[___], which includes the top up rights and consent rights, [___] shares of our common stock issuable as payment for interest on the convertible debt securities and warrants to purchase [___] shares of our common stock in this offering at an assumed conversion price of $[___] per share, and after deducting estimated placement agent discounts and commissions and offering expenses payable by us, our net tangible book value as of December 31, 2008 would have been $[___] million or $[___] per share of common stock. This represents an immediate increase in pro forma net tangible book value of $[___] per share to our existing stockholders and an immediate dilution of $[___] per share to new investors in this offering. The following table illustrates this per share dilution:

Assumed public offering price per share		$ [__]
Net tangible book value per share as of December 31, 2008	$ (0.01)	
Increase per share attributable to new investors	[__]	
Pro forma net tangible book value per share after this offering		[__]
Dilution per share to new investors		$ [__]

Dilution per share to new investors is determined by subtracting pro forma net tangible book value per share after this offering from the assumed conversion price per share paid by a new investor. If any shares are issued in connection with outstanding you will experience further dilution.

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DESCRIPTION OF BUSINESS

Overview

We are a biopharmaceutical company engaged in pharmaceutical (drug) research and development. We are dedicated to the identification, development and commercialization of novel drugs for the treatment of cancer and related diseases. Our research portfolio consists of two major programs: DNA/RNA Medicines (which includes our lead oncology drug, Genasense®); and Small Molecules (which includes our marketed product, Ganite®, and the investigational compounds tesetaxel and G4544).

The DNA/RNA Medicines program includes drugs that are based on using modifications of either DNA or RNA as drugs that can be used to treat disease. These technologies include antisense, decoys, and small interfering or micro RNAs. Our lead drug from this program is an investigational antisense compound known as Genasense® (oblimersen sodium injection). Genasense® is designed to disrupt a specific mRNA, which then block the production of a protein known as Bcl-2. Current science suggests that Bcl-2 is a fundamental (although not sole) cause of the inherent resistance of cancer cells to anticancer treatments, such as chemotherapy, radiation, and monoclonal antibodies. While Genasense® has displayed some anticancer activity when used alone, we are developing the drug primarily as a means of amplifying the cytotoxic effects of other anticancer treatments.

Genasense® has been studied in combination with a wide variety of anticancer drugs in a number of different cancer indications. We have reported results from randomized trials of Genasense® in a number of diseases. Under our own sponsorship or in collaboration with others, we are currently conducting additional clinical trials. We are especially interested in the development, regulatory approval, and commercialization of Genasense® in at least three diseases: melanoma; chronic lymphocytic leukemia (CLL); and non-Hodgkin s lymphoma (NHL).

Genasense® has been submitted for regulatory approval in the U.S. on two occasions and to the European Union (EU) once. These applications proposed the use of Genasense® plus chemotherapy for patients with advanced melanoma (U.S. and EU) and relapsed or refractory chronic lymphocytic leukemia (CLL) (U.S.-only). None of these applications was approved. At present, an appeal of a denial of a New Drug Application (NDA) for CLL is pending before the FDA. Nonetheless, we believe that Genasense® can ultimately be approved and commercialized for both of these indications, as well as for other diseases, and we have undertaken a number of initiatives in this regard that are described below. We are finalizing accrual of patients to a second randomized Phase 3 study in patients with advanced melanoma, known as AGENDA, that should complete in 2009.

The initial NDA for Genasense® in melanoma was withdrawn in 2004 after an advisory committee to FDA failed to recommend approval. A negative decision was also received for a similar application in melanoma from the European Medicines Agency (EMEA) in 2007. Data from the Phase 3 trial that comprised the primary basis for these applications were published in a peer-reviewed journal in 2006. These results showed that treatment with Genasense® plus dacarbazine compared with dacarbazine alone in patients with advanced melanoma was associated with a statistically significant increase in overall response, complete response, durable response, and progression-free survival (PFS). However, the primary endpoint of overall survival approached but did not quite reach statistical significance (P=0.077). Subsequently, our analysis of this trial showed that there was a significant treatment interaction effect related to levels of a blood enzyme known as LDH. When this effect was analyzed by treatment arm, survival was shown to be significantly superior for patients with a non-elevated LDH who received Genasense® (P=0.018; n=508). Moreover, this benefit was particularly noteworthy for patients whose baseline LDH did not exceed 80% of the upper limit of normal for this lab value. LDH had also been previously described by others as the single most important prognostic factor in advanced melanoma.

Based on these data, as noted above, in August 2007 we initiated a new Phase 3 trial of Genasense® plus chemotherapy in advanced melanoma. This trial, known as AGENDA, is a randomized, double-blind, placebo-controlled study in which patients are randomly assigned to receive Genasense® plus dacarbazine or dacarbazine alone. The study uses LDH as a biomarker to identify patients who are most likely to respond to Genasense®, based on data obtained from our preceding trial in melanoma. The co-primary endpoints of AGENDA are progression-free survival (PFS) and overall survival.

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AGENDA is designed to expand evidence for the safety and efficacy of Genasense® when combined with dacarbazine for patients who have not previously been treated with chemotherapy. The study prospectively targets patients who have low-normal levels of LDH. We expect to enroll approximately 300 subjects at approximately 80 sites worldwide in this trial. Genasense® in melanoma has been designated an Orphan Drug in Australia and the United States, and the drug has Fast Track designation in the United States. Data on the final assessment of PFS and an interim assessment of overall survival are expected in 2009. If these data are positive, we expect to discuss these results with the FDA and EMEA and to secure agreement from these agencies that Genta may commence submission of new regulatory applications for the approval of Genasense® plus chemotherapy in patients with advanced melanoma. Approval by FDA and EMEA will allow Genasense® to be commercialized by us in the U.S. and in the European Union.

Given our belief in the activity of Genasense® in melanoma, we have initiated additional clinical studies in this disease. One such study is a Phase 2 trial of Genasense® plus a chemotherapy regimen consisting of Abraxane® (paclitaxel albumen) plus temozolomide (Temodar®). We also expect to examine different dosing regimens that will improve the dosing convenience and commercial acceptance of Genasense®, including its administration by brief IV infusions over 1 to 2 hours.

As noted above, our initial NDA for the use of Genasense® plus chemotherapy in patients with relapsed or refractory CLL was not approved. We conducted a randomized Phase 3 trial in 241 patients with relapsed or refractory CLL who were treated with fludarabine and cyclophosphamide (Flu/Cy) with or without Genasense®. The trial achieved its primary endpoint: a statistically significant increase (17% vs. 7%; P=0.025) in the proportion of patients who achieved a complete response (CR), defined as a complete or nodular partial response. Patients who achieved this level of response also experienced disappearance of predefined disease symptoms. A key secondary endpoint, duration of CR, was also significantly longer for patients treated with Genasense® (median > 36 months in the Genasense® group, versus 22 months in the chemotherapy-only group).

Other secondary endpoints were not improved by the addition of Genasense®. The percentage of patients who experienced serious adverse events was increased in the Genasense® arm; however, the percentages of patients who discontinued treatment due to adverse events were equal in the treatment arms. The incidence of certain serious adverse reactions, including, but not limited to, nausea, fever and catheter-related complications, was increased in patients treated with Genasense®.

We submitted our NDA to the FDA in December 2005 in which we sought accelerated approval for the use of Genasense® in combination with Flu/Cy for the treatment of patients with relapsed or refractory CLL who had previously received fludarabine. In December 2006, we received a non-approvable notice for that application from FDA. However, we believed that our application met the regulatory requirements for approval, in April 2007, we filed an appeal of the non-approvable notice using FDA s Formal Dispute Resolution process. In March 2008, we received a formal notice from FDA s Center for Drug Evaluation and Research (CDER) that indicated additional confirmatory evidence would be required to support approval of Genasense® in CLL. In that communication, FDA recommended two alternatives for exploring that confirmatory evidence. One option was to conduct an additional clinical trial. The other option was to collect additional information regarding the clinical course and progression of disease in patients from the completed trial. We have elected to pursue both of these options.

For the first option, we submitted a new protocol in the second quarter of 2008 that sought Special Protocol Assessment (SPA) from the FDA and Scientific Advice from the EMEA. This protocol is similar in design to the completed trial and uses the same chemotherapy and randomization scheme. The major difference is that the trial focuses on the patient population who derived maximal benefit in the completed trial. This group is characterized by patients who had received less extensive chemotherapy prior to entering the trial and who were defined as being non-refractory to fludarabine. We have deferred initiation of this trial until we receive a response to the second option, described below.

For the second option, we sought information regarding long-term survival on patients who had been accrued to our already completed Phase 3 trial. At a scientific meeting in June 2008, we announced the results of long-term follow-up from the completed Phase 3 trial that comprised the original NDA. With 5 years of follow-up, we showed that patients treated with Genasense® plus chemotherapy who achieved either a complete response (CR) or a partial

response (PR) had also achieved a statistically significant increase in survival.

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Previous analyses had shown a significant survival benefit accrued to patients in the Genasense® group who attained CR. Extended follow-up showed that all major responses (CR+PR) achieved with Genasense® were associated with significantly increased survival compared with all major responses achieved with chemotherapy alone (median = 56 months vs. 38 months, respectively). After 5 years of follow-up, 22 of 49 (45%) responders in the Genasense® group were alive compared with 13 of 54 (24%) responders in the chemotherapy-only group (hazard ratio = 0.6; P = 0.038). Moreover, with 5 years of follow-up, 12 of 20 patients (60%) in the Genasense® group who achieved CR were alive, 5 of these patients remained in continuous CR without relapse, and 2 additional patients had relapsed but had not required additional therapy. By contrast, only 3 of 8 CR patients in the chemotherapy-only group were alive, all 3 had relapsed, and all 3 had required additional anti-leukemic treatment.

We believe that the significant survival benefit associated with major responses to Genasense® may provide the confirmatory evidence of clinical benefit that was requested by FDA. We submitted these new data to FDA in the second quarter of 2008, and the submission was accepted by the FDA as a complete response to the non-approvable decision letter. In December 2008, we received a complete response letter from the Office of Oncology Drug Products (OODP) at the FDA, indicating that the Division cannot approve the NDA in its present form and suggested the need for an additional clinical study. We have appealed this decision to CDER and expect a decision on this appeal in the first half of 2009.

As with melanoma, Genta believes the clinical activity in CLL should be explored with additional clinical research. We plan to explore combinations of Genasense® with other drugs that are used for the treatment of CLL, and to examine more convenient dosing regimens.

Lastly, several trials have shown definite evidence of clinical activity for Genasense® in patients with non-Hodgkin s lymphoma (NHL). We would like to conduct additional clinical studies in patients with NHL to test whether Genasense® can be approved in this indication. Previously, we reported that randomized trials of Genasense® in patients with myeloma, acute myeloid leukemia, (AML), hormone-refractory prostate cancer (HRPC), small cell lung cancer and non small cell lung cancer were not sufficiently positive to warrant further investigation on the dose-schedules that were examined or with the chemotherapy that was employed in these trials. Data from these trials have been presented at various scientific meetings. However, we believe that alternate dosing schedules, in particular the use of brief high-dose IV infusions, provide an opportunity to re-examine the drug s activity in some of these indications.

On March 7, 2008, we obtained an exclusive worldwide license for tesetaxel, a novel taxane compound that is taken by mouth. Tesetaxel has completed Phase 2 trials in a number of cancer types, and the drug has shown definite evidence of antitumor activity in gastric cancer and breast cancer. Tesetaxel also appears to be associated with a lower incidence of peripheral nerve damage, a common side effect of taxanes that limits the maximum amount of these drugs that can be given to patients. At the time we obtained the license, tesetaxel was on clinical hold by FDA and other regulatory agencies due to the occurrence of several fatalities in the setting of severe neutropenia. In the second quarter of 2008, we filed a response to the FDA requesting a lift of the clinical hold, which was granted on June 23, 2008. We received notice from FDA that tesetaxel has been granted designation as an Orphan Drug for treatment of patients with advanced melanoma in December 2008, and for treatment of patients with advanced gastric cancer in January 2009. Orphan drug status provides for a period of marketing exclusivity, certain tax benefits, and an exemption from certain fees upon submission of a NDA. In January 2009, we announced that we had initiated a new clinical trial with tesetaxel that will examine the clinical pharmacology of the drug over a narrow dosing range around the established Phase 2 dose.

The tesetaxel program seeks to secure a first-to-market advantage for tesetaxel relative to other oral taxanes. We believe success in this competitive endeavor will maximize return to stockholders. Accordingly, we have identified three oncology indications in which we believe tesetaxel may have sufficient efficacy and safety to warrant regulatory approval. We believe it may be possible to secure regulatory approval in these indications on the basis of endpoints that can be achieved in clinical trials that may be relatively limited in scope. We submitted a proposed trial design to FDA for Special Protocol Assessment in gastric cancer in February 2009.

In addition to these three smaller indications, we are interested in examining the activity of tesetaxel in patients with hormone-refractory prostate cancer (HRPC) and in breast cancer. Docetaxel (Taxotere®) is the only taxane

approved for first-line use in patients with HRPC. Although docetaxel has been shown to extend survival in

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men with HRPC, its use is associated with a high incidence of moderate-to severe toxicity. If tesetaxel is shown to be active in HRPC, we believe its safety profile may be substantially superior to docetaxel and may supplant that drug for first-line use in this indication. However, the development of drugs in this indication is very costly. Additional funding will be required to support the extended clinical testing that will be required to secure regulatory approval in HRPC. As previously noted, the Phase 2a study previously conducted in patients with advanced breast cancer was positive and yielded an overall response rate of 38%.

Our third pipeline product is G4544, which is a novel oral formulation of a gallium-containing compound that we developed in collaboration with Emisphere Technologies, Inc. We completed a single-dose Phase 1 study of an initial formulation of this new drug known as G4544(a) and the results were presented at a scientific meeting in the second quarter of 2008. We are planning another study using a modified formulation, known as G4544(b) . The FDA has indicated that a limited, animal toxicology study in a single species will be required prior to initiation of multi-dose studies of G4544(b). Progress in the clinical development of G4544 program was delayed in 2008 due to financial constraints, but we currently expect to continue our program when our financial condition improves.

We currently intend to pursue a 505(b)(2) strategy to establish bioequivalence to our marketed product, Ganite®, for the initial regulatory approval of G4544. However, we believe this drug may also be useful for treatment of other diseases associated with accelerated bone loss, such as bone metastases, Paget s disease and osteoporosis. In addition, new uses of gallium-containing compounds have been identified for treatment of certain infectious diseases. While we have no current plans to begin clinical development in the area of infectious disease, we intend to support research conducted by certain academic institutions by providing clinical supplies of our gallium-containing drugs.

Lastly, we have announced our intention to seek a buyer for Ganite®, our sole marketed product. Our financial constraints have prevented us from investing in adequate commercial support for Ganite®, and the intellectual property that provided us with an exclusive position in the United States has now expired.

We maintain an active Business Development program. We are seeking development and commercialization partners for our existing products and are seeking to acquire additional drugs that will enhance the value of our pipeline to our stockholders**.**

Summary of Business and Research and Development Programs

Our goal is to establish Genta as a biopharmaceutical leader and preferred partner in the oncology market and eventually, as direct marketers of our products in the United States. Our key strategies in this regard are:

Build on our core competitive strength of oncology development expertise to establish a leadership position in providing biopharmaceutical products for the treatment of cancer.

Expand our pipeline of products in two therapeutic categories, DNA/RNA Medicines and Small Molecules, through internal development, licensing and acquisitions.

Establish our lead antisense compound, Genasense®, as the preferred chemosensitizing drug for use in combination with other cancer therapies in a variety of human cancer types; and

Establish a sales and marketing presence in the U.S. oncology market.

Research and Development Programs

DNA/RNA Medicines

A number of technologies have been developed using modifications of DNA or RNA. These agents have been used as scientific tools for laboratory use to identify gene function, as diagnostic probes to evaluate diseases, and more recently as potential drugs to treat human diseases. Collectively, these technologies include methods known as antisense, RNA interference, micro-RNA, decoys and gene therapy. Founded in 1988, Genta was one of the first companies established to exploit these new technologies for use as potential drugs and we remain broadly committed to research and development of these compounds with a specific focus on cancer medicine, commonly

known as oncology. Our most advanced drugs in our DNA/RNA Medicines program involve the use of antisense technology.

Antisense Technology

Most cellular functions, including whether cells live or die, are carried out by proteins. The genetic code for a protein is contained in DNA, which is made up of bases known as nucleotides that are arranged in a specific sequence. The specificity of the sequence accounts for the production of a specific protein. In order for DNA to produce a protein, an intermediate step is required. In this step, DNA is transcribed into messenger RNA, or mRNA. The sequence of mRNA that encodes a protein is oriented in only one direction, which is known as the sense orientation.

Antisense drugs are short sequences of chemically modified DNA bases that are called oligonucleotides, or oligos. The oligos are engineered in a sequence that is exactly opposite (hence anti) to the sense coding orientation of mRNA. Because antisense drugs bind only short regions of the mRNA (rather than the whole message itself), they contain far fewer nucleotides than the whole gene. Moreover, since they are engineered to bind only to the matching sequence on a specific mRNA, antisense drugs have both high selectivity and specificity, which can be used to attack production of a single, disease-causing protein. Genasense® is an antisense oligo that is designed to block the production of Bcl-2.

We have devoted significant resources towards the development of antisense oligos that contain a phosphorothioate backbone, which is the nucleotide chain comprised of ribose and phosphate groups. However, we also have patents and technologies covering later generation technologies that involve mixed backbone structures, as well as sterically fixed chemical bonds, that may further enhance the molecule s ability to bind to the intended target. Moreover, we have developed certain formulations that can be used to more efficiently increase the uptake of oligos into cells. Some of these advanced technologies may be incorporated into future products from our DNA/RNA Medicines program.

Genasense® as a Regulator of Apoptosis (Programmed Cell Death)

The programmed death of cells, also known as apoptosis, is necessary to accommodate the billions of new cells that are produced daily and also to eliminate aged or damaged cells. However, abnormal regulation of the apoptotic process can result in disease.

Cancer is commonly associated with the over- or under-production of many types of proteins. These proteins may be directly cancer-causing (i.e., oncogenic) or they may contribute to the malignant nature of cancer (for instance, by increasing the longevity of cancer cells or making them more likely to spread throughout the body). The ability to selectively halt the production of certain proteins may make the treatment of certain diseases more effective. Apoptosis is regulated by a large number of proteins, particularly members of the Bcl-2 protein family. In an effort to make existing cancer therapy more effective, we are developing Genasense® to target and block the production of Bcl-2, a protein that is central to the process of apoptosis.

Bcl-2 as an Inhibitor of Programmed Cell Death

Normally, when a cancer cell is exposed to treatment, such as with chemotherapy, radiation or immunotherapy, a death signal is sent to an organelle within the cell called the mitochondrion. The mitochondrion then releases a factor known as cytochrome C that activates a series of enzymes called caspases. These enzymes cause widespread fragmentation of cellular proteins and DNA, which ultimately causes cell death.

Bcl-2 is normally found in the mitochondrial membrane where it regulates the release of cytochrome C. High levels of Bcl-2 are associated with most types of human cancer, including major hematologic cancers such as lymphomas, myeloma, and leukemia, and solid tumors such as melanoma and cancers of the lung, colon, breast and prostate. In these diseases, Bcl-2 inhibits the release of cytochrome C that would ordinarily be triggered by cancer therapy. Thus, Bcl-2 appears to be a major contributor to both inherent and acquired resistance to cancer treatments. Overcoming resistance to chemotherapy poses a major challenge for cancer treatment.

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In cancer cells, Bcl-2 inhibits the process of programmed cell death, thereby allowing cells to survive for much longer than normal cells. Genasense® has been developed as a chemosensitizing drug to block production of Bcl-2, thereby dramatically increasing the sensitivity of cancer cells to standard cancer treatment.

Genasense®

Genasense® has been designed to block the production of Bcl-2. Current science suggests that Bcl-2 is a fundamental although not sole cause of the inherent resistance of cancer cells to most types of existing anticancer treatments, such as chemotherapy, radiation or monoclonal antibodies. Blocking Bcl-2, therefore, may enable cancer treatments to be more effective. While Genasense® has displayed some anticancer activity when used by itself, we believe the drug can be optimally used as a means of amplifying the effectiveness of other cancer therapies, most of which function by triggering apoptosis, which, as noted, is relatively blocked in cancer cells due to over-production of Bcl-2.

Overview of Preclinical and Clinical studies of Genasense®

Preclinical Studies

A number of preclinical studies in cell lines and in animals have shown enhancement of tumor cell killing when Bcl-2 antisense was used in combination with standard cancer therapies, including anti-metabolites, alkylating agents, corticosteroids, other cytotoxic chemotherapy, radiation and monoclonal antibodies. Several studies have demonstrated enhanced antitumor activity and durable tumor regression in animals engrafted with human cancers that were treated with Bcl-2 antisense followed by antitumor agents that induce programmed cell death. These studies include human lymphoma, melanoma, breast cancer and prostate cancers, which were treated with Genasense® in combination with cyclophosphamide, dacarbazine, docetaxel and paclitaxel, respectively.

Clinical Studies

Genasense® has been in clinical trials since 1995. We currently have efficacy and safety data on over 2,000 patients in Phase 1, Phase 2 and Phase 3 clinical trials that have been conducted in the U.S., Europe, South America and Australia. These studies have included patients with a wide variety of tumor types, including advanced melanoma, several types of acute and chronic leukemia, NHL, multiple myeloma and cancers of the prostate, colon, lung, breast and other tumor types. Since 2001, Genta and its collaborators have jointly initiated approximately twenty clinical trials. Results of these clinical trials suggest that Genasense® can be administered to cancer patients with acceptable side-effects and that such treatment may reduce the level of Bcl-2 protein in cancer cells. The results of most of these trials have been publicly presented at scientific meetings and/or published in peer-reviewed scientific journals.

Based on work accomplished to date, we have focused on three indications for Genasense®: melanoma; CLL; and non-Hodgkin s lymphoma. In addition, we have sought to develop treatment methods for Genasense® that do not involve the use of continuous IV infusions.

In August 2007, we announced that the first patients had been enrolled in a confirmatory Phase 3 trial of Genasense® plus chemotherapy in advanced melanoma. The trial, known as AGENDA, is a randomized, double-blind, placebo-controlled study in which patients are randomly assigned to receive Genasense® plus dacarbazine, referred to as DTIC, or DTIC alone. The study targets patients using LDH as a biomarker to identify patients who may be most likely to respond, based on data obtained from our preceding trial in melanoma. We expect that AGENDA will accrue approximately 300 patients, a target that should be achieved in the first quarter of 2009. In the fourth quarter of 2007, we reported initial results from a non-randomized trial using Genasense® combined with temozolomide, also known as Temodar®, plus Abraxane®, also known as albumen bound paclitaxel.

While our appeal with respect to CLL has been pending with FDA, we have deferred making a decision on the conduct of future trials in this indication. Finally, although several non-randomized trials have shown activity of Genasense® in patients with advanced non-Hodgkin s lymphoma, we have not initiated any registration-quality trials in this indication due to funding constraints.

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In the first quarter of 2007, we completed a trial using a concentrated solution of Genasense® administered by bolus subcutaneous injection. This trial showed that a total dose of 225 mg could be administered as a single subcutaneous injection, which is approximately equivalent to the daily dose used in the Phase 3 trial of Genasense® in CLL. The limiting reaction in this study was a localized and reversible skin rash. In 2007, we began a new Phase 1 trial of Genasense® administered as an IV infusion over 2 hours. This trial showed that the maximally tolerable dose was 900 mg, and we have now advanced that study into a trial at that dose administered twice per week. We have also continued to escalate the single dose of Genasense® up to a total of 1200 mg over 2 hours. The pharmacokinetic and pharmacodynamic data from these trials may be useful for determining whether the prior requirement for treatment by continuous IV infusion can ultimately be eliminated by these more convenient dosing regimens.

For additional background information on the drug application process and clinical trials, see Government Regulation.

Ganite®

Ganite® as a Treatment for Cancer-Related Hypercalcemia

On October 6, 2003, we began marketing Ganite® for the treatment of cancer-related hypercalcemia. Ganite® is our first drug to receive marketing approval. The principal patent covering the use of Ganite® for its approved indication, including potential extensions under Hatch-Waxman provisions in the U.S., expired in April 2005.

Hypercalcemia is a life-threatening condition caused by excessive buildup of calcium in the bloodstream, which may occur in up to 20% of cancer patients. Gallium nitrate was originally studied by the NCI as a new type of cancer chemotherapy. More than 1,000 patients were treated in Phase 1 and Phase 2 trials, and the drug showed promising antitumor activity against NHL, bladder cancer and other diseases. In the course of these studies, gallium nitrate was also shown to strongly inhibit bone resorption. Gallium nitrate underwent additional clinical testing and was approved by the FDA in 1991 as a treatment for cancer-related hypercalcemia. Lower doses of Ganite® were also tested in patients with less severe bone loss, including bone metastases, a cancer that has spread to bone, Paget s disease, an affliction of older patients that causes pain and disability, and osteoporosis.

Side effects of Ganite® include nausea, diarrhea and kidney damage. (A complete listing of Ganite® s side effects is contained in the product s Package Insert that has been reviewed and approved by the FDA.)

In May 2004, we eliminated our sales force and significantly reduced our marketing support for Ganite®. Since then, we have continued only minimal marketing support of the product. On March 2, 2006, we announced publication of a randomized, double blind, Phase 2 trial that showed Ganite® was highly effective when compared with Aredia® (pamidronate disodium; Novartis, Inc.) in hospitalized patients with cancer-related hypercalcemia.

Ganite® as a Treatment for Non-Hodgkin s Lymphoma and Other Cancer Types

Based on previously published data, Ganite® showed clear anticancer activity in patients with certain types of cancer, particularly NHL. Due to patent expirations previously described, we do not plan further clinical trials for Ganite® as an anticancer drug.

Other Pipeline Products and Technology Platforms

Oral Gallium-Containing Compounds

We have sought to develop novel formulations of gallium-containing compounds that can be taken orally and that will have extended patent protection. Such formulations might be useful for diseases in which long-term low-dose therapy is deemed desirable, such as bone metastases, Paget s disease and osteoporosis. In March 2006, Genta and Emisphere Technologies, Inc. announced that the two companies had entered into an exclusive worldwide licensing agreement to develop an oral formulation of a gallium-containing compound. A number of candidate formulations have been developed in this collaboration. In August 2007, we announced submission of an

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Investigational New Drug Application, or IND, to the Endocrinologic and Metabolic Drugs Division of the FDA for a new drug known as G4544. G4544 is a new tablet formulation that enables oral absorption of the active ingredient contained in Ganite®. Results of the initial clinical trial were presented at a scientific meeting in the second quarter of 2008. In January 2009, we announced that two new patents related to the Company s franchise in gallium-containing products have issued in the United States. Applications similar to these patents are pending worldwide, and several additional applications that address other compositions and uses have been filed in the U.S. and other territories. These patents and filings provide for claims of compositions and uses of gallium compounds that can be taken by mouth over extended periods for treatment of skeletal diseases as well as other indications. Progress in the clinical development of G4544 program was delayed in 2008 due to financial constraints, but we currently expect to continue our program when our financial condition improves.

Antisense and RNAi Research and Discovery

We have had several other oligonucleotide-based discovery programs and collaborations devoted to the identification of both antisense- and RNAi-based inhibitors of oncology gene targets. However, spending on these research programs was sharply reduced due to financial constraints. We have no current agents that we consider lead compounds that would justify advancement into late-stage preclinical testing.

We intend to continue to evaluate novel nucleic acid chemistries, through sponsored research and collaborative agreements, depending upon the availability of resources.

Patents and Proprietary Technology

It is our policy to protect our technology by filing patent applications with respect to technologies important to our business development. To maintain our competitive position, we also rely upon trade secrets, unpatented know-how, continuing technological innovation, licensing opportunities and certain regulatory approvals (such as orphan drug designations).

We own or have licensed several patents and applications to numerous aspects of oligonucleotide technology, including novel compositions of matter, methods of large-scale synthesis, methods of controlling gene expression and methods of treating disease. our patent portfolio includes approximately 65 granted patents and 66 pending applications in the U.S. and foreign countries. We endeavor to seek appropriate U.S. and foreign patent protection on our oligonucleotide technology.

We have licensed ten U.S. patents relating to the composition of Genasense® and its backbone chemistry that expire between 2008 and 2015. The U.S. composition patents for Genasense may be eligible for extension under Waxman-Hatch provisions. Corresponding patent applications have been filed in three foreign countries. We also own five U.S. patent applications relating to methods of using Genasense® expected to expire in 2020 and 2026, with approximately 50 corresponding foreign patent applications and granted patents.

Included among our intellectual property rights are certain rights licensed from the NIH covering phosphorothioate oligonucleotides. We also acquired from the University of Pennsylvania exclusive rights to antisense oligonucleotides directed against the Bcl-2 mRNA, as well as methods of their use for the treatment of cancer. The claims of the University of Pennsylvania patents cover our proprietary antisense oligonucleotide molecules, which target the Bcl-2 mRNA, including Genasense® and methods employing them. Other related U.S. and corresponding foreign patent applications are still pending.

Tesetaxel, its potential uses, composition, and methods of manufacturing are covered under a variety of patents licensed exclusively from Daiichi Sankyo, Inc. We believe that composition-of-matter claims on tesetaxel extend to at least 2020 in the U.S. and Europe and to 2022 in Japan. A number of other patents have been filed worldwide for this compound.

The principal patent covering the use of Ganite® for its approved indication, including extensions expired in April 2005.

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The patent positions of biopharmaceutical and biotechnology firms, including Genta, can be uncertain and can involve complex legal and factual questions. Consequently, even though we are currently pursuing our patent applications with the United States and foreign patent offices, we do not know whether any of our applications will result in the issuance of any patents, or if any issued patents will provide significant proprietary protection, or even if successful that these patents will not be circumvented or invalidated. Even if issued, patents may be circumvented or challenged and invalidated in the courts. Because some applications in the United States are kept in secrecy until an actual patent is issued, we cannot be certain that others have not filed patent applications directed at inventions covered by our pending patent applications, or that we were the first to file patent applications for such inventions. Thus, we may become involved in interference proceedings declared by the U.S. Patent and Trademark Office (or comparable foreign office or process) in connection with one or more of our patents or patent applications to determine priority of invention, which could result in substantial costs to us, as well as an adverse decision as to priority of invention of the patent or patent application involved.

Competitors or potential competitors may have filed applications for, or have received patents and may obtain additional patents and proprietary rights relating to, compounds or processes competitive with those of ours. Accordingly, there can be no assurances that our patent applications will result in issued patents or that, if issued, the patents will afford protection against competitors with similar technology. We cannot provide assurance that any patents issued to us will not be infringed or circumvented by others, nor can there be any assurance that we will obtain necessary patents or technologies or the rights to use such technologies.

In addition, there may be patents which are unknown to us and which may block our ability to make, use or sell our product. We may be forced to defend ourselves against charges of infringement or we may need to obtain expensive licenses to continue our business. See the above Risk Factor entitled We may be unable to obtain or enforce patents, other proprietary rights and licenses to protect our business; we could become involved in litigation relating to our patents or licenses that could cause us to incur additional costs and delay or prevent our introduction of new drugs to market .

We also rely upon unpatented trade secrets. No assurances can be given as to whether third parties will independently develop substantially equivalent proprietary information and techniques, or gain access to our trade secrets, or disclose such technologies to the public, or that we can meaningfully maintain and protect unpatented trade secrets.

We require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements with us. These agreements generally provide that all confidential information developed or made known to an individual during the course of the individual s relationship with us shall be kept confidential and shall not be disclosed to third parties except in specific circumstances. In the case of employees, the agreement generally provides that all inventions conceived by the individual shall be assigned to us, and made our exclusive property. There can be no assurance, however, that these agreements will provide meaningful protection to our trade secrets, or guarantee adequate remedies in the event of unauthorized use or disclosure of confidential proprietary information or in the event of an employee s refusal to assign any patents to us in spite of his/her contractual obligation.

Research and Development

In addition to our current focus in the areas described above, we continually evaluate our programs in light of the latest market information and conditions, the availability of third party funding, technological advances, financial liquidity and other factors. As a result of such evaluations, we change our product development plans from time to time and anticipate that we will continue to do so. We recorded research and development expenses of $20.0 million, $13.5 million and $28.1 million during the years ended December 31, 2008, 2007 and 2006, respectively.

Sales and Marketing

Currently we do not have a sales force. Personnel who had been hired into our sales teams were terminated following workforce reductions that took place in 2004 and 2006, owing to adverse regulatory decisions. W. Lloyd Sanders, who is presently Senior Vice President and Chief Operating Officer, was hired in January 2006 to run our sales and marketing programs.

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At the present time, we do not contemplate rebuilding a sales and marketing infrastructure in the United States absent favorable regulatory actions on Genasense®. For international product sales, we may distribute our products through collaborations with third parties.

Manufacturing and Raw Materials

Our ability to conduct clinical trials on a timely basis, to obtain regulatory approvals and to commercialize our products will depend in part upon our ability to manufacture our products, either directly or through third parties, at a competitive cost and in accordance with applicable FDA and other regulatory requirements, including current Good Manufacturing Practice regulations.

We currently rely on third parties to manufacture our products. We have a manufacturing and supply agreement with Avecia Biotechnology, Inc., or Avecia, a leading multinational manufacturer of pharmaceutical products, to supply quantities of Genasense®. This agreement renews automatically at the end of each year, unless either party gives one-year notice. We are not obligated to purchase further drug substance from Avecia prior to approval of Genasense®. We believe this agreement is sufficient for our production needs with respect to Genasense®.

We have a manufacturing and supply agreement with Johnson Matthey Inc. that renews automatically at the end of each year, unless either party gives one-year notice. Under the agreement, we will purchase a minimum of 80% of our requirements for quantities of Ganite®; however, there are no minimum purchase requirements.

The raw materials that we require to manufacture our drugs are available only from a few suppliers. Under the terms of our manufacturing and supply agreement, Avecia is responsible for procuring the raw materials needed to manufacture Genasense®. We believe that we have adequately addressed our needs for suppliers of raw materials to manufacture Genasense® and Ganite® and to meet future customer demand.

Human Resources

As of December 31, 2008, we had 25 employees, 8 of whom hold doctoral degrees. As of that date, there were 15 employees engaged in research, development and other technical activities and 10 in administration. None of our employees are represented by a union. Most of our management and professional employees have had prior experience and positions with pharmaceutical and biotechnology companies. We believe we maintain satisfactory relations with our employees and have not experienced interruptions of operations due to employee relations issues.

Government Regulation

Regulation by governmental authorities in the United States and foreign countries is a significant factor in our ongoing research and product development activities and in the manufacture and marketing of our proposed products. All of our therapeutic products will require regulatory approval by governmental agencies prior to commercialization. In particular, human therapeutic products are subject to rigorous preclinical and clinical testing and pre-market approval procedures by the FDA and similar authorities in foreign countries. Various federal, and in some cases, state statutes and regulations, also govern or affect the development, testing, manufacturing, safety, labeling, storage, recordkeeping and marketing of such products. The lengthy process of seeking these approvals, and the subsequent compliance with applicable federal and, in some cases, state statutes and regulations, require substantial expenditures. Any failure by us, our collaborators or our licensees to obtain, or any delay in obtaining, regulatory approvals could adversely affect the marketing of our products and our ability to receive products or royalty revenue.

The activities required before a new pharmaceutical agent may be marketed in the United States begin with preclinical testing. Preclinical tests include laboratory evaluation of product chemistry and animal studies to assess the potential safety and efficacy of the product and its formulations. The results of these studies must be submitted to the FDA as part of an IND. An IND becomes effective within 30 days of filing with the FDA unless the FDA imposes a clinical hold on the IND. In addition, the FDA may, at any time, impose a clinical hold on ongoing clinical trials. If the FDA imposes a clinical hold, clinical trials cannot commence or recommence, as the case may be, without prior FDA authorization, and then only under terms authorized by the FDA.

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Clinical trials are generally categorized into four phases.

Phase 1 trials are initial safety trials on a new medicine in which investigators attempt to establish the dose range tolerated by a small group of patients using single or multiple doses, and to determine the pattern of drug distribution and metabolism.

Phase 2 trials are clinical trials to evaluate efficacy and safety in patients afflicted with a specific disease. Typically, Phase 2 trials in oncology comprise 14 to 50 patients. Objectives may focus on dose-response, type of patient, frequency of dosing or any of a number of other issues involved in safety and efficacy.

In the case of products for life-threatening diseases, the initial human testing is generally done in patients rather than in healthy volunteers. Since these patients are already afflicted with the target disease, it is possible that such studies may provide results traditionally obtained in Phase 2 trials.

Phase 3 trials are usually multi-center, comparative studies that involve larger populations. These trials are generally intended to be pivotal in importance for the approval of a new drug. In oncology, Phase 3 trials typically involve 100 to 1,000 patients for whom the medicine is eventually intended. Trials are also conducted in special groups of patients or under special conditions dictated by the nature of the particular medicine and/or disease. Phase 3 trials often provide much of the information needed for the package insert and labeling of the medicine. A trial is fully enrolled when it has a sufficient number of patients to provide enough data for the statistical proof of efficacy and safety required by the FDA and others. After a sufficient period of follow-up has elapsed to satisfactorily evaluate safety and efficacy, the trials results can then be analyzed. Those results are then commonly reported at a scientific meeting, in a medical journal and to the public.

Depending upon the nature of the trial results, a company may then elect to discuss the results with regulatory authorities such as the FDA. If the company believes the data may warrant consideration for marketing approval of the drug, the results of the preclinical and clinical testing, together with chemistry, manufacturing and control information, are then submitted to the FDA for a pharmaceutical product in the form of an NDA. In responding to an NDA, biologics license application or premarket approval application, the FDA may grant marketing approval, request additional information or deny the application if it determines that the application does not satisfy its regulatory approval criteria. There can be no assurance that the approvals that are being sought or may be sought by us in the future will be granted on a timely basis, if at all, or, if granted, will cover all the clinical indications for which we are seeking approval or will not contain significant limitations in the form of warnings, precautions or contraindications with respect to conditions of use. Phase 3b trials are conducted after submission of a NDA, but before the product s approval for market launch. Phase 3b trials may supplement or complete earlier trials, or they may seek different kinds of information, such as quality of life or marketing. Phase 3b is the period between submission for approval and receipt of marketing authorization.

After a medicine is marketed, Phase 4 trials provide additional details about the product s safety and efficacy.

In circumstances where a company intends to develop and introduce a novel formulation of an active drug ingredient already approved by the FDA, clinical and preclinical testing requirements may not be as extensive. Limited additional data about the safety and/or effectiveness of the proposed new drug formulation, along with chemistry and manufacturing information and public information about the active ingredient, may be satisfactory for product approval. Consequently, the new product formulation may receive marketing approval more rapidly than a traditional full new drug application; although no assurance can be given that a product will be granted such treatment by the FDA.

Under European Union regulatory systems, we may submit requests for marketing authorizations either under a centralized or decentralized procedure. The centralized procedure provides for the grant of a single marketing authorization that is valid for all European Union member states. The decentralized procedure provides for mutual recognition of national approval decisions. Under this procedure, the holder of a national marketing authorization from a European state may submit an application to the remaining member states. Within 90 days of receiving the applications and assessment report, each member state must decide whether to recognize approval.

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We and our third-party manufacturers are also subject to various foreign, federal, state and local laws and regulations relating to health and safety, laboratory and manufacturing practices, the experimental use of animals and the use, manufacture, storage, handling and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research and development work and manufacturing processes. We currently incur costs to comply with laws and regulations and these costs may become more significant.

Competition

In many cases, our products under development will be competing with existing therapies for market share. In addition, a number of companies are pursuing the development of antisense technology and controlled-release formulation technology and the development of pharmaceuticals utilizing such technologies. We compete with fully integrated pharmaceutical companies that have substantially more experience, financial and other resources and superior expertise in research and development, manufacturing, testing, obtaining regulatory approvals, marketing and distribution. Smaller companies may also prove to be significant competitors, particularly through their collaborative arrangements with large pharmaceutical companies or academic institutions. Furthermore, academic institutions, governmental agencies and other public and private research organizations have conducted and will continue to conduct research, seek patent protection and establish arrangements for commercializing products. Such products may compete directly with any products that may be offered by us.

Our competition will be determined in part by the potential indications for which our products are developed and ultimately approved by regulatory authorities. For certain of our potential products, an important factor in competition may be the timing of market introduction of our or our competitors products. Accordingly, the relative speed with which we can develop products, complete the clinical trials and approval processes and supply commercial quantities of the products to the market are expected to be important competitive factors. We expect that competition among products approved for sale will be based, among other things, on product efficacy, safety, reliability, availability, price, patent position and sales, marketing and distribution capabilities. The development by others of new treatment methods could render our products under development non-competitive or obsolete.

Our competitive position also depends upon our ability to attract and retain qualified personnel, obtain patent protection, or otherwise develop proprietary products or processes and secure sufficient capital resources for the often-substantial period between technological conception and commercial sales.

Available Information

Our reports that have been filed with the Securities and Exchange Commission, or SEC, are available on our website free of charge, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to such reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Copies of this Annual Report on Form 10-K may also be obtained without charge electronically or by paper by contacting the Company at (908) 286-9800.

In addition, we make available on our website (i) the charters for the committees of the Board of Directors, including the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, (ii) the Company s Code of Business Conduct (the Code of Conduct) governing its directors, officers. Within the time period required by the SEC, we will post on our website any modifications to the Code of Business Conduct and Ethics, as required by the Sarbanes-Oxley Act of 2002.

The public may also read and copy the materials we file with the SEC at its Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC.

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LEGAL PROCEEDINGS

In 2004, numerous complaints were filed in the United States District Court for the District of New Jersey, or the Court, against Genta and certain of our principal officers on behalf of purported classes of our stockholders who purchased our securities during several class periods. We reached an agreement with plaintiffs to settle the class action litigation in consideration for the issuance of 2.0 million shares of our common stock (adjusted for any subsequent event that results in a change in the number of shares outstanding as of January 31, 2007) and $18.0 million in cash for the benefit of plaintiffs and the shareholder class. The cash portion of the proposed settlement will be covered by our insurance carriers. A Court order approving the settlement was issued on May 27, 2008 and the settlement became final on June 27, 2008. The settlement has not been distributed to the plaintiffs and the shareholder class as of December 31, 2008. The settlement did not constitute an admission of guilt or liability.

In February 2007, a complaint against us was filed in the Superior Court of New Jersey by Howard H. Fingert, M.D., our former employee. The complaint alleges, among other things, breach of contract as to our stock option plan and as to a consulting agreement allegedly entered into by us and Dr. Fingert subsequent to termination of Dr. Fingert s employment with us, breach of implied covenant of good faith and fair dealing with respect to our stock option plan and the alleged consulting agreement, promissory estoppel with respect to the exercise of stock options and provision of consulting services after termination of employment, and fraud and negligent misrepresentation with respect to exercise of stock options and provision of consulting services after termination of employment. The complaint sought monetary damages, including punitive and consequential damages. We and Dr. Fingert settled this complaint in January 2009. The settlement did not constitute an admission of guilt or liability.

In November 2007, a complaint against us was filed in the United States District Court for the District of New Jersey by Ridge Clearing & Outsourcing Solutions, Inc., or Ridge. The complaint alleges, among other things, that we caused or contributed to losses suffered by one of our stockholders, which have been incurred by Ridge. We and Ridge settled this complaint in September 2008. The settlement did not constitute an admission of guilt or liability.

In September 2008, several of our stockholders, on behalf of themselves and all others similarly situated, filed a class action complaint against us, our Board of Directors, and certain of our executive officers in Superior Court of New Jersey, captioned Collins v. Warrell, Docket No. L-3046-08. The complaint alleges that in issuing convertible notes, our Board of Directors and certain officers breached their fiduciary duties, and we aided and abetted the breach of fiduciary duty. Defendants filed a motion to dismiss on December 29, 2008. Plaintiffs opposition is due on or before February 13, 2009, and Defendants reply is due March 16, 2009. It is possible that oral argument on the motion will be held on March 20, 2009. Discovery has begun. We, our Board of Directors and Officers deny these allegations and intend to vigorously defend this lawsuit.

In November 2008, a complaint against us and our transfer agent, BNY Mellon Shareholder Services, was filed in the Supreme Court of the State of New York by an individual stockholder. The complaint alleges that we and our transfer agent caused or contributed to losses suffered by the stockholder. We deny the allegations of this complaint and we intend to vigorously defend this lawsuit.

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PRICE RANGE OF COMMON STOCK

Our common stock was traded on the NASDAQ Global Market under the symbol GNTA until May 7, 2008. The following table sets forth the high and low prices per share of our common stock, as reported on the NASDAQ Global Market, for the periods indicated.

2007	**High***	**Low***
First Quarter	$ 3.36	$ 1.86
Second Quarter	$ 2.46	$ 1.68
Third Quarter	$ 1.80	$ 0.80
Fourth Quarter	$ 1.31	$ 0.52
2008		
First Quarter	$ 0.87	$ 0.37
Second Quarter (through May 7, 2008)	$ 0.45	$ 0.15

* *all figures prior to July 2007 have been retroactively adjusted to reflect a 1-for-6 reverse stock split effected in July 2007.*

Our common stock began trading on the OTC Bulletin Board under the symbol GNTA.OB on May 7, 2008. The following table sets forth the high and low prices per share of our common stock, as reported on the OTC Bulletin Board, for the periods indicated.

2008	**High**	**Low**
Second Quarter (from May 7, 2008)	$ 0.41	$ 0.10
Third Quarter	$ 0.75	$ 0.25
Fourth Quarter	$ 0.40	$ 0.0027
2009		
First Quarter (through March 2, 2009)	$ 0.0175	$ 0.00287

The closing price of our common stock on the OTC Bulletin Board on March 2, 2009 was $0.0092 per share. There were 564 holders of record of our common stock as of March 2, 2009. We estimate that there are approximately 31,000 beneficial owners of our common stock.

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SELECTED FINANCIAL INFORMATION

The following tables summarize our selected financial information. You should read the selected financial information together with our consolidated financial statements and the related notes appearing at the end of this prospectus, and the Management s Discussion and Analysis of Financial Condition and Results of Operations section and other financial information included in this prospectus.

	Year Ended December 31, (in thousands except per share amounts)				
	2008	**2007**	**2006**	**2005**	**2004**
Consolidated Statements of Operations Data:					
License fees & royalties	$	$	$	$ 5,241	$ 3,022
Development funding				20,988	12,105
Product sales net	363	580	708	356	(512)
Total revenues	363	580	708	26,585	14,615
Costs of goods sold	102	90	108	52	170
Provision for excess inventory					1,350
Total cost of goods sold	102	90	108	52	1,520
Operating expenses gross	33,410	26,116	59,764	37,006	101,324
sanofi-aventis reimbursement				(6,090)	(43,292)
Operating expenses net	33,410	26,116	59,764	30,916	58,032
Gain on forgiveness of debt				1,297	11,495
Amortization of deferred financing costs	(11,229)				
Fair value conversion feature liability	(460,000)				
Fair value warrant liability	(2,000)				
All other (expense)/income-net	(1,435)	836	1,454	502	(147)
Loss before income taxes	(507,813)	(24,790)	(57,710)	(2,584)	(33,589)
Income tax benefit	1,975	1,470	929	381	904
Net loss	$ (505,838)	$ (23,320)	$ (56,781)	$ (2,203)	$ (32,685)
Net loss per basic and diluted common share *	$ (9.10)	$ (0.79)	$ (2.52)	$ (0.13)	$ (2.46)
Shares used in computing net loss per basic and diluted common share*	55,576	29,621	22,553	17,147	13,300

* *all figures prior to July 2007 have been retroactively adjusted to reflect a 1-for-6 reverse stock split effected in*

July 2007

	2008	2007	2006	2005	2004
Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$ 4,908	$ 7,813	$ 29,496	$ 21,282	$ 42,247
Working capital (deficit)	(5,220)	877	12,682	11,703	(4,269)
Total assets	12,693	29,293	51,778	27,386	50,532
Total stockholders equity (deficit)	(4,864)	2,931	14,642	15,697	1,752

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SUPPLEMENTARY FINANCIAL INFORMATION

The following table presents our condensed operating results for each of the eight (8) fiscal quarters through the period ended December 31, 2008. The information for each of these quarters is unaudited. In the opinion of management, all necessary adjustments, which consist only of normal and recurring accruals, have been included to fairly present the unaudited quarterly results. This data should be read together with our consolidated financial statements and the notes thereto, the Report of Independent Registered Public Accounting Firm and Management s Discussions and Analysis of Financial Condition and Results of Operations.

	Three Months Ended (unaudited) (in thousands except per share amounts)							
	Dec 31 2008 (1)	Sep 30 2008 (1)	June 30 2008 (1)	Mar 31 2008	Dec 31 2007	Sep 30 2007	June 30 2007	Mar 31 2007
Total revenues	$	$ 115	$ 131	$ 117	$ 266	$ 115	$ 105	$ 94
Net income/(loss)	$ 29,569	$ 212,613	$ (738,364)	$ (9,657)	$ (1,748)	$ (7,732)	$ (8,235)	$ (5,605)
Net income/(loss) per basic common share: *	$ 0.26	$ 5.78	$ (20.10)	$ (0.29)	$ (0.06)	$ (0.25)	$ (0.27)	$ (0.21)
Net income/(loss) per diluted common share: *	$ 0.02	$ 0.10	$ (20.10)	$ (0.29)	$ (0.06)	$ (0.25)	$ (0.27)	$ (0.21)
Shares used in computing basic per common share amounts: *	114,599	36,756	36,741	33,781	30,621	30,621	30,621	26,565
Shares used in computing diluted per common share amounts: *	1,670,074	2,076,191	36,741	33,781	30,621	30,621	30,621	26,565

* *all figures prior to July 2007 have been retroactively adjusted to reflect a 1-for-6 reverse stock split effected in July 2007*

(1) The financial results for the three-month periods ended June 30, 2008, September 30, 2008 and December 31, 2008 have been

impacted by the accounting for the convertible notes and warrants issued in June 2008 (see note 12 to the Consolidated Financial Statements).

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Genta Incorporated is a biopharmaceutical company engaged in pharmaceutical research and development. We are dedicated to the identification, development and commercialization of novel drugs for the treatment of cancer and related diseases.

We have had recurring annual operating losses since our inception and we expect to incur substantial operating losses due to continued requirements for ongoing and planned research and development activities, pre-clinical and clinical testing, manufacturing activities, regulatory activities and establishment of a sales and marketing organization. From our inception to December 31, 2008, we have incurred a cumulative net deficit of $944.1 million. Our recurring losses from operations and our negative cash flows from operations raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. We expect that such losses will continue at least until our lead product, Genasense®, receives approval from the FDA or EMEA for commercial sale in one or more indications. Achievement of profitability is currently dependent on the timing of Genasense® regulatory approvals.

On June 5, 2008, we entered into a securities purchase agreement with certain institutional and accredited investors to place up to $40 million of our senior secured convertible notes with such investors. On June 9, 2008, we placed $20 million of such notes in the initial closing. We had $4.9 million of cash and cash equivalents at December 31, 2008, and presently, with no further financing, we will run out of funds in the first quarter of 2009. We currently do not have any additional financing in place. If we are unable to raise additional financing, we could be required to delay, scale back or eliminate some or all of our research and product development programs; license third parties to develop and commercialize products or technologies that we would otherwise seek to develop and commercialize ourselves; attempt to sell our company; cease operations; or declare bankruptcy. There can be no assurance that we can obtain financing, if at all, on terms acceptable to us.

Genasense® has been studied in combination with a wide variety of anticancer drugs in a number of different cancer indications. We have reported results from randomized trials of Genasense® in a number of diseases. Under our own sponsorship or in collaboration with others, we are currently conducting additional clinical trials. We are especially interested in the development, regulatory approval, and commercialization of Genasense® in at least three diseases: melanoma; CLL; and NHL.

Genasense® has been submitted for regulatory approval in the U.S. on two occasions and to the EU once. These applications proposed the use of Genasense® plus chemotherapy for patients with advanced melanoma (U.S. and EU) and relapsed or refractory CLL (U.S.-only). None of these applications was approved. At present, an appeal of a denial of a NDA for CLL is pending before the FDA. Nonetheless, we believe that Genasense® can ultimately be approved and commercialized for both of these indications, as well as for other diseases, and we have undertaken a number of initiatives in this regard that are described below. We are finalizing accrual of patients to a second randomized Phase 3 study in patients with advanced melanoma, known as AGENDA, which should complete in 2009.

The initial NDA for Genasense® in melanoma was withdrawn in 2004 after an advisory committee to the Food and Drug Administration (FDA) failed to recommend approval. A negative decision was also received for a similar application in melanoma from the EMEA in 2007. Data from the Phase 3 trial that comprised the primary basis for these applications were published in a peer-reviewed journal in 2006. These results showed that treatment with Genasense® plus dacarbazine compared with dacarbazine alone in patients with advanced melanoma was associated with a statistically significant increase in overall response, complete response, durable response, and progression-free survival (PFS). However, the primary endpoint of overall survival approached but did not quite reach statistical significance (P=0.077). Subsequently, our analysis of this trial showed that there was a significant treatment interaction effect related to levels of a blood enzyme known as LDH. When this effect was analyzed by treatment arm, survival was shown to be significantly superior for patients with a non-elevated LDH who received Genasense® (P=0.018; n=508). Moreover, this benefit was particularly noteworthy for patients whose baseline LDH

did not exceed 80% of the upper limit of normal for this lab value. LDH had also been previously described by others as the single most important prognostic factor in advanced melanoma.

Based on these data, as noted above, in August 2007 we initiated a new Phase 3 trial of Genasense® plus chemotherapy in advanced melanoma. This trial, known as AGENDA, is a randomized, double-blind, placebo-controlled study in which patients are randomly assigned to receive Genasense® plus dacarbazine or dacarbazine alone. The study uses LDH as a biomarker to identify patients who are most likely to respond to Genasense®, based on data obtained from our preceding trial in melanoma. The co-primary endpoints of AGENDA are progression-free survival (PFS) and overall survival.

AGENDA is designed to expand evidence for the safety and efficacy of Genasense® when combined with dacarbazine for patients who have not previously been treated with chemotherapy. The study prospectively targets patients who have low-normal levels of LDH. We expect to enroll approximately 300 subjects at approximately 80 sites worldwide in this trial. Genasense® in melanoma has been designated an Orphan Drug in Australia and the United States, and the drug has Fast Track designation in the United States. Data on the final assessment of PFS and an interim assessment of overall survival are expected in 2009. If these data are positive, we expect to discuss these results with the FDA and EMEA and to secure agreement from these agencies that Genta may commence submission of new regulatory applications for the approval of Genasense® plus chemotherapy in patients with advanced melanoma. Approval by FDA and EMEA will allow Genasense® to be commercialized by us in the U.S. and in the European Union.

Given our belief in the activity of Genasense® in melanoma, we have initiated additional clinical studies in this disease. One such study is a Phase 2 trial of Genasense® plus a chemotherapy regimen consisting of Abraxane® (paclitaxel albumen) plus temozolomide (Temodar®). We also expect to examine different dosing regimens that will improve the dosing convenience and commercial acceptance of Genasense®, including its administration by brief IV infusions over 1 to 2 hours.

As noted above, our initial NDA for the use of Genasense® plus chemotherapy in patients with relapsed or refractory CLL was not approved. We conducted a randomized Phase 3 trial in 241 patients with relapsed or refractory CLL who were treated with fludarabine and cyclophosphamide (Flu/Cy) with or without Genasense®. The trial achieved its primary endpoint: a statistically significant increase (17% vs. 7%; P=0.025) in the proportion of patients who achieved a complete response (CR), defined as a complete or nodular partial response. Patients who achieved this level of response also experienced disappearance of predefined disease symptoms. A key secondary endpoint, duration of CR, was also significantly longer for patients treated with Genasense® (median > 36 months in the Genasense® group, versus 22 months in the chemotherapy-only group).

Other secondary endpoints were not improved by the addition of Genasense®. The percentage of patients who experienced serious adverse events was increased in the Genasense® arm; however, the percentages of patients who discontinued treatment due to adverse events were equal in the treatment arms. The incidence of certain serious adverse reactions, including but not limited to nausea, fever and catheter-related complications, was increased in patients treated with Genasense®.

We submitted our NDA to the FDA in December 2005 in which we sought accelerated approval for the use of Genasense® in combination with Flu/Cy for the treatment of patients with relapsed or refractory CLL who had previously received fludarabine. In December 2006, we received a non-approvable notice for that application from FDA. However, we believed that our application met the regulatory requirements for approval, in April 2007, we filed an appeal of the non-approvable notice using FDA s Formal Dispute Resolution process. In March 2008, we received a formal notice from FDA s Center for Drug evaluation and Research (CDER) that indicated additional confirmatory evidence would be required to support approval of Genasense® in CLL. In that communication, FDA recommended two alternatives for exploring that confirmatory evidence. One option was to conduct an additional clinical trial. The other option was to collect additional information regarding the clinical course and progression of disease in patients from the completed trial. We have elected to pursue both of these options.

For the first option, we submitted a new protocol in the second quarter of 2008 that sought Special Protocol Assessment (SPA) from the FDA and Scientific Advice from the EMEA. This protocol is similar in design to the completed trial and uses the same chemotherapy and randomization scheme. The major difference is that the trial

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focuses on the patient population who derived maximal benefit in the completed trial. This group is characterized by patients who had received less extensive chemotherapy prior to entering the trial and who were defined as being non-refractory to fludarabine. We have deferred initiation of this trial until we receive a response to the second option, described below.

For the second option, we sought information regarding long-term survival on patients who had been accrued to our already completed Phase 3 trial. At a scientific meeting in June 2008, we announced the results of long-term follow-up from the completed Phase 3 trial that comprised the original NDA. With 5 years of follow-up, we showed that patients treated with Genasense® plus chemotherapy who achieved either a complete response (CR) or a partial response (PR) had also achieved a statistically significant increase in survival.

Previous analyses had shown a significant survival benefit accrued to patients in the Genasense® group who attained CR. Extended follow-up showed that all major responses (CR+PR) achieved with Genasense® were associated with significantly increased survival compared with all major responses achieved with chemotherapy alone (median = 56 months vs. 38 months, respectively). After 5 years of follow-up, 22 of 49 (45%) responders in the Genasense® group were alive compared with 13 of 54 (24%) responders in the chemotherapy-only group (hazard ratio = 0.6; P = 0.038). Moreover, with 5 years of follow-up, 12 of 20 patients (60%) in the Genasense® group who achieved CR were alive, 5 of these patients remained in continuous CR without relapse, and 2 additional patients had relapsed but had not required additional therapy. By contrast, only 3 of 8 CR patients in the chemotherapy-only group were alive, all 3 had relapsed, and all 3 had required additional anti-leukemic treatment.

We believe that the significant survival benefit associated with major responses to Genasense® may provide the confirmatory evidence of clinical benefit that was requested by FDA. We submitted these new data to FDA in the second quarter of 2008, and the submission was accepted by the FDA as a complete response to the non-approvable decision letter. In December 2008, we received a complete response letter from the Office of Oncology Drug Products (OODP) at the FDA, indicating that the Division cannot approve the NDA in its present form and suggested the need for an additional clinical study. We have appealed this decision to CDER and expect a decision on this appeal in the first half of 2009.

As with melanoma, we believe the clinical activity in CLL should be explored with additional clinical research. We plan to explore combinations of Genasense with other drugs that are used for the treatment of CLL, and to examine more convenient dosing regimens.

Lastly, several trials have shown definite evidence of clinical activity for Genasense® in patients with non-Hodgkin s lymphoma (NHL). We would like to conduct additional clinical studies in patients with NHL to test whether Genasense® can be approved in this indication. Previously, we reported that randomized trials of Genasense® in patients with myeloma, acute myeloid leukemia, (AML), hormone-refractory prostate cancer (HRPC), small cell lung cancer and non small cell lung cancer were not sufficiently positive to warrant further investigation on the dose-schedules that were examined or with the chemotherapy that was employed in these trials. Data from these trials have been presented at various scientific meetings. However, we believe that alternate dosing schedules, in particular the use of brief high-dose IV infusions, provide an opportunity to re-examine the drug s activity in some of these indications.

In March 2008, we obtained an exclusive worldwide license for tesetaxel, a novel taxane compound that is taken by mouth. Tesetaxel has completed Phase 2 trials in a number of cancer types, and the drug has shown definite evidence of antitumor activity in gastric cancer and breast cancer. Tesetaxel also appears to be associated with a lower incidence of peripheral nerve damage, a common side effect of taxanes that limits the maximum amount of these drugs that can be given to patients. At the time we obtained the license, tesetaxel was on clinical hold by FDA and other regulatory agencies due to the occurrence of several fatalities in the setting of severe neutropenia. In the second quarter of 2008, we filed a response to the FDA requesting a lift of the clinical hold, which was granted in June 2008. We received notice from FDA that tesetaxel has been granted designation as an Orphan Drug for treatment of patients with advanced melanoma in December 2008, and for treatment of patients with advanced gastric cancer in January 2009. Orphan Drug status provides for a period of marketing exclusivity, certain tax benefits, and an exemption from certain fees upon submission of a New Drug Application. In January 2009, we announced that we had initiated a new clinical trial with tesetaxel that will examine the clinical pharmacology of the drug over a narrow

dosing range around the established Phase 2 dose.

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The tesetaxel program seeks to secure a first-to-market advantage for tesetaxel relative to other oral taxanes. We believe success in this competitive endeavor will maximize return to stockholders. Accordingly, we have identified three oncology indications in which we believe tesetaxel may have sufficient efficacy and safety to warrant regulatory approval. We believe it may be possible to secure regulatory approval in these indications on the basis of endpoints that can be achieved in clinical trials that may be relatively limited in scope. We submitted a proposed trial design to FDA for Special Protocol Assessment in gastric cancer in February 2009.

In addition to these three smaller indications, we are interested in examining the activity of tesetaxel in patients with hormone-refractory prostate cancer (HRPC) and in breast cancer. Docetaxel (Taxotere®) is the only taxane approved for first-line use in patients with HRPC. Although docetaxel has been shown to extend survival in men with HRPC, its use is associated with a high incidence of moderate-to severe toxicity. If tesetaxel is shown to be active in HRPC, we believe its safety profile may be substantially superior to docetaxel and may supplant that drug for first-line use in this indication. However, the development of drugs in this indication is very costly. Additional funding will be required to support the extended clinical testing that will be required to secure regulatory approval in HRPC. As previously noted, the Phase 2a study previously conducted in patients with advanced breast cancer was positive and yielded an overall response rate of 38%.

Our third pipeline product is G4544, which is a novel oral formulation of a gallium-containing compound that we developed in collaboration with Emisphere Technologies, Inc. We completed a single-dose Phase 1 study of an initial formulation of this new drug known as G4544(a) and the results were presented at a scientific meeting in the second quarter of 2008. We are planning another study using a modified formulation, known as G4544(b) . The FDA has indicated that a limited, animal toxicology study in a single species will be required prior to initiation of multi-dose studies of G4544(b). Progress in the clinical development of G4544 program was delayed in 2008 due to financial constraints, but we currently expect to continue our program when our financial condition improves.

We currently intend to pursue a 505(b)(2) strategy to establish bioequivalence to our marketed product, Ganite®, for the initial regulatory approval of G4544. However, we believe this drug may also be useful for treatment of other diseases associated with accelerated bone loss, such as bone metastases, Paget s disease and osteoporosis. In addition, new uses of gallium-containing compounds have been identified for treatment of certain infectious diseases. While we have no current plans to begin clinical development in the area of infectious disease, we intend to support research conducted by certain academic institutions by providing clinical supplies of our gallium-containing drugs.

Lastly, we have announced our intention to seek a buyer for Ganite®, our sole marketed product. Our financial constraints have prevented us from investing in adequate commercial support for Ganite®, and the intellectual property that provided us with an exclusive position in the United States has now expired.

Results of Operations

Summary Operating Results
For the years ended December 31,

($ thousands)	2008	2007	2006	$ Change 08 vs. 07	$ Change 07 vs. 06
Product sales net	$ 363	$ 580	$ 708	$ (217)	$ (128)
Cost of goods sold	102	90	108	12	(18)
Gross margin	261	490	600	(229)	(110)
Operating expenses:					
Research and development	19,991	13,491	28,064	6,500	(14,573)
Selling, general and administrative	10,452	16,865	25,152	(6,423)	(8,287)
Settlement of office lease obligation	3,307			3,307	
Provision for settlement of litigation	(340)	(4,240)	5,280	3,900	(9,520)
Write-off of prepaid royalty			1,268		(1,268)

Total operating expenses	33,410	26,116	59,764	7,294	(33,648)
Other (expense)/income, net	(1,435)	836	1,454	(2,271)	(618)
Amortization of deferred financing costs and debt discount	(11,229)			(11,229)	
Fair value conversion feature liability	(460,000)			(460,000)	
Fair value warrant liability	(2,000)			(2,000)	
Loss before income taxes	(507,813)	(24,790)	(57,710)	(483,023)	32,920
Income tax benefit	1,975	1,470	929	505	541
Net loss	$ (505,838)	$ (23,320)	$ (56,781)	$ (482,518)	$ 33,461

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Product sales net

Product sales net were $0.4 million in 2008 compared with $0.6 million in 2007. Product sales-net in 2008 included $25,000 of sales of Ganite® and in 2007 included $60,000 in sales of Genasense® through the named-patient program managed for us by IDIS Limited (a privately owned company based in the United Kingdom), whereby IDIS distributes Ganite® and Genasense® on a named patient basis. Named patient distribution refers to the distribution or sale of a product to a specific healthcare professional for the treatment of an individual patient. Unit sales of Ganite® increased 2.7% in 2008, but reported product sales net in 2008 include the negative impact of returns of Ganite® due to expired dating of product. Product sales-net in 2007 and 2006 included favorable adjustments to a reserve for returns of Ganite® of $0.1 million and $0.3 million, respectively.

Cost of goods sold

Cost of goods sold increased in 2008 compared to the prior year due to higher unit sales of Ganite® and higher unit costs. Lower cost of goods sold in 2007 than in 2006 is primarily the result of lower unit sales of Ganite®.

Research and development expenses

Research and development expenses were $20.0 million in 2008, compared with $13.5 million in 2007. This increase was primarily due to the recognition of $2.5 million in March 2008 for license payments on tesetaxel, $1.0 million in accrued milestone payments related to tesetaxel, and higher expenses from the AGENDA clinical trial. In addition, during the fourth quarter of 2007, we revised our estimate of certain accrued expenses in the amount of $4.7 million, since such amount was no longer deemed probable. These factors were partially offset by lower compensation expense resulting from our workforce reductions in April 2008 and May 2008.

Research and development expenses incurred on the Genasense® project in 2008 were approximately $15.0 million, representing 75% of research and development expenses, (including the $2.5 million for license payments and $1.0 million in milestone payments related to tesetaxel).

Research and development expenses were $13.5 million in 2007 compared with $28.1 million in 2006. The prior year included higher manufacturing and other expenses incurred in preparation for the possible commercial launch of Genasense® and expenses related to regulatory review. The decline in expenses in 2007 reflects the comparison to this higher level of expenses in 2006, as well as the impact of a staff reduction in December 2006. Also, in 2007, we revised our estimate of certain accrued expenses in the amount of $4.7 million, since such amount was no longer deemed probable. Research and development expenses incurred on the Genasense® project in 2007 were approximately $10.3 million, representing 76% of research and development expenses.

Due to the significant risks and uncertainties inherent in the clinical development and regulatory approval processes, the nature, timing and costs of the efforts necessary to complete projects in development are subject to wide variability. Results from clinical trials may not be favorable. Data from clinical trials are subject to varying interpretation and may be deemed insufficient by the regulatory bodies that review applications for marketing approvals. As such, clinical development and regulatory programs are subject to risks and changes that may significantly impact cost projections and timelines.

Selling, general and administrative expenses

Selling, general and administrative expenses were $10.5 million in 2008, compared with $16.9 million in 2007. The decrease is primarily due to our efforts at lowering administrative expenses, lower office rent of $1.1 million and lower compensation expense resulting from our workforce reductions in April 2008 and May 2008.

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Selling, general and administrative expenses were $16.9 million in 2007, compared with $25.2 million in 2006. The prior year included a buildup of sales and marketing expenses incurred in preparation for a possible commercial launch of Genasense®. The decline in expenses in 2007 reflects the comparison to this higher level of expenses in 2006, as well as the impact of our December 2006 staff reduction. In addition, depreciation expense declined by $0.8 million and share-based compensation declined by $1.1 million.

Settlement of office lease obligation

In May 2008, we entered into an amendment of our lease for office space with The Connell Company, (Connell) whereby the lease for one floor of our office space in Berkeley Heights, New Jersey was terminated. Connell received a termination payment of $1.3 million, comprised solely of our security deposits and we agreed to pay Connell $2.0 million upon the earlier of July 1, 2009 or our receipt of at least $5.0 million in upfront cash from a business development deal. In January 2009, we entered into another amendment of our agreement with Connell whereby our future payment of $2.0 million is now payable on January 1, 2011. We accrued for the $2.0 million and it is included on our Consolidated Balance Sheets. We will pay 6.0% interest in arrears to Connell from July 1, 2009 through the new payment date. The initial interest payment of approximately $30,000 will be payable as of October 1, 2009.

Provision for settlement of litigation

In 2006, we recorded an expense of $5.3 million that provided for the issuance of 2.0 million shares of our common stock, for a settlement in principle of class action litigation. At December 31, 2007, the revised estimated value of the common shares portion of the litigation settlement was $1.0 million, resulting in a reduction in the liability for the settlement of litigation of $4.2 million. On June 27, 2008, the date that the settlement was finalized, the revised value of the 2.0 million shares was $0.7 million, resulting in a reduction in the liability for the settlement of litigation of $0.3 million. See Note 6 to our Consolidated Financial Statements for a further discussion of this provision.

Write-off of prepaid royalty

In December 2000, we recorded $1.3 million as the fair value for our commitment to issue 27,056 shares of common stock to a major university as consideration for an amendment to a license agreement initially executed on August 1991 related to antisense technology licensed from the university. The amendment provided for a reduction in the royalty percentage rate to be paid to the university based on the volume of sales of our products containing the antisense technology licensed from such university. These shares were issued in 2001. In December 2006, we received a non-approvable notice from the FDA for our NDA for the use of Genasense® plus chemotherapy in patients with CLL. As a result, we accounted for the impairment of these prepaid royalties and recorded a write-off of this asset, (see Note 8 to our Consolidated Financial Statements).

Gain on maturity of marketable securities; Interest income and other income; net Interest expense

The total of the above referenced accounts resulted in expense, net of $(1.4) million in 2008 and income, net of $0.8 million in 2007. This decline was primarily due to interest incurred on the convertible notes, as well as lower interest income, resulting from lower investment balances. Other income, net of $0.8 million in 2007 declined from $1.5 million in 2006, primarily due to lower interest income, resulting from lower investment balances, along with higher interest expense.

Amortization of deferred financing costs and debt discount

On June 9, 2008, we issued $20 million of our senior secured convertible notes, issued our private placement agent a warrant to purchase 40,000,000 shares of our common stock at an exercise price of $0.02 per share and incurred a financing fee of $1.2 million. The deferred financing costs, including the financing fee and the value of the warrant, are being amortized over the two-year term of the convertible notes, resulting in amortization of $11.2 million in 2008.

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Fair value conversion feature liability

On the date that we issued the convertible notes, there were an insufficient number of authorized shares of common stock in order to permit conversion of all of the notes. In accordance with EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock (EITF 00-19), when there are insufficient authorized shares to allow for settlement of convertible financial instruments, the conversion obligation for the notes should be classified as a liability and measured at fair value on the balance sheet.

On June 9, 2008, based upon a Black-Scholes valuation model that included a closing price of our common stock of $0.20 per share, we calculated a fair value of the conversion feature of $380.0 million and expensed $360.0 million, the amount that exceeded the proceeds of the $20.0 million from the initial closing. On October 6, 2008, the date on which our stockholders approved an amendment to our Restated Certificate of Incorporation, as amended, to increase the total number of authorized shares of capital stock available for issuance, we re-measured the conversion feature liability and credited it to Stockholders equity, resulting in total expense for the year ended December 31, 2008 of $460.0 million.

Fair value warrant liability

The warrant was also treated as a liability and was initially recorded at a fair value of $7.6 million based upon a Black-Scholes valuation model that included a closing price of our common stock of $0.20 per share. On October 6, 2008, we re-measured the warrant liability and credited it to Stockholders equity, resulting in total expense for the year ended December 31, 2008 of $2.0 million.

Income tax benefit

New Jersey has legislation permitting certain corporations located in the state to sell state tax loss carryforwards and state research and development credits. We sold portions of our New Jersey net operating losses research and development credits and received approximate payments of $2.0 million in 2008, $1.5 million in 2007 and $0.9 million in 2006 that are recognized as income tax benefit.

If still available under New Jersey law, we will attempt to sell our remaining tax losses in 2009. We can not be assured that the New Jersey program will continue next year, nor can we estimate what percentage of our saleable tax benefits New Jersey will permit us to sell, how much money will be received in connection with the sale, if we will be able to find a buyer for our tax benefits or if such funds will be available in a timely manner.

Net loss

We incurred a net loss of $505.8 million, or $9.10 per share, for 2008, $23.3 million, or $0.79 per share, for 2007 and $56.8 million, or $2.52 per share, for 2006.

The larger net loss in 2008 compared to 2007 is primarily due to the fair value charge of the conversion feature liability of $460.0 million, the amortization of deferred financing costs and debt discount of $11.2 million, the expenses resulting from the reduction in our office space of $3.3 million, the fair value charge of the warrant liability of $2.0 million, the recognition of $2.5 million in March 2008 for license payments on tesetaxel, $1.0 million in accrued milestone payments related to tesetaxel and higher expenses resulting from the AGENDA clinical trial, slightly offset by lower compensation expense resulting from the two reductions in workforce, as well as lower administrative expenses.

The lower net loss in 2007 compared to 2006 is primarily due to a comparison with a prior year that reflected a buildup of sales, marketing and manufacturing expenses incurred in anticipation of a possible commercial launch of Genasense®. In addition, the lower loss in 2007 reflects our staff reduction in December 2006, lower share-based compensation expense, lower depreciation expense and includes a benefit of $4.2 million due to a reduction in the provision for settlement of litigation.

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Recent Accounting Pronouncements

In June 2008 the FASB issued EITF 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock* . EITF 07-5 provides guidance in assessing whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock for purposes of determining whether the appropriate accounting treatment falls under the scope of SFAS 133, *Accounting For Derivative Instruments and Hedging Activities* and/or EITF 00-19, *Accounting For Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock* . EITF 07-05 is effective as of the beginning of our 2009 fiscal year. We do not expect the adoption of EITF 07-05 to have a material impact on our consolidated financial position or results of operations.

In May 2008, the FASB issued FASB Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. FSP APB14-1 will require us to account separately for the liability and equity components of our convertible debt. The debt would be recognized at the present value of its cash flows discounted using our nonconvertible debt borrowing rate at the time of issuance. The equity component would be recognized as the difference between the proceeds from the issuance of the note and the fair value of the liability. The FSP also requires accretion of the resultant debt discount over the expected life of the debt. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. Entities are required to apply the FSP retrospectively for all periods presented. We are currently evaluating FSP APB 14-1 and have not yet determined the impact its adoption will have on our consolidated financial statements. However, the impact of this new accounting treatment may be significant and may result in a significant increase to non-cash interest expense beginning in fiscal year 2009 for financial statements covering past and future periods.

In May 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* . The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are prepared in conformance with generally accepted accounting principles. The statement is effective 60 days following the Securities and Exchange Commission s (SEC) approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with GAAP* , and is not expected to have any impact on our financial statements.

In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities*, *an amendment of FASB SFAS 133* (SFAS 161), which requires enhanced disclosures for derivative and hedging activities. SFAS 161 will become effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of this standard did not have a material impact on our financial statements.

In December 2007, the FASB issued SFAS 141(R), *Business Combinations* (SFAS 141(R)), which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after an entity s fiscal year that begins after December 15, 2008. This standard will have an impact on our financial statements when an acquisition occurs.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 also includes expanded

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disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The adoption of this standard did not have a material impact on our financial statements.

In December 2007, the SEC issued Staff Accounting Bulletin 110 (SAB 110), which permits entities, under certain circumstances, to continue to use the simplified method of estimating the expected term of plain options as discussed in SAB No. 107 and in accordance with SFAS 123R. The guidance in this release was effective January 1, 2008. The implementation of this standard did not have a material effect on our consolidated financial statements.

In December 2007, the FASB issued EITF Issue No. 07-1, *Accounting for Collaborative Arrangements*, which is effective for calendar year companies on January 1, 2009. The Task Force clarified the manner in which costs, revenues and sharing payments made to, or received by, a partner in a collaborative arrangement should be presented in the income statement and set forth certain disclosures that should be required in the partners financial statements. The adoption of this standard did not have a material impact on our financial statements.

In June 2007, the FASB issued EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities*, which was effective for calendar year companies on January 1, 2008. The Task Force concluded that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the services are performed, or when the goods or services are no longer expected to be provided. The implementation of this standard did not have a material effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS 157, *Fair Value Measurements* . The implementation of this standard did not have a material effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* . SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. We were required to adopt SFAS 157 beginning January 1, 2008. In February 2008, the FASB released FASB Staff Position (FSP FAS 157-2 Effective Date of FASB Statement No. 157), which delayed the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157 for our financial assets and liabilities did not have a material impact on our consolidated financial statements. We do not expect that adoption of SFAS No. 157 for our non-financial assets and liabilities, effective January 1, 2009, will have a material impact on our financial statements.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements. In preparing our financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that, among other things, affect the reported amounts of assets and liabilities and reported amounts of revenues and expenses. These estimates are most significant in connection with our critical accounting policies, namely those of our accounting policies that are most important to the portrayal of our financial condition and results and require management s most difficult, subjective or complex judgments. These judgments often result from the need to make estimates about the effects of matters that are inherently uncertain. Actual results may differ from those estimates under different assumptions or conditions. We believe that the following represents our critical accounting policies:

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Going concern. Our recurring losses from operations and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern and as a result, our independent registered public accounting firms included an explanatory paragraph in their reports on our consolidated financial statements for the years ended December 31, 2008 and December 31, 2007 with respect to this uncertainty. We have prepared our financial statements on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should we be unable to continue in existence.

Revenue recognition. We recognize revenue from product sales when title to product and associated risk of loss has passed to the customer and we are reasonably assured of collecting payment for the sale. All revenue from product sales are recorded net of applicable allowances for returns, rebates and other applicable discounts and allowances. We allow return of our product for up to twelve months after product expiration.

Research and development costs. All such costs are expensed as incurred, including raw material costs required to manufacture drugs for clinical trials.

Estimate of fair value of convertible notes and warrant. We use a Black-Scholes model to estimate the fair value of our convertible notes and warrant.

Liquidity and Capital Resources

At December 31, 2008, we had cash, cash equivalents and marketable securities totaling $4.9 million, compared with $7.8 million at December 31, 2007, reflecting the net proceeds from the placement of $20 million of notes on June 9, 2008 offset by funds used in operating our company. During 2008, cash used in operating activities was $25.7 million compared with $31.7 million in 2007, reflecting our efforts to lower our spending.

On June 9, 2008, we issued 2-year senior convertible promissory notes bearing interest at an annual rate of 15%, payable at quarterly intervals in stock or cash at our option and the notes are convertible into shares of our common stock at a conversion rate of 100,000 shares of common stock for every $1,000.00 of principal. Holders of the notes have the right, but not the obligation, for the following 12 months following the initial closing date to purchase in whole, or in part, up to an additional $20 million of the notes. We have the right to force conversion of the notes in whole, or in part, if the closing bid price of our common stock exceeds $0.50 for a period of 20 consecutive trading days. Certain members of our senior management participated in this offering. The notes are secured by a first lien on all of our assets. In addition, the notes prohibit any additional financing without the approval of holders of more than two-thirds of the principal amount of the notes.

The notes included certain events of default, including a requirement that we obtain stockholder approval within a specified period of time to amend our certificate of incorporation to authorize additional shares of common stock. On October 6, 2008, at the Annual Meeting of Stockholders, our stockholders approved an amendment to our Restated Certificate of Incorporation, as amended, to increase the total number of authorized shares of capital stock available for issuance from 255,000,000, consisting of 250,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, to 6,005,000,000, consisting of 6,000,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock.

In accordance with the terms of the notes, we elected to pay interest due on the notes on December 9, 2008 in shares of our common stock to all noteholders where the issuance of the shares would not cause the noteholder to beneficially own more than 4.999% of our outstanding common stock. Accordingly, on December 9, 2008, we issued 4.0 million shares and paid $0.1 million in cash to satisfy our interest payment obligation.

Through December 31, 2008, our noteholders have voluntarily converted approximately $4.5 million of our convertible notes, resulting in us issuing 446.0 million shares of common stock. From January 1, 2009 through February 4, 2009, holders of convertible notes have voluntarily converted approximately $4.6 million of their notes, resulting in an issuance of 459.6 million shares of common stock.

Upon the occurrence of an event of default, holders of the notes have the right to require us to prepay all, or a portion, of their notes as calculated as the greater of (a) 150% of the aggregate principal amount of the note plus accrued interest or (b) the aggregate principal amount of the note plus accrued interest divided by the conversion price; multiplied by a weighted average price of our common stock. Pursuant to a general security agreement, entered into concurrently with the notes, the notes are secured by a first lien on all of our assets.

In February 2008, the Company sold 6.1 million shares of the Company s common stock at a price of $0.50 per share, raising approximately $3.1 million, before estimated fees and expenses.

Effective May 7, 2008, we moved the trading of our common stock from The NASDAQ Capital Markets to the Over-the-Counter Bulletin Board (OTCBB) maintained by FINRA (formerly, the NASD). This action was taken pursuant to receipt of notification from the NASDAQ Listing Qualifications Panel that we had failed to demonstrate our ability to sustain compliance with the $2.5 million minimum stockholders equity requirement for continued listing on The NASDAQ Capital Markets. On July 10, 2008, we received notification from The NASDAQ Capital Market that The NASDAQ Capital Market had determined to remove our common stock from listing on such exchange. The delisting was effective at the opening of the trading session on July 21, 2008.

In March 2007, we sold 5.0 million shares of our common stock at a price of $2.16 per share, raising net proceeds of $10.2 million.

During 2007, the Company issued notes payable to finance premiums for its corporate insurance policies of $1.1 million at interest rates running from 5.2% to 5.9%. Payments were scheduled for seven or ten equal monthly installments for the notes initiated in 2007. The remaining balance on the notes payable was $0.5 million at December 31, 2007, which was then fully paid off during 2008.

Presently, with no further financing, we will run out of funds in the first quarter of 2009. We currently do not have any additional financing in place. If we are unable to raise additional financing, we could be required to reduce our spending plans, reduce our workforce, license to others products or technologies we would otherwise seek to commercialize ourselves and sell certain assets. There can be no assurance that we can obtain financing, if at all, on terms acceptable to us.

Irrespective of whether an NDA or MAA for Genasense® are approved, we will require additional cash in order to maximize this commercial opportunity and continue its clinical development opportunities. We have had discussions with other companies regarding partnerships for the further development and global commercialization of Genasense®. Additional alternatives available to us to sustain our operations include financing arrangements with potential corporate partners, debt financing, asset-based loans, royalty-based financing, equity financing and other sources. However, there can be no assurance that any such collaborative agreements or other sources of funding will be available on favorable terms, if at all.

We anticipate seeking additional product development opportunities through potential acquisitions or investments. Such acquisitions or investments may consume cash reserves or require additional cash or equity. Our working capital and additional funding requirements will depend upon numerous factors, including: (i) the progress of our research and development programs; (ii) the timing and results of pre-clinical testing and clinical trials; (iii) the level of resources that we devote to sales and marketing capabilities; (iv) technological advances; (v) the activities of competitors; (vi) our ability to establish and maintain collaborative arrangements with others to fund certain research and development efforts, to conduct clinical trials, to obtain regulatory approvals and, if such approvals are obtained, to manufacture and market products and (vii) legal costs and the outcome of outstanding legal proceedings.

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Contractual Obligations

Future contractual obligations at December 31, 2008 are as follows ($ thousands):

	Total	Less than 1 year	1 3 years	3 5 years	More than 5 years
Uncertain tax positions*	$ 841	$ 841	$ 0	$ 0	$ 0
Operating lease obligations	2,859	706	2,153	0	0
Maturity of convertible notes	15,540	0	15,540	0	0
License obligations to Daiichi Sankyo	2,125	2,125	0	0	0
Total	$ 21,365	$ 3,672	$ 17,693	$ 0	$ 0

* see Note 13 to the Consolidated Financial Statements

Virtually all of the operating lease obligations result from our lease of approximately 25,000 square feet of office space in Berkeley Heights, New Jersey. Our lease on this space terminates in 2010. In May 2008, we entered into an amendment of our lease agreement with The Connell Company (Connell) whereby the lease for one floor of our office space was terminated. We agreed to pay Connell a payment of $2.0 million upon the earlier of July 1, 2009 or our receipt of at least $5.0 million in upfront cash from a business development deal. In February 2009, we entered into another amendment of our agreement with Connell whereby our future payment of $2.0 million is now payable on January 1, 2011. We will pay 6.0% interest in arrears to Connell from July 1, 2009 through the new payment date. The initial interest payment of approximately $30,000 will be payable as of October 1, 2009.

On June 9, 2008, we issued senior convertible promissory notes maturing on June 9, 2010 (see Note 12 to the Consolidated Financial Statements). Holders of the notes have the right, but not the obligation, to convert their notes, or a portion of their notes, in to shares of our common stock at a conversion rate of 100,000 shares of common stock for every $1,000 of principal. The amount in the table above, $15.5 million, is the face value of convertible notes outstanding at December 31, 2008. This amount would be due on June 9, 2010 assuming no voluntary conversions by noteholders prior to the maturity date. As of February 4, 2009, the amount is $10.9 million.

On March 7, 2008, we entered into a license agreement with Daiichi Sankyo Company, Limited, a Japanese corporation based in Tokyo, Japan, whereby we obtained the exclusive license for tesetaxel. Pursuant to the agreement, as of December 31, 2008, we owe Daiichi Sankyo two installments of $562,000 and an earned milestone payment of $1.0 million. The agreement also provides for additional payments by us upon achievement of certain clinical and regulatory milestones and royalties on net product sales. The agreement provides provisions whereby failure to make timely payments to Daiichi Sankyo may provide grounds for termination of the agreement.

Not included in the above table are any Genasense® bulk drug purchase obligations to Avecia per the terms of the Manufacturing and Supply Agreement entered into between us and Avecia in May 2008. The agreement calls for us to purchase a percentage of its global Genasense® bulk drug requirements from Avecia during the term of the agreement. Due to the uncertainties regarding the timing of any Genasense® approval and sales/volume projections, specific obligation amounts cannot be estimated at this time. Due to past purchases of Genasense® bulk drug substance, we have access to sufficient drug for its current needs. In addition, not included in the above table are potential milestone payments to be made to Emisphere and other suppliers of services, since such payments are contingent on the occurrence of certain events.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On July 16, 2008, following an extensive review and request-for-proposal process, our Audit Committee determined not to renew our engagement of Deloitte & Touche LLP as our independent registered public accounting firm and dismissed them as our auditors. On July 16, 2008, the Audit Committee recommended and approved the appointment of Amper Politziner & Mattia, LLP (formerly Amper Politziner & Mattia, PC) as our auditors for the fiscal year ending December 31, 2008, commencing immediately on such date.

No accountant s report issued by Deloitte & Touche LLP on the financial statements for either of the two (2) fiscal years ended December 31, 2007 and December 31, 2006 contained an adverse opinion or a disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope or accounting principles, except that Deloitte & Touche LLP s report on our consolidated financial statements as of and for the year ended December 31, 2007 contained an explanatory paragraph expressing substantial doubt as to our ability to continue as a going concern as a result of recurring losses and negative cash flows from operations.

During each of the fiscal years ended December 31, 2007 and December 31, 2006 and the subsequent interim period from January 1, 2008 through our notice to Deloitte & Touche LLP of its non-renewal on July 16, 2008: (i) there were no disagreements with Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure, which disagreement, if not resolved to the satisfaction of Deloitte & Touche LLP, would have caused it to make reference to the subject matter of the disagreement in connection with its reports; and (ii) there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K). In addition, Deloitte & Touche LLP s reports on our financial statements for the past two years did not contain an adverse opinion or a disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles. Deloitte & Touche LLP s reports on our financial statements did include an explanatory paragraph relating to our ability to continue as a going concern and our adoption of Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment, effective January 1, 2006, and Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement no. 109, effective January 1, 2007.

During our fiscal years ended December 31, 2006 and December 31, 2007 and the subsequent interim period from January 1, 2008 through the engagement of Amper Politziner & Mattia, LLP on July 16, 2008, we did not consult with Amper Politziner & Mattia, LLP regarding the application of accounting principles to a specified transaction, either completed or proposed; the type of audit opinion that might be rendered on our consolidated financial statements, or any matter that was either the subject of disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K; or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our carrying values of cash, marketable securities, accounts payable, accrued expenses and debt are a reasonable approximation of their fair value. If our stock price were to increase, the Black Scholes model will calculate a higher estimate of the fair value of our convertible notes and warrant. If our stock price were to decrease, the Black Sholes model will calculate lower values. The estimated fair values of financial instruments have been determined by us using available market information and appropriate valuation methodologies (See Note 1 to our Consolidated Financial Statements for the Year Ended December 31, 2008, 2007 and 2006). We have not entered into and do not expect to enter into, financial instruments for trading or hedging purposes. We do not currently anticipate entering into interest rate swaps and/or similar instruments.

Our primary market risk exposure with regard to financial instruments is to changes in interest rates, which would impact interest income earned on such instruments. We have no material currency exchange or interest rate risk exposure as of December 31, 2008. Therefore, there will be no ongoing exposure to a potential material adverse effect on our business, financial condition or results of operation for sensitivity to changes in interest rates or to changes in currency exchange rates.

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MANAGEMENT

Our Directors and executive officers, their age, positions, the dates of their initial election or appointment as Directors or executive officers, and the expiration of the terms are as follows:

Name	Age	Position With The Company
Raymond P. Warrell, Jr., M.D.	59	Chairman and Chief Executive Officer
Richard J. Moran, CPA [1]	62	Sr. Vice President and Chief Financial Officer (retired)
Gary Siegel	51	Vice President, Finance
Loretta M. Itri, M.D., F.A.C.P.	59	President Pharmaceutical Development and Chief Medical Officer
W. Lloyd Sanders	48	Sr. Vice President and Chief Operating Officer
Martin J. Driscoll	50	Director
Christopher P. Parios	68	Director
Daniel D. Von Hoff, M.D.	61	Director
Douglass G. Watson	64	Director

(1) Mr. Richard J. Moran retired from the Company in February 2008.

All directors hold office until the annual meeting next following their election and/or until their successors are elected and qualified. Officers are elected annually by the Board of Directors (the Board) and serve at the discretion of the Board. Information with respect to the business expenses and affiliation of our directors and executive officers is set forth below:

Raymond P. Warrell, Jr., M.D., 59, has been our Chief Executive Officer and a member of our Board since December 1999 and our Chairman since January 2001. From December 1999 to May 2003, he was also our President. From 1978 to 1999, Dr. Warrell was associated with the Memorial Sloan-Kettering Cancer Center in New York, where he held tenured positions as Member, Attending Physician, and Associate Physician-in-Chief, and with the Joan and Sanford Weill Medical College of Cornell University, where he was Professor of Medicine. Dr. Warrell also has more than 20 years of development and consulting experience in pharmaceuticals and biotechnology products. He was a co-founder and chairman of the scientific advisory board of PolaRx Biopharmaceuticals, Inc., which developed Trisenox®, a drug for the treatment of acute promyelocytic leukemia, which is now marketed by Cephalon, Inc. Dr. Warrell holds or has filed numerous patents and patent applications for biomedical therapeutic or diagnostic agents. He has published more than 100 peer-reviewed papers and more than 240 book chapters and abstracts, most of which are focused upon drug development in tumor-related diseases. Dr. Warrell is a member of the American Society of Clinical Investigation, the American Society of Hematology, the American Association for Cancer Research and the American Society of Clinical Oncology. Among many awards, he has received the U.S. Public Health Service Award for Exceptional Achievement in Orphan Drug Development from the FDA. He obtained a B.S. in Chemistry from Emory University, a M.D. from the Medical College of Georgia, and a M.B.A. from Columbia University Graduate School of Business. Dr. Warrell is married to Dr. Loretta M. Itri, President, Pharmaceutical Development and Chief Medical Officer of Genta.

Richard J. Moran, CPA, 62, became our Senior Vice President and Chief Financial Officer in September 2005 and retired in February 2008. Mr. Moran brought extensive and diversified finance experience from a long career with Johnson & Johnson (J&J) and several of its operating companies. He served as Chief Financial Officer, Vice President Finance, and member of the U.S.A. Board of Ortho Biotech from 1995 until 2002, and from 2000 to 2002 he assumed additional finance responsibility for the Ortho Biotech Worldwide Board. In that role, he was responsible for planning, preparation, management, compliance and controls of the accounting and financial activities of this $4.4 billion global business unit. From 2002 until his retirement in 2004, he served as Director at J&J s Corporate Headquarters, where he

was charged with strategic development and implementation of Sarbanes-Oxley Section 404 compliance requirements at more than 350 worldwide locations with $45 billion in annual sales. Mr. Moran previously served as Finance Group Controller for J&J s International Cilag, Ortho Pharmaceuticals, McNeil Pharmaceuticals (ICOM) Group from 1989 to 1994 during the launch of Eprex® in 50 countries and Procrit® in the U.S., and he served as a Board member for both Cilag Europe and the ICOM Group. From 1983 to 1988, Mr. Moran was a Director of J&J s Corporate Internal Audit Department. Mr. Moran is a member of the New Jersey Society of Certified Public Accountants, the American Institute of Certified Public Accountants, and has

served as Chairman of the Board and Treasurer of the American Red Cross of Somerset County, NJ. Mr. Moran retired from Genta effective February 29, 2008.

Gary Siegel, 51, joined Genta in May 2003 as Director, Financial Services, was appointed Senior Director, Financial Services in April 2004 and was appointed Vice President, Finance in September 2007. During his tenure at Genta, Mr. Siegel has been accountable for the day-to-day accounting and financial operations of the Company including public and management reporting, treasury operations, planning, financial controls and compliance. Mr. Siegel became an executive officer of the Company and assumed the role of interim Principal Accounting Officer, interim Principal Financial Officer and interim Corporate Secretary, effective February 29, 2008. Prior to joining Genta, he worked for two years at Geller & Company, a private consulting firm, where he led the management reporting for a multi-billion dollar client. His twenty-two years of experience in the pharmaceutical industry include leadership roles at Warner-Lambert Company and Pfizer Inc., where he held positions of progressively increasing levels of responsibility including Director, Corporate Finance and Director, Financial Planning & Reporting.

Loretta M. Itri, M.D., F.A.C.P., 59, has been our President, Pharmaceutical Development and Chief Medical Officer since May 2003, prior to which she was Executive Vice President, Pharmaceutical Research and Development and Chief Medical Officer. Dr. Itri joined Genta in March 2001. Previously, Dr. Itri was Senior Vice President, Worldwide Clinical Affairs, and Chief Medical Officer at Ortho Biotech Inc., a Johnson & Johnson company. As the senior clinical leader at Ortho Biotech and previously at J&J s R.W. Johnson Pharmaceutical Research Institute (PRI), she led the clinical teams responsible for NDA approvals for Procrit® (epoetin alpha), that company s largest single product. She had similar leadership responsibilities for the approvals of Leustatin®, Renova®, Topamax®, Levaquin®, and Ultram®. Prior to joining J&J, Dr. Itri was associated with Hoffmann-La Roche, most recently as Assistant Vice President and Senior Director of Clinical Investigations, where she was responsible for all phases of clinical development programs in immunology, infectious diseases, antivirals, AIDS, hematology and oncology. Under her leadership in the areas of recombinant proteins, cytotoxic drugs and differentiation agents, the first successful Product License Application (PLA) for any interferon product (Roferon-A®; interferon alfa) was compiled. Dr. Itri is married to Dr. Warrell, our Chief Executive Officer and Chairman.

W. Lloyd Sanders, 48, assumed the position of Senior Vice President and Chief Operating Officer in March 2008. He had been our Senior Vice President, Commercial Operations since October 2006. Mr. Sanders joined Genta in January 2006 as Vice President, Sales and Marketing. He has twenty years of experience in the pharmaceutical industry. Prior to joining Genta, Mr. Sanders was associated with Sanofi-Synthelabo, and subsequently Sanofi-Aventis. From October 2004 through January 2006 he was Vice-President, Oncology Sales for the combined companies. In that role, he had key product sales responsibility for Eloxatin® (oxaliplatin), Taxotere® (docetaxel), Anzemet® (dolasetron mesylate), and ELITEK® (rasburicase). He led the successful restructuring, integration, deployment, strategic development, and tactical execution of the merged companies sales forces. He was responsible for national account GPO contracting strategy and negotiations, and he shared responsibility for oncology sales training and sales operations. From October 2002 through October 2004, Mr. Sanders was Area Vice President, Oncology Sales. He led the 110-member team that achieved record sales for an oncology product launch with Eloxatin®. From 1987 until 2002, he held positions of progressively increasing levels of responsibility at Pharmacia, Inc. (now Pfizer), most recently as Oncology Sales Director, West/East. Mr. Sanders holds a Bachelor of Business Administration from Memphis State University.

Martin J. Driscoll, 50, has been a member of our Board since September 2005. Mr. Driscoll brings more than twenty-seven years of executive experience in pharmaceutical Marketing & Sales, Business Development and Commercial Operations to the Genta Board. In March 2008, Mr. Driscoll became Chief Executive Officer of Javelin Pharmaceuticals, Inc. (AMEX:JAV) of Cambridge, Massachusetts where he had also served as a director since 2006. Javelin is a specialty pharmaceutical company that applies innovative proprietary technologies to develop new drugs and improved formulations of existing drugs that target current and underserved medical need in the pain management market. Mr. Driscoll joined Javelin from Pear Tree Pharmaceuticals, Inc., a development-stage company focused on women s prescription healthcare products. Mr. Driscoll was CEO of Pear Tree Pharmaceuticals from September 2007 until March 2008. From August 2005 until September 2007, Mr. Driscoll was President of MKD Consulting Inc., a pharmaceutical management and commercialization consulting firm, and a Partner at TGaS Consulting, a

pharmaceutical commercial operations benchmarking firm. From July 2003 until August 2005, Mr. Driscoll was Senior Vice President of Marketing and Sales at Reliant Pharmaceuticals, a privately held company

that markets a portfolio of branded pharmaceutical products, where he was a member of the Management Committee and an Executive Officer of the Company. From 1983 to 1990, Mr. Driscoll held positions of increasing responsibility at Schering Plough Corporation, including most recently as Vice President of Marketing and Sales for Schering s Primary Care Division. He previously served as Vice President, Marketing and Sales, for the Schering Diabetes Unit, and also for Key Pharmaceuticals, the largest Schering U.S. Business Unit. His experience includes management of franchises that encompass oncologic, cardiovascular, anti-infective, metabolic, CNS, pulmonary and dermatologic products. At both Reliant and Schering, Mr. Driscoll had extensive experience in the negotiation, implementation and management of collaborations with other companies. Prior to joining Reliant, from 2000 to 2002 Mr. Driscoll was Vice President, Commercial Operations and Business Development at ViroPharma Inc., where he built the first commercial Sales and Marketing operation, and was the ViroPharma Chair for the ViroPharma/Aventis Joint Steering Committee for their Phase 3 antiviral product collaboration.

Christopher P. Parios, 68, has been a member of our Board since September 2005. Mr. Parios has more than thirty-seven years of pharmaceutical industry experience, including product development, marketing and promotion, strategy and tactic development, and managing pharmaco-economic and reimbursement issues. He has worked with many of the major companies in the pharmaceutical industry including Hoffmann-LaRoche, Ortho-McNeil, Pfizer, Novartis, Schering Plough, Janssen, Ortho Biotech, and Bristol-Myers Squibb. For the period 1997 to May of 2008, Mr. Parios was Executive Director of The Dominion Group, an independent healthcare consulting firm that specializes in market research, strategic planning, and competitive intelligence monitoring. In this role, he was responsible for the full range of market research, consulting, and business planning activities to facilitate informed business decisions for clients regarding product development, acquisitions, product positioning, and promotion. Mr. Parios continues to consult with the Dominion Group on a part-time basis. Previously, Mr. Parios was President and Chief Operating Officer of the Ferguson Communication Group, as well as Vice Chairman of the parent company, CommonHealth USA, a leading full-service communications resource for the healthcare industry. Mr. Parios was a partner in Pracon, Inc., a health-care marketing consulting firm from 1982 to 1991, and helped engineer the sale of that firm to Reed-Elsevier in 1989. Over a twenty-year period, Mr. Parios held progressively senior positions at Hoffmann-LaRoche, Inc., most recently as Director of New Product Planning and Regulatory Affairs Management. This group established the project management system for drug development at Roche and coordinated developmental activities for such products as Versed®, Rocephin®, Roferon®, Accutane®, Rimadyl®, and Tegison®. Mr. Parios was also a member of the corporate team responsible for domestic and international product and technology licensing activities.

Daniel D. Von Hoff, M.D., F.A.C.P., 61, has been a member of our Board since January 2000. Since November 2002, he has been Physician in Chief and Director of Translational Research at Translational Genomics Research Institute s (TGen) in Phoenix, Arizona. He is also Chief Scientific Officer for US Oncology since January 2003 and he is also the Chief Scientific Officer, Scottsdale Clinical Research Institute since November 2005. Dr. Von Hoff s major interest is in the development of new anticancer agents, both in the clinic and in the laboratory. He and his colleagues were involved in the beginning of the development of many of the agents now used routinely, including: mitoxantrone, fludarabine, paclitaxel, docetaxel, gemcitabine, CPT-11, and others. At present, he and his colleagues are concentrating on the development of molecularly targeted therapies. Dr. Von Hoff s laboratory interests and contributions have been in the area of in vitro drug sensitivity testing to individualize treatment for the patient. He and his laboratory are now concentrating on discovery of new targets in pancreatic cancer. Dr. Von Hoff has published more than 531 papers, 129 book chapters, and more than 891 abstracts. Dr. Von Hoff was appointed to President Bush s National Cancer Advisory Board for June 2004 March 2010. Dr. Von Hoff is the past President of the American Association for Cancer Research, a Fellow of the American College of Physicians, and a member and past board member of the American Society of Clinical Oncology. He is a founder of ILEX Oncology, Inc. (acquired by Genzyme). He is founder and the Editor Emeritus of Investigational New Drugs The Journal of New Anticancer Agents; and, Editor-in-Chief of Molecular Cancer Therapeutics.

Douglas G. Watson, 64, has been a member of our Board since April 2002 and was appointed Vice Chairman of our Board and Lead Director in March 2005. From 1999 through the present, Mr. Watson is the founder and has served as Chief Executive Officer of Pittencrieff Glen Associates, a leadership and management-consulting firm. Prior

to taking early retirement in 1999, Mr. Watson spent 33 years with Geigy/Ciba-Geigy/Novartis, during which time he held a variety of positions in the United Kingdom, Switzerland and the United States. From 1986 to 1996, he was President of Ciba U.S. Pharmaceuticals Division, and in 1996 he was appointed President & Chief Executive Officer of Ciba-Geigy Corporation. During this ten-year period, Mr. Watson was an

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active member of the Pharmaceutical Research & Manufacturers Association board in Washington, DC. Mr. Watson became President & Chief Executive Officer of Novartis Corporation in 1997 when the merger of Ciba-Geigy & Sandoz was approved by the Federal Trade Commission. Mr. Watson is currently Chairman of the Board of OraSure Technologies Inc., and Chairman of the Board of Javelin Pharmaceuticals Inc. He also serves on the boards of Dendreon Corporation and BioMimetic Therapeutics Inc.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Program

The Compensation Committee, also referred to herein as the Committee, of the Board of Directors has responsibility for overseeing our compensation and benefit policies, evaluating senior executive performance, and determining compensation for our senior executives, including our executive officers. The Committee ensures that the total compensation paid to executive officers is fair, reasonable and competitive.

The individuals who serve as our Chairman of the Board and Chief Executive Officer (CEO), and the Chief Financial Officer (CFO), as well as the other individuals included in the Summary Compensation Table below, are referred to as the executive officers .

Compensation Philosophy and Objectives

Our compensation philosophy is based on our belief that our compensation programs should: be aligned with stockholder s interests and business objectives; reward performance; and be externally competitive and internally equitable. We seek to achieve three objectives, which serve as guidelines in making compensation decisions:

Providing a total compensation package which is competitive and therefore, enables us to attract and retain, high-caliber executive personnel;

Integrating compensation programs with our short-term and long-term strategic plan and business objectives; and

Encouraging achievement of business objectives and enhancement of stockholder value by providing executive management long-term incentive through equity ownership.

Role of Executive Officers in the Compensation Decisions

The Committee makes all compensation decisions regarding the compensation of our executive officers. The CEO reviews the performance of our executive officers and except for the President, Pharmaceutical Development & Chief Medical Officer (President), who is the spouse of the CEO, the CEO makes recommendations to the Committee based on these reviews, including salary adjustments, variable cash awards and equity awards. The Committee can exercise its discretion in modifying any recommended adjustments or awards to executives. With respect to the President, the Committee in its sole discretion determines the amount of any adjustments or awards.

Establishing Executive Compensation

Compensation levels for our executive officers are determined through comparisons with other companies in the biotechnology and pharmaceutical industries, including companies with which we compete for personnel. To determine external competitiveness practices relevant to the executive officers, we review data from two industry surveys of executive compensation: Radford Biotechnology Compensation Survey and Organization Resources Counselors (collectively, External Market Data). In addition, in 2007 the Committee retained Towers Perrin, a leading compensation consultant with expertise in biopharmaceutical industry compensation practices, to assist in its analysis of executive compensation. Towers Perrin provided a third-party perspective based on their extensive knowledge of the industry and they advised the Committee of developments in the design of compensation programs and provided benchmarks against which we compare our total compensation packages. Towers Perrin conducted a peer group analysis in order to weigh the competitiveness of the Company s overall compensation arrangements in

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relation to comparable biopharmaceutical companies. The peer companies were: Allos Therapeutics, Ariad Pharmaceuticals, Avalon Pharmaceuticals, Cell Genesys, Cell Therapeutics, Favrille, Hana Biosciences, Introgen Therapeutics, NeoPharm, Pharmacyclics, Poniard Pharmaceuticals, Spectrum Pharmaceuticals, Telik and Vion Pharmaceuticals. These companies were selected for the peer group because, like Genta, they were oncology focused, public pharmaceutical companies with products in mid to late-stage development.

It is the Committee s objective to target total annual compensation of each executive officer at a level between the 50th and 75th percentiles for comparable positions. However, in determining the compensation for each executive officer, the Committee also considers a number of other factors including: an evaluation of the responsibilities required for each respective position, individual experience levels and individual performance and contributions toward achievement of our business objectives. There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Instead, the Committee determines the mix of compensation for each executive officer based on its review of the competitive data and its analysis of that individual s performance and contribution to our performance. In addition, in light of our stage of development, considerable emphasis is placed on equity-based compensation in an effort to preserve cash to finance our research and development efforts.

Other Factors Considered in Establishing 2008 Compensation for Executive Officers

Our potential products are in various stages of research and development and limited revenues have as yet been generated from product sales. As a result, the use of traditional performance standards, such as corporate profitability, is not believed to be appropriate in the evaluation of the performance of us or our individual executives. The compensation of our executive officers is based, in substantial part, on industry compensation practices, trends noted (in the External Market Data, peer group analysis and by Towers Perrin), as well as the extent to which business and the individual executive officers objectives are achieved. Such objectives are established and modified as necessary to reflect changes in market conditions and other factors. Individual performance is measured by reviewing whether these objectives have been achieved.

Among the significant business objectives achieved during 2008 were 75% enrollment of the Phase 3 AGENDA trial of Genasense® in patients with advanced melanoma; the licensing of the drug, tesetaxel from Daiichi Sankyo, obtaining from the FDA a lifting of the clinical hold on tesetaxel, Orphan Drug designation by the FDA for tesetaxel as treatment for advanced melanoma and preparations for the resumption of clinical trials for tesetaxel; the sale of 6.1 million shares of our common stock, raising net proceeds of $2.9 million and the sales of $20 million of senior convertible notes, raising net proceeds of $18.7 million. The milestones described above enabled continued progress towards the commercialization and development of Genasense® and tesetaxel, and were considered carefully in evaluating executive performance and making determinations regarding executive compensation. Notably, however, three significant factors warranted very substantial weight in evaluating our business performance and in making executive compensation decisions. These factors were: 1) our receipt of a complete response letter from the FDA regarding our amended New Drug Application (NDA) for the use of Genasense® plus chemotherapy in patients with chronic lymphocytic leukemia (CLL) determining that FDA cannot approve the NDA in its present form and suggested the need for an additional clinical study; 2) our inability to close a licensing or partnership deal for Genasense®, tesetaxel, Ganite® or G4544 before the close of the fiscal year ; and 3) our inability to raise additional operating capital before the close of the fiscal year.

The Committee reviewed peer analysis data, the compensation history of each executive officer including their annual salary, cash incentive bonus and stock option awards. During the Committee s year-end 2008 meeting, the CEO, Dr. Warrell, recommended that due to our failure to meet critical business and financial objectives (as described above) that, for the second year in a row, there not be any annual salary increases and that there be no payment of any incentive bonuses for executives and all other employees. Following discussion, the Committee approved Dr. Warrell s recommendation. Because there is no shareholder-approved stock incentive plan, the Committee determined that there would be no year-end stock option grants for the executive officers and the general employee population. Due to the our depressed stock price and the two-year freeze on annual salaries (Dr. Warrell s salary was decreased by 15% by the Committee effective January 1, 2008), the equity-based long-term incentive compensation and total compensation level (annual salary, incentive bonus and equity based compensation) for each of the executive officers was below the

median (50th percentile). The Committee also took note of the voluntary deferral of the cash portion of their salaries by Drs. Warrell and Itri in order to conserve cash for the period from

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April 19, 2008 through August 17, 2008. The deferred amounts, totaling approximately $381,000 have been accrued as a liability and have not been paid. Notwithstanding these issues, the Committee strives to provide executive compensation that is otherwise reasonably competitive with companies in the biotechnology and pharmaceutical industries when taking into account: geographic location, relative company size, stage of development, individual responsibilities and experience, as well as individual and overall corporate performance.

Elements of Executive Compensation

Our compensation package for executive officers generally consists of annual cash compensation, which includes both fixed (annual salary) and variable (cash incentive bonus program) elements; long-term compensation in the form of stock options and other perquisites. The main components are annual salary, cash incentive bonus and stock options, all of which are common elements of executive compensation pay in general and throughout the biotechnology and pharmaceutical industry.

Annual Salary

We pay an annual salary to our employees and the executive officers as consideration for fulfillment of certain roles and responsibilities. Changes in annual salaries for executive officers, if any, are generally effective at the beginning of each year. As noted above, there were no annual salary increases for 2009 or 2008.

Determining Annual Salary

Increases to annual salary reflect a reward and recognition for successfully fulfilling the position s role and responsibilities, the incremental value of the experience, knowledge, expertise and skills the individual acquires and develops during employment with us and adjustments as appropriate based on external competitiveness and internal equity. Prevailing competitive market practices guide the percentage increases to annual salary. There were no salary increases made for the executive officers due to our performance in 2008. The 2009 annual salaries for Dr. Warrell, Dr. Itri, Mr. Siegel and Mr. Sanders are $408,000, $467,500, $210,000 and $285,000, respectively. In order to conserve cash, Drs. Warrell and Itri deferred the cash portions of their salaries from April 19, 2008 through August 17, 2008. Thus, salaries actually paid to Drs. Warrell and Itri during 2008 were $231,558 and $264,490, respectively. Due to our inability to raise additional capital and in order to conserve cash, on January 5, 2009, Drs. Warrell and Itri agreed to again begin deferring the cash portions of their salaries. These agreements may be rescinded by Drs. Warrell and Itri at their discretion, and the cash amounts due them shall be accrued for by us.

Cash Incentive Bonus Program

Typically, we award cash incentive bonuses to employees, including the executive officers, as a reward and recognition for contributing to our achievement of specific annual business objectives. All employees are eligible for a form of cash incentive bonus, although payment of a cash incentive bonus is made at an individual level each year contingent upon our overall performance. However, as described under the section "Other Factors Considered in Establishing 2008 Compensation for Executive Officers , our business performance was insufficient in 2008 to warrant cash incentive bonuses to executive officers and all other employees; consequently no cash incentive bonuses were paid.

Determining the 2008 Cash Incentive Bonus Program Target

The target for the cash incentive bonus program award for the CEO (forty percent of annual salary) and the President (thirty percent of annual salary) is based on the terms of their employment agreements as described below and the Committee determines the annual target for the other executive officers each year based on external competitiveness and internal equity. Based on the External Market Data, the target amounts for executive officers who were Senior Vice Presidents and Vice Presidents were established at thirty percent and twenty-five percent of annual salary, respectively. As noted above, there were no cash bonuses paid to any of the executive officers for 2008.

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Equity-Based Compensation

We grant equity-based compensation to employees, including executive officers, to attract, motivate, engage and retain highly qualified and highly sought-after employees. We grant stock options on a broad basis to encourage all employees to work with a long-term view. Stock options are inherently performance-based because they deliver value to the option holder only if the value of our stock increases. Thus, stock options are a potential reward for long-term value creation and serve as an incentive for employees who remain with us to contribute to the overall long-term success of the business.

April 2008 Restricted Stock Unit Grants

On April 18, 2008, following careful analysis which included: 1) a review of market trends, including consultation with Aon Radford Consulting (a nationally recognized compensation consulting firm with specific expertise in dealing with the equity issues of biopharmaceutical companies); 2) consideration of the fact that the 1998 Plan would be expiring in May 2008; and 3) the determination that the commitment and motivation of our workforce would be vital to ongoing efforts to commercialize Genasense® and achieve other corporate objectives, management recommended to the Committee that Restricted Stock Units, or RSUs, be issued to certain executive officers and all employees under the 1998 Plan. The Committee reviewed management s recommendation and approved the April 2008 RSU grants.

Two of the five executive officers received grants under the program. Mr. Sanders and Mr. Siegel received RSU grants of 65,000 and 40,000 shares, valued on their grant dates at $26,650 and $16,400, respectively. The RSUs vest 50% on January 15, 2009 and 50% on June 30, 2009, provided Mr. Sanders and Mr. Siegel remain our employees. At December 31, 2008, the value of the RSU grants were $176 and $108, respectively.

September 2007 Stock Option Grants

The 2007 Stock Incentive Plan, or 2007 Plan, was conditioned upon the receipt of stockholder approval by September 17, 2008. The Board elected not to submit the 2007 Plan to stockholders for approval and on September 18, 2008, the 2007 Plan expired. As a result, the grants described below, as well as grants to all other employees were cancelled. Previously, the Committee had approved the 2007 Plan contingent upon shareholder approval in 2008, and approved contingent stock option grants for four of the five executive officers and all other employees.

At that time and in conjunction with the amendment and restatement of his employment agreement, Dr. Warrell received a contingent stock option grant of 2,400,000 shares at $1.39 per share. Mr. Sanders and Mr. Siegel received contingent stock option grants of 300,000 and 175,000 shares, respectively, at $1.39 per share. Dr. Itri received a contingent stock option grant of 500,000 shares at $1.42 per share. However, due to marked changes in the general economic environment combined with the deterioration of the price of our common stock, the 2007 Plan was never submitted to our stockholders for approval, and all such contingent grants under the proposed plan expired September 18, 2008. As a consequence, we currently have no forward-looking equity incentive plan at this time.

Acquisition Bonus Plan

As noted, the 2007 Plan was subject to stockholder approval. Consequently, the Committee recognized that at times prior to stockholder approval, a potential change in control would have eliminated any retention value of the contingent stock option awards described above. Therefore, in order to assure retention of our executive officers and other employees prior to stockholder approval of the 2007 Plan, the Committee concurrently approved an Acquisition Bonus Plan that was subsequently approved by the Board of Directors. Under the program, participants were eligible to share in a portion of the proceeds realized from a change in control that occurred prior to the earlier of (i) December 31, 2008 or (ii) the approval by our stockholders of the 2007 Plan. On September 27, 2007, executive officers and employees were granted a number of units in the Acquisition Bonus Plan that corresponded to the number of contingent stock options granted to them under the 2007 Plan. As noted, however, the 2007 plan was never submitted for stockholder approval, and as a consequence the Acquisition Bonus Plan expired December 31, 2008.

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Determining The Timing And Exercise Price Of Equity-Based Compensation

We have a longstanding practice, since January 2002, of having the exercise price of a stock option grant coincide with the closing price of our stock on the date of the grant. This practice is intended to avoid a situation in which a stock option grant is issued at an exercise price below the fair market value of our stock on the date of the grant. In years in which we issue performance-based grants, our practice has been to make grants to employees and our executive officers during the month of January; however, as stated above, no grants were made in January 2008 or January 2009.

Option Grant Date Coordination With The Release Of Material Non-Public Information

We established the date of the Committee meetings and grant dates in accordance with our policy, and do not determine these dates based on knowledge of material non-public information or in response to our stock price.

Retirement Benefits

All employees are eligible to participate in the Genta Incorporated Savings & Retirement Plan (Savings Plan). This is a tax-qualified retirement savings plan, which allows contributions by the employee of the lesser of 50% of their annual salary or the limit prescribed by the Internal Revenue Service to the Savings Plan on a before-tax basis. We will match 100% of the first 4% of pay that is contributed to the Savings Plan and 50% of the next 2% of pay contributed. All contributions to the Savings Plan as well as any matching contributions are fully vested upon contribution. We provide retirement benefits because retirement benefits are an integral part of employee benefit programs within the biotechnology and pharmaceutical industry.

Perquisites

Excluding our CEO and President, both of whom have employment agreements that describe any perquisites that are part of their compensation and are described below, none of our executive officers have perquisites in excess of $10,000 in annual value.

Severance Benefits

We have adopted a severance pay program for nearly all of our employees, including executive officers, except for Drs. Itri and Warrell, who are eligible for severance benefits under the terms of their employment agreements as described below. The severance pay program is intended to preserve employee morale and productivity and encourage retention in the face of the disruptive impact of an actual or rumored workforce reduction or a change in control of our company. In addition, for executives, the program is intended to align executive and stockholder interests by enabling executives to consider corporate transactions that are in the best interests of the stockholders and other of our constituents without undue concern over whether the transactions may jeopardize the executive s own employment.

These arrangements, like other elements of executive compensation, are structured with regard to practices at comparable companies for similarly-situated officers and in a manner we believe is likely to attract and retain high quality executive talent.

Although there are some differences in the benefit levels depending on the employee s job level, the basic elements are comparable for all employees, except for Drs. Itri and Warrell as noted above, and for Messrs. Sanders and Siegel, as noted below:

Double trigger. Unlike single trigger plans that pay out immediately upon a change in control, Genta s severance pay program requires a double trigger a change in control followed by an involuntary loss of employment within one year thereafter. This is consistent with the purpose of the program, which is to provide employees with financial protection upon loss of employment.

Covered terminations. Employees may be eligible for payments, if there is either a workforce reduction or if within one year of a change in control, their employment is terminated without cause by the Company.

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Severance payment. Subject to signing a release, eligible terminated employees may receive severance.

Benefit continuation. Subject to signing a release, basic health and dental insurance may be continued following termination of employment.

Accelerated vesting of equity awards. Upon a change in control, any unvested equity awards become vested.

Potential Payments Upon a Reduction in Force or Change in Control

Drs. Itri s and Warrell s eligibility for severance payments are described below, and the remaining executive officers are also eligible for certain payments in the event of their termination. In the event of their termination as a result of a reduction in force or change in control, Mr. Sanders and Mr. Siegel are eligible for up to twenty-four weeks of severance equal to $131,538 and $96,923, respectively, paid in portions on a bi-weekly basis and not as a lump sum. Mr. Sanders and Mr. Siegel are also eligible to continue their health/dental benefits at our expense for up to four months, with an estimated value of $7,116 each.

Deductibility of Executive Compensation

As part of its role, the Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that we may not deduct compensation of more than $1,000,000 paid to an individual. For 2007, the total amount of compensation paid by us should be deductible and not affected by the Section 162(m) limitation.

2009 Objectives and Executive Compensation Guidelines

Our business objectives for 2009 include: completing enrollment of the phase 3 AGENDA trial of Genasense® in patients with advanced melanoma and submission of a New Drug Application to Food and Drug Administration for the treatment of advanced melanoma; initiating and completing enrollment of the Phase I trial of our oral taxane, tesetaxel; securing Special Protcol Assessment for a randomized controlled trial of tesetaxel for patients with advanced advanced gastric cancer; and ongoing financing and business development activities that will further the development and commercialization of our products. At present, the 2009 compensation guidelines will be generally comparable to the 2008 guidelines with respect to the following: components of compensation; anticipated salary adjustments; cash incentive bonus targets and equity-based compensation. The Committee will make adjustments if necessary based on their assessment of a variety of factors including: industry trends; competitive market data; business objectives and corporate performance.

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Summary Compensation Table

The following table sets forth certain information regarding compensation earned by or paid to our Chief Executive Officer, Chief Financial Officer and other executive officers (collectively, the "named executive officers) during the years ended December 31, 2008, 2007 and 2006, respectively.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	Nonqualified Deferred Compensation earnings ($)(3)	All Other Compensation ($)	Total ($)
Raymond P. Warrell, Jr. M.D. Chairman and Chief Executive Officer	2008	231,558			446,667		178,104	31,060(4)	709,285
	2007	480,000			1,139,940			41,096(4)	1,661,036
	2006	460,000			2,743,824	50,000		40,462(4)	3,294,286
Richard J. Moran Senior Vice President, Chief Financial Officer and Corporate Secretary	2008	61,538			28,400			3,077(5)	93,015
	2007	320,000		10,463	29,100			17,261(5)	376,824
	2006	304,500			35,900	100,000		11,000(5)	451,400
Gary Siegel Vice President, Finance	2008	210,000		12,551	17,278			11,518(6)	251,347
	2007	196,846			32,007			11,250(6)	240,103
	2006	183,750			46,778	66,500		11,000(6)	308,028
Loretta M. Itri, M.D. President, Pharmaceutical Development and Chief Medical Officer	2008	264,490			78,221		203,010	20,061(7)	362,772
	2007	467,500			459,201			21,836(7)	948,537
	2006	445,200			979,852			19,848(7)	1,444,900
W. Lloyd Sanders Senior Vice President and Chief Operating Officer	2008	285,000		20,396	39,100			5,642(8)	350,138
	2007	285,000			39,100			40,405(8)	364,505
	2006	245,000			36,250	78,000		33,579(8)	392,829

(1) The amounts reflect the dollar amount

recognized for financial statement reporting purposes for the years ended December 31, 2008, 2007 and 2006, respectively, in accordance with FAS 123(R). These figures include amounts from awards granted in 2003, 2004, 2005, 2006 and 2007. Assumptions used in the calculations of these amounts for the years ended December 31, 2006, 2007 and 2008, respectively, are in Note 14 of the Company s Annual Report on Form 10-K for the year ended December 31, 2008. There can be no assurance that the FAS 123(R) amounts will be realized.

(2) As described above, no payments were made for 2007 or 2008 performance under our cash incentive bonus program.

(3) In order to conserve cash,

Drs. Warrell and Itri deferred the cash portions of their salaries from April 19, 2008 through August 17, 2008. Thus, salaries actually paid to Drs. Warrell and Itri during 2008 were $231,558 and $264,490, respectively.

(4) All other compensation for 2008 includes $6,000 for auto allowance, $4,068 for long-term disability (including $1,139 for income tax gross-up), $9,492 for life insurance (including $2,657 for income tax gross-up) and $11,500 Company match to the 401(k) Plan. All other compensation for 2007 includes $6,000 for auto allowance, $13,419 for long-term disability (including $4,641 for income tax gross-up), $10,427 for life

insurance, (including $3,592 for income tax gross-up) and $11,250 Company match to the 401(k) Plan. All other compensation for 2006 includes $6,000 for auto allowance, $13,003 for long-term disability (including 4,506 for income tax gross-up), $10,459 for life insurance (including $3,624 for income tax gross-up) and $11,000 Company match to the 401(k) Plan.

(5) All other compensation for 2008 includes $3,077 Company match to the 401(k) Plan. All other

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compensation for 2007 includes $6,011 for life insurance (including $2,011 for income tax gross-up) and $11,250 Company match to the 401(k) Plan. All other compensation for 2006 includes $11,000 Company match to 401(k) Plan.

(6) All other compensation for 2008 includes $1,018 for life insurance, (including $313 for income tax gross-up) and $10,500 Company match to the 401(k) Plan. All other compensation for 2007 includes $11,250 Company match to the 401(k) Plan. All other compensation for 2006 includes $11,000 Company match to the 401(k) Plan.

(7)

All other compensation for 2008 includes $6,605 for long-term disability (including $1,998 for income tax gross-up), $1,956 for life insurance (including $703 for income tax gross-up) and $11,500 Company match to the 401(k) Plan. All other compensation for 2007 includes $6,770 for long-term disability (including $2,161 for income tax gross-up), $3,816 for life insurance (including $1,315 for income tax gross-up) and $11,250 Company match to the 401(k) Plan. All other compensation for 2006 includes $7,028 for long-term disability, (including $2,421 for income tax gross-up), $1,820 for life insurance, (including $627 for income tax

gross-up) and $11,000 Company match to the 401(k) Plan.

(8) All other compensation for 2008 includes $4,326 for long-term disability (including $1,064 for income tax gross-up) and $1,316 Company match to the 401(k) Plan. All other compensation for 2007 includes $4,497 for long-term disability (including $1,235 for income tax gross-up), $24,658 relocation reimbursement (including $6,106 for income tax gross-up) and $11,250 Company match to the 401(k) Plan. All other compensation for 2006 includes $4,370 for long-term disability, (including $1,108 for income tax gross-up), $19,459 relocation

reimbursement (including $4,914 for income tax gross-up) and $9,750 Company match to the 401(k) Plan.

Grants of Plan-Based Awards

The table below supplements the Summary Compensation Table with details regarding 2008 plan-based awards, all of which have been granted as of their respective grant date below. There are no future payments pending based on 2008 performance or compensation plans.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Thrshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (# Shares)**	**Target (# Shares)**	**Maximum (# Shares)**	**(#) (3)**	**(#)**	**($/sh)**	**($)**
Dr. Warrell	(4)										
Mr. Moran	(4)										
Mr. Siegel	4/11/2008	0	52,500	73,500	0	20,000	30,000	40,000			16,400
Dr. Itri	(4)										
Mr. Sanders	4/11/2008	0	85,500	114,000	0	30,000	40,000	65,000			26,650

(1) These columns show the range of payouts targeted for 2008 performance under the Genta Cash Incentive Bonus Program, which would ordinarily be paid in January 2009; however, there

were no payments for 2008 performance.

(2) These columns show the range of stock option awards targeted for 2008 performance under the 1998 Plan. The 1998 Plan expired on May 27, 1998. During 2008 there were no awards of stock options to any employees.

(3) This column shows the number of restricted stock units awarded in April 2008, see the section above labeled April 2008 Restricted Stock Unit Grants for an explanation of this award.

(4) There were no grants of plan-based awards during 2008.

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Outstanding Equity Awards as of December 31, 2008

	Option Awards					Stock Awards			
Name	Number Of Securities Underlying Unexercised Options (#) Exercisable	Number Of Securities Underlying Unexercised Options (#) Unexercisable	Equity Inventive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have not Vested (#)	Equity Inventive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Dr. Warrell	529,251			16.01	10/27/09				
	132,313			16.01	02/14/10				
	50,000			47.81	01/01/11				
	50,000			82.20	01/25/12				
	50,000			47.17	01/28/13				
		166,667		59.28	05/16/13				
	12,500			61.92	01/04/14				
	25,000			9.72	01/28/15				
	132,313			16.01	10/28/15				
	28,125	9,375		12.30	01/23/16				
	83,333	83,333		12.96	03/31/16				
	8,334	8,333		2.74	01/12/07				
Mr. Siegel	2,333			60.30	05/22/13				
	1,167			61.92	01/04/14				
	1,667			15.00	06/30/14				
	1,667			9.72	01/07/15				
	1,875	625		5.64	04/04/15				
	1,250	417		5.40	04/15/15				
	1,250	417		11.10	09/19/15				
	1,250	417		12.30	01/23/16				
	416	833		4.62	12/01/16				
	1,000	1,000		2.74	01/12/17				
						40,000	108		

Dr. Itri	50,000		34.38	03/28/11		
	6,667		82.20	01/25/12		
	5,000		47.17	01/28/13		
		50,000	71.70	08/05/13		
	8,333		61.92	01/05/14		
	5,000		9.72	01/07/15		
	6,250	2,084	12.30	01/23/16		
	20,370	62,963	9.54	07/27/16		
	4,167	4,167	2.74	01/12/17		
Mr. Sanders	12,500	4,167	10.86	01/16/16		
	2,500	2,500	2.74	01/12/17		
					65,000	176

Option Exercises and Stock Vesting in Last Year

There were no exercises of options or vesting of stock by the named executive officers in the year ended December 31, 2008.

Potential Payments Upon Termination or Change in-Control

Employment Agreement with Raymond P. Warrell, Jr., M.D.

Pursuant to an employment agreement dated as of January 1, 2006, by and between Genta and Dr. Warrell, that was subsequently amended and restated as of November 30, 2007, and later amended as of December 31, 2008, hereinafter referred to as the Warrell employment agreement, Dr. Warrell continues to serve as our Chairman and Chief Executive Officer. The Warrell employment agreement has an initial term of three years ending on December 31, 2010 and provides for automatic extensions for additional one-year periods. Under the Warrell

employment agreement, Dr. Warrell s $480,000 annual base salary was reduced by 15% effective January 1, 2008; and he now receives a base salary of $408,000 per annum with annual percentage increases equal to at least the Consumer Price Index for the calendar year preceding the year of the increase. At the end of each calendar year, Dr. Warrell is eligible for a cash incentive bonus ranging from 0% to 60% of his annual base salary, subject to the achievement of agreed-upon goals and objectives.

Dr. Warrell received an initial option grant of 2,400,000 stock options under the 2007 Plan, subject to stockholder approval, that has not yet been received, on September 20, 2007 with an exercise price of $1.39, of which (a) 1,440,000 shares vest over a 40 month vesting schedule (360,000 shares on the date of grant, 1,053,000 shares in 40 equal monthly increments of 27,000 each commencing on October 1, 2007 and the final 27,000 shares on December 31, 2010) and (b) the remaining 960,000 shares vest upon our achievement of specified milestones relating to the Genasense® product or its substantial equivalent. These milestones include the following: (1) 480,000 shares will become exercisable on the date the Genasense® product receives approval for any first indication in the United States from the FDA or any first indication in Europe from the EMEA, (2) 480,000 shares will become exercisable on the date that the total fair market value of all common stock of the Company then outstanding first exceeds $350,000,000. Dr. Warrell is also entitled to receive annual stock options for the purchase of up to 225,000 shares of Common Stock, depending upon the achievement of agreed-upon goals and objectives. Such options will become fully exercisable upon a "Trigger Event (i.e. the sale of Genasense® or our change in control). If a Trigger Event occurs during the term of the Warrell employment agreement or within 12 months thereafter, Dr. Warrell will be entitled to receive the stock option grants that he would have been entitled to receive in respect of the calendar year in which the Trigger Event occurs (assuming attainment of "target levels of performance on all goals and objectives for the year), and such option will be fully vested and exercisable upon grant.

We may also, from time to time, grant Dr. Warrell additional cash, stock options, equity and/or other long-term incentive awards in the sole discretion of our Board. Dr. Warrell continues to be entitled to any and all medical insurance, dental insurance, life insurance, disability insurance and other benefit plans, which are generally available to our senior executives. He is also entitled to receive supplemental life insurance and supplemental disability insurance, as well as premium payments for medical malpractice insurance up to a maximum of $25,000 annually. The aggregate amount of the benefits Dr. Warrell may receive are subject to parachute payment limitations under Section 280G of the Internal Revenue Code.

In the event Dr. Warrell s employment is terminated, he will be eligible for certain benefits whose value has been estimated herein, but only to the extent that the benefit is not otherwise provided to employees on a non-discriminatory basis. In the event Dr. Warrell s employment is terminated, he will be entitled to receive his accrued but unpaid base salary through his termination date, his accrued but unpaid expenses, a lump sum payment of his accrued vacation days (unless he is terminated by us for cause or he terminates his employment without good reason (both defined in the Warrell employment agreement)), his accrued but unpaid cash incentive bonus, a lump sum payment of his pro-rated cash incentive bonus for the year of his termination, valued up to $163,200, (unless he is terminated by us for cause or he terminates his employment without good reason), and any other benefits due him in accordance with applicable plans, programs or agreements. In addition to the benefits listed in the preceding sentence, in the event we terminate Dr. Warrell s employment without cause or Dr. Warrell terminates his employment for good reason and he executes a release, Dr. Warrell will be entitled to receive the base salary he would have received during the twelve-month period following the date of termination, valued at $408,000, for a total potential payment of $571,200. If we terminate Dr. Warrell s employment in anticipation of our change in control or, if either party terminates his employment upon a change in control or within thirteen months following a change in control, Dr. Warrell will instead receive a lump sum payment equal to two times his annual base salary, valued at $816,000 and two times his target bonus for the calendar year of termination, valued at $326,400, for a total potential payment of $1,142,000. Dr. Warrell will also receive immediate vesting of all stock options that vest solely as a result of his continued employment. Finally, if either party gives notice that they do not wish to extend the Warrell employment agreement, Dr. Warrell will be entitled to receive his accrued, but unpaid, base salary through his termination date; his accrued, but unpaid, expenses; a lump sum payment of his accrued vacation days; his accrued but unpaid cash incentive bonus; a lump sum payment of his pro-rated cash incentive bonus for the year of his termination, valued up

to $163,200; and any other benefits due him in accordance with applicable plans, programs or agreements. If Dr. Warrell gives notice that he does not wish to extend his employment agreement, he will also receive immediate vesting of all stock options that would have vested during the 90 days following his termination date, if such stock options vest solely as a result of his continued employment. If we give notice that we

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do not wish to extend Dr. Warrell s employment agreement, he will receive immediate vesting of all stock options that vest solely as a result of his continued employment.

Employment Agreement with Loretta M. Itri, M.D.

Pursuant to an employment agreement dated as of March 28, 2006, by and between Genta and Dr. Itri, signed on July 27, 2006, and amended as of December 31, 2008, Dr. Itri continues to serve as our President, Pharmaceutical Development and Chief Medical Officer. The employment agreement had an initial term of three years, beginning March 28, 2006 and continuing through March 27, 2009 and provides for automatic extensions for additional one-year periods. The agreement provided for a base annual salary in 2006 of $445,200, which may be reviewed annually for discretionary increases in a manner similar to our other senior executives and an annual cash incentive bonus ranging from 0% to 50% of her annual base salary to be paid if mutually agreed-upon goals and objectives are achieved for the year. Dr. Itri was also granted an incentive stock option to purchase 83,333 shares of our Common Stock at an exercise price of $9.54 per share, of which 33,333 shares become exercisable upon the first FDA approval of Genasense®, 33,333 shares become exercisable upon approval by the EMEA in Europe of Genasense® in any first indication and 16,666 shares become exercisable over a period of approximately 32 months from the grant date by means of (i) an initial amount of 1,850 shares to be exercisable and vest on the Date of Grant, (ii) an additional amount of 14,344 shares in 31 equal monthly increments of 467 shares each, commencing on August 1, 2006 and continuing on the first day of each of the next successive 30 calendar months, and (iii) a final amount of 467 shares on March 1, 2009. The preceding reference to the number of shares granted takes into account the 1:6 reverse stock split in July 2007. We may also, from time to time, grant Dr. Itri additional stock options consistent with the stock option guidelines applicable to our other senior executives. Dr. Itri is entitled to any and all medical insurance, dental insurance, life insurance, disability insurance and other benefit plans, which are generally available to our senior executives. She is also entitled to receive supplemental life insurance and supplemental disability insurance. The aggregate amount of the benefits Dr. Itri may receive are subject to parachute payment limitations under Section 280G of the Internal Revenue Code.

In the event Dr. Itri s employment is terminated, she will be eligible for certain benefits whose value has been estimated herein, but only to the extent that the benefit is not otherwise provided to employees on a non-discriminatory basis. In the event Dr. Itri s employment is terminated, she will be entitled to receive her accrued, but unpaid, base salary through her termination date; her accrued, but unpaid, expenses; her accrued vacation days; any earned but unpaid cash incentive bonus; and any other benefits due her in accordance with applicable plans, programs or agreements. In addition to the benefits listed in the preceding sentence, in the event we terminate Dr. Itri s employment without good reason (as defined in the employment agreement), due to a change of control, or Dr. Itri terminates her employment for good reason (as defined in the employment agreement), and she executes a release, Dr. Itri will be entitled to receive a lump sum payment equal to her current annualized base salary, valued at $467,500 plus a pro-rated cash incentive bonus for the calendar year of termination, valued up to $140,250, for a total potential payment of $607,750, and each of her outstanding stock options will immediately vest to the extent vesting depends solely on her continued employment. Finally, if either party gives notice that the employment agreement will not be extended, Dr. Itri will be entitled to receive her accrued, but unpaid, base salary through her termination date; her accrued, but unpaid, expenses; her accrued vacation days; any earned, but unpaid, cash incentive bonus; a pro-rated cash incentive bonus for the year of her termination, valued up to $140,250, for a total potential payment of $607,750; and any other benefits due her in accordance with applicable plans, programs, or agreements. If we give notice that we do not wish to extend Dr. Itri s employment agreement, she will also receive immediate vesting of all stock options that would have vested during the 90 days following her termination date, if such stock options would have vested solely as a result of her continued employment.

Compensation of Directors

Our non-employee directors receive $15,000 per year for their services. In addition, under our Non-Employee Directors 1998 Stock Option Plan, non-employee directors currently receive a grant of 4,000 stock options upon their initial election to the Board and thereafter receive an annual grant of 3,333 stock options coinciding with their annual election to the Board. Non-employee directors receive an additional $1,500 for each Board meeting attended in person or $750 for each Board meeting attended telephonically. Non-employee directors attending committee meetings

receive $1,000 for each in-person meeting or $750 for each meeting attended telephonically. Non-employee directors receive $2,500 per day for Board or committee activities outside of normal

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activities. The Lead Director and each non-employee Chairperson of a Committee of the Board receive annual cash compensation of $5,000 and a grant of 833 stock options coinciding with their annual election to the Board.

The following table sets forth certain information regarding compensation earned by the following non-employee directors of the Company during the year ended December 31, 2008:

Name	Fees earned ($) (1)	Stock awards ($)	Option awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation ($)	All Other Compensation ($)	Total ($)
Martin J. Driscoll	$38,000		$ 550				$38,550
Christopher P. Parios	$36,750		$2,134				$38,884
Daniel D. Von Hoff, M.D.	$27,000		$ 367				$27,367
Douglas G. Watson	$43,250		$ 550				$43,800

(1) Reflects the dollar amount earned during 2008. Amounts paid to the Directors during 2008: Martin J. Driscoll: $2,250; Christopher P. Parios: $3,750; Daniel D. Von Hoff: $3,000; and Douglas G. Watson: $3,750.

(2) Reflects the dollar amount recognized for financial statement purposes for the year ended December 31, 2008, in accordance with FAS 123(R).

There can be no assurance that the FAS 123(R) amounts will be realized. As of December 31, 2008, each Director has the following number of options outstanding: Martin J. Driscoll: 18,164; Christopher P. Parios: 13,999; Daniel D. Von Hoff: 37,775; and Douglas G. Watson: 32,329.

Committees of the Board of Directors and Director Independence

The Board currently consists of five directors. They are Raymond P. Warrell, Jr., M.D., Martin J. Driscoll, Christopher P. Parios, Daniel D. Von Hoff, M.D., and Douglas G. Watson. The Board has determined that, except for Dr. Warrell, all of the members of the Board are independent directors . Dr. Warrell is not considered independent, as he is an executive officer of the Company.

Compensation Committee

The Compensation Committee currently consists of Martin J. Driscoll, Christopher P. Parios and Douglas G. Watson. Mr. Watson serves as Chairman of this Committee. Each member of the Compensation Committee is independent.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee currently consists of Martin J. Driscoll and Daniel D. Von Hoff, M.D. Mr. Driscoll serves as Chairman of this Committee. Each member of the Nominating and Corporate Governance Committee is independent.

Audit Committee

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee currently consists of Martin J. Driscoll, Christopher P. Parios and Douglas G. Watson. Mr. Driscoll serves as Chairman of this Committee. Each member of the Audit Committee is independent.

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Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee, Mr. Watson, Mr. Driscoll and Mr. Parios, was at any time during our year ended December 31, 2008, or formerly our officer or employee. None of our executive officers have served as a director or member of the Board of Directors or the Compensation Committee (or other committee serving an equivalent function) of any other entity while an executive officer of that other entity served as a director of or member of our Board of Directors or our Compensation Committee.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth, as of March 2, 2009, certain information with respect to the beneficial ownership of our Common Stock (the only voting class outstanding), (i) by each director, (ii) by each of the named executive officers and (iii) by all officers and directors as a group.

	Amount and Nature of Beneficial Ownership	
Name and Address (1)	**Number of Shares (2)**	**Percent of Class**
Raymond P. Warrell, Jr., M.D.	53,084,022(3)	4.999%
Loretta M. Itri, M.D.	30,597,781(4)	2.9%
Richard J. Moran	21,749(5)	*
Gary Siegel	25,639(6)	*
W. Lloyd Sanders	35,058(7)	*
Martin J. Driscoll	20,664(8)	*
Christopher P. Parios	13,999(9)	*
Daniel D. Von Hoff, M.D.	37,775(9)	*
Douglas G. Watson	42,329(10)	*
All Directors and Executive Officers as a group	83,473,248(11)	7.6%

* Less than one percent (1%).

(1) The address of each named holder is in care of Genta Incorporated, 200 Connell Drive, Berkeley Heights, NJ 07922.

(2) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with

respect to securities. Shares of Common Stock subject to options exercisable within 60 days of March 2, 2009 or issuable on conversion of Senior Secured Convertible Promissory Notes due June 9, 2010 are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the person named in the table has sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

(3) Consists of 137,988 shares

of Common Stock held in Dr. Warrell s IRA, 405,768 shares of Common Stock, held in a joint account with Dr. Warrell s wife, Dr. Itri and 1,101,169 shares of Common Stock issuable upon exercise of currently exercisable stock options. Also includes 51,439,097 shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010. Dr. Warrell indirectly owns 69,560 shares held in Dr. Itri s IRA, of which Dr. Warrell is the beneficiary.

(4) Consists of 16,666 shares of Common Stock, 405,768 shares of Common Stock held in a joint account with Dr. Warrell, 69,560 shares held in Dr. Itri s IRA, and 105,787 shares

of Common Stock issuable upon exercise of currently exercisable stock options. Also includes 30,000,000 shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010. Dr. Itri indirectly owns 137,988 shares of Common Stock held in Dr. Warrell s IRA, of which Dr. Itri is the beneficiary. Excludes 91,615 shares of Common Stock, beneficially owned by Dr. Itri s husband, Dr. Warrell. Dr. Itri disclaims beneficial ownership of such shares.

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(5) Consists of 21,666 shares of Common Stock and 83 shares of Common Stock owned by Mr. Moran s wife. Mr. Moran retired from the Company on February 28, 2008.

(6) Consists of 12,598 shares of Common Stock and 13,041 shares of Common Stock issuable upon the exercise of currently exercisable stock options.

(7) Consists of 25,475 shares of Common Stock and 9,583 shares of Common Stock issuable upon exercise of currently exercisable stock options.

(8) Consists of 2,500 shares of Common Stock and 18,164 shares of Common Stock issuable upon the exercise of currently exercisable stock options.

(9)

Consists of 13,999 shares of Common Stock issuable upon the exercise of currently exercisable options.

(10) Consists of 10,000 shares of shares of Common Stock and 32,339 shares of Common Stock issuable upon the exercise of currently exercisable stock options.

(11) Consists of 702,304 shares of Common Stock and 1,331,847 shares of Common Stock issuable upon the exercise of currently exercisable stock options. Also includes 81,439,097 shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Although each of the investors in the convertible note transaction may elect to convert their notes into shares of our common stock, no holder is deemed to be a beneficial holder of 5.00% or greater of our common stock due to the existence of a provision in the convertible notes restricting each noteholder from beneficially owning greater than 4.999% of our common stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Dr. Daniel Von Hoff, one of our directors, holds the position of Physician in Chief and Director of Translational Research at the Translational Genomics Research Institute, or TGen, which provides preclinical testing services under direction of and by contract to us. During 2008, TGen performed services for which it was compensated by us in the amount of approximately $36,419. We believe that the payment of these services was on terms no less favorable than would have otherwise been provided by an "unrelated party. In the Board s opinion, Dr. Von Hoff s relationship with TGen will not interfere with Dr. Von Hoff s exercise of independent judgment in carrying out his responsibilities as our Director.

We have set forth certain policies and procedures with respect to the review and approval of related-party transactions. Specifically, pursuant to our Audit Committee Charter, the Audit Committee is required to review and approve any related-party transactions. In connection with such review and approval, the Audit Committee may retain special legal, accounting or other advisors and may request any of our officers or employees or our outside counsel or independent auditors to meet with any members of, or advisors to, the Audit Committee as well as perform any other activities consistent with the Audit Committee Charter, our by-laws, and governing law, as the Audit Committee or the Board deems necessary or appropriate.

On June 5, 2008, we entered into a securities purchase agreement with certain institutional and accredited investors to place up to $40 million of senior secured convertible notes with such investors. On June 9, 2008, we placed $20 million of such notes in an initial closing. Each of Dr. Raymond Warrell, our Chief Executive Officer and Chairman, and Dr. Loretta Itri, our President, Pharmaceutical Development and Chief Medical Officer, participated in the initial closing by purchasing $1,950,000 and $300,000, respectively, of such notes. The remaining Board members independently discussed Dr. Warrell and Dr. Itri s participation in the transaction and resolved that such participation will not interfere with Dr. Warrell or Dr. Itri s exercise of independent judgment in carrying out their responsibilities in their respective positions. In connection with the June 2008 convertible note financing and in accordance with the Audit Committee Charter, the Audit Committee reviewed and approved the June 2008 convertible note financing with Dr. Warrell and Dr. Itri. Pursuant to the terms of the 2008 Notes, Dr. Warrell and Dr. Itri also have the right to participate in this offering. If Dr. Warrell and/or Dr. Itri decide to participate in this offering, the Audit Committee will need to approve their participation.

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DESCRIPTION OF THE 2009 NOTES

We will issue the 2009 Notes under an indenture, between us and U.S. Bank National Association, as trustee, to be dated as of the date of the initial issuance of the 2009 Notes. We refer to the indenture as the indenture. The following summary of the terms of the 2009 Notes, the indenture, the security documents and the intercreditor agreement does not purport to be complete and is subject, and qualified in its entirety by reference, to the detailed provisions of the 2009 Notes, the indenture, the security documents and the intercreditor agreement. We will provide copies of the indenture to you upon request. The indenture, the security documents and the intercreditor agreement also will be available for inspection at the office of the trustee. The 2009 Notes, the indenture, the security documents and the intercreditor agreement and not this description, define your legal rights as a holder of the 2009 Notes. For a discussion of certain tax consequences to a holder that purchases notes, see Material US federal income tax consequences.

For purposes of this summary, the terms Genta , we , us and our refer only to Genta Incorporated, unless we specify otherwise.

GENERAL

The 2009 Notes we are offering:

are limited to up to $[___] million aggregate principal amount;

are in exchange for $[___] cash consideration, $[___] in Top Up Rights, and $[___] of Consent Rights;

bear interest at a rate of [___]% per annum, payable semi-annually in arrears on March ___and September ___of each year, beginning on September ___, 2009, to holders of record at the close of business on the preceding March 1 and September 1, respectively, and upon conversion or at maturity;

will be issued in denominations of integral multiples of $1,000 principal amount;

will be:

- secured on a second-priority lien basis by all of our assets;
- subordinated to our existing 2008 Notes and any other existing and future senior secured indebtedness;
- senior to any existing and future indebtedness that by its terms ranks junior to the 2009 Notes;
- pari-passu with our other existing and future indebtedness except in the case of existing and future unsecured indebtedness to the extent of the value of assets securing the 2009 Notes remaining after application to any senior secured indebtedness; and
- structurally subordinated to the existing and future indebtedness of any of our subsidiaries.

As of December 31, 2008, we had approximately $15.5 million of 2008 Notes that would rank senior to the 2009 Notes;

are convertible at any time, subject to prior maturity, into shares of our common stock based on an initial conversion rate of [___] shares per $1,000 principal amount of notes under the conditions and subject to such adjustments described under Conversion rights, and subject to the limitations described under Conversion rights Provisional limitation on right to convert notes and Conversion rights Permanent limitation on right to convert notes;

are subject to mandatory conversion by us, as described under Mandatory conversion, on any mandatory conversion date; and

mature on [___], 2011, unless previously converted.

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All cash payments on the 2009 Notes will be made in US dollars.

We will issue the 2009 Notes in denominations of integral multiples of $1,000 principal amount, without coupons. We will issue the 2009 Notes as global securities in book-entry form. We will make payments in respect of 2009 Notes by wire transfer of immediately available funds to DTC or its nominee as registered owner of the global securities.

You may convert 2009 Notes at the office of the conversion agent, present 2009 Notes for registration of transfer at the office of the registrar for the 2009 Notes and present 2009 Notes for payment at maturity at the office of the paying agent. We have appointed the trustee as the initial conversion agent, registrar and paying agent for the 2009 Notes.

We will not provide a sinking fund for the 2009 Notes. The indenture does not contain any financial covenants and will not limit our ability to incur additional indebtedness, including secured indebtedness. In addition, the indenture does not provide any protection to holders of 2009 Notes in the event of a highly leveraged transaction or a change in control.

If any payment date with respect to the 2009 Notes falls on a day that is not a business day, we will make the payment on the next business day. The payment made on the next business day will be treated as though it had been made on the original payment date, and no interest will accrue on the payment for the additional period of time.

INTEREST PAYMENTS

We will pay interest on the 2009 Notes at a rate of [___]% per annum, payable semi-annually in arrears on September ___and March ___of each year, beginning on September ___, 2009. We will pay interest that is due on an interest payment date to holders of record at the close of business on the preceding September 1 and March 1, respectively. Interest will accrue on the 2009 Notes from and including their date of initial issuance or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, the maturity date, as the case may be. We will pay interest on the 2009 Notes on the basis of a 360-day year consisting of twelve 30-day months. Interest will be paid in cash or, at our election following the authorization date, in shares of common stock, valued at 90% of the Daily VWAP of our common stock on the trading day immediately preceding the interest payment date, conversion date or the maturity date, as the case may be; provided that the following conditions, which we refer to as the Equity Conditions , have been met:

- we have sufficient authorized shares available to cover the payment of interest in shares and the conversion of the notes;
- such shares shall not require registration with, or approval of, any governmental authority under any state law or any other federal law before shares may be validly issued or delivered or if such registration is required or such approval must be obtained, such registration shall be completed or such approval shall be obtained prior to the applicable interest payment date; and
- such shares will, upon issue, be duly and validly issued and fully paid and nonassessable and free of any preemptive or similar rights.

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In addition, our ability to pay interest in shares of common stock is subject to the limitations set forth below and under Provisional limitation on the right to convert notes and Permanent limitation on the right to convert notes.

If 2009 Notes are converted after a record date but prior to the corresponding interest payment date, upon conversion we will pay the holder of such note the interest accrued from the record date through the date of conversion and on the interest payment date will pay the interest accrued as of the record date to the record holder of the note as of the record date.

If we force conversion of a 2009 Note, we will pay accrued and unpaid interest, if any, to the holder that surrenders the 2009 Note for conversion. However, if we force conversion of a 2009 Note after a record date but prior to the corresponding interest payment date, upon conversion we will pay the holder of such note the interest accrued from the record date through the date of conversion and on the interest payment date will pay the interest accrued as of the record date to the record holder of the note as of the record date.

We will transmit certificates for shares of Common Stock issued as interest payments under the 2009 Notes to our transfer agent who will transfer such certificates to the holder by crediting the account of the holder s prime broker with the Depository Trust Company through its Deposit Withdrawal Agent Commission system on or before the date such interest payment is due.

CONVERSION RIGHTS

Holders of 2009 Notes may, subject to prior maturity, convert their 2009 Notes in integral multiples of $1,000 principal amount into shares of our common stock, based on an initial conversion rate of [____] shares of our common stock per $1,000 principal amount of 2009 Notes, subject to adjustment as described below. We will not issue fractional shares of common stock upon conversion of the 2009 Notes and instead will pay a cash adjustment for fractional shares based on the Daily VWAP of our common stock on the trading day immediately before the conversion date. Except as described above, we will not make any payment or other adjustment on conversion with respect to any accrued interest on the 2009 Notes, and we will not adjust the conversion rate to account for accrued and unpaid interest.

The right to convert the 2009 Notes will terminate at the close of business on the final maturity date of the 2009 Notes.

Mandatory conversion

Subject to the limitations on conversion described below, we may elect to cause the mandatory conversion (a *Mandatory Conversion*) of all or any portion of the principal and accrued and unpaid interest then outstanding under the 2009 Notes by providing thirty (30) days written notice thereof the mandatory conversion date (each such date, a *Mandatory Conversion Date*). Any such notice shall state the date for such mandatory conversion and the principal amount of the 2009 Notes to be converted on such date. Subject to the limitations on conversions described below, all conversions shall be made pro-rata among all noteholders.

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We will only be permitted to cause a Mandatory Conversion on a Mandatory Conversion Date if, on the proposed Mandatory Conversion Date, (i) the Daily VWAP is equal to or greater than $[___] per share (as appropriately adjusted for stock splits, stock dividends, reorganizations, recapitalizations, stock combinations and the like) for each of the twenty (20) consecutive prior trading days ending on the trading day immediately prior to such date, (ii) the common stock issuable upon such Mandatory Conversion is then freely tradable without restrictions and (iii) we have sufficient authorized shares for full conversion of the 2009 Notes. On any Mandatory Conversion Date, we will also pay the noteholders an amount in cash equal to the accrued and unpaid interest on the outstanding principal balance of the 2009 Notes or, in our sole discretion, following the authorization date, issue shares of our common stock in lieu of the payment of such interest, valued at 90% of the Daily VWAP on the trading day immediately prior to the payment of such interest; provided that the Equity Conditions are met.

Under the 2009 Notes, the Daily VWAP means, for any date, (i) the daily volume weighted average price of our common stock for such date on the principal trading market for our common stock as reported by Bloomberg Financial L.P. (based on a trading day from 9:30 a.m. Eastern Time to 4:02 p.m. Eastern Time); (ii) if our common stock is not then listed or quoted on a trading market and if prices for the common stock are then reported in the Pink Sheets published by the Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of our common stock so reported; or (iii) in all other cases, the most recent quoted bid price and if not available, the average midpoint of the last bid or ask prices from at least three investment bankers engaged for purposes of determining the Daily VWAP.

Provisional limitation on right to convert 2009 Notes

Until the Release Date: (i) a 2009 Note may only be converted by a holder (or beneficial holder) or by us in any mandatory conversion on any day to the extent that, together with all prior conversions under such note, the total amount of such note that has been converted does not exceed the product of (A) 10% of the original principal amount of 2009 Notes held by such holder (or beneficial holder), and (B) the number of whole or partial calendar weeks since the date of the initial sale; and (ii) a holder (or beneficial holder) may only convert such 2009 Notes to the extent of such holder s (or beneficial holder s) pro rata allocation of the number of shares of common stock we have authorized and available for issuance. As of the date hereof, the number of shares we have authorized and available for issuance is [_____] shares of common stock.

Release Date means the earlier of (1) 105 days following the date of issuance of the first 2009 Note and (2) the authorization date.

Authorization Date means the date of the latest to occur of the increase in the number of shares of our authorized stock and the effectiveness of the reverse stock split as the authorization date.

Permanent limitation on right to convert 2009 Notes

Notwithstanding the right of holders to convert their 2009 Notes at any time, no holder (or beneficial holder) of 2009 Notes will be entitled to receive shares of our common stock upon conversion, including any mandatory conversion, or as payment of interest in shares of our common stock to the extent (but only to the extent) that such receipt would cause such holder to become, directly or indirectly, a beneficial owner of more than 4.999% of the shares of our common stock outstanding at such time. For purposes of the foregoing, beneficial ownership shall be deemed to mean beneficial ownership within the meaning of Section 13(d) under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. We refer to this limitation as the issuance cap. Any purported delivery of shares of our common stock upon conversion of 2009 Notes or payment of interest in shares of our common stock shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the holder (or beneficial holder) becoming the beneficial owner of more than 4.999% of the shares of the our common stock outstanding at such time.

Conversion procedures

To convert interests in the 2009 Note, the holder must comply with DTC s then applicable conversion program procedures.

As soon as practicable, but in no event more than two business days after the conversion date of a 2009 Note, we will deliver, through the conversion agent, a certificate for, or to the extent permissible, in book entry form through DTC, the number of full shares of common stock into which the note is converted, together with a cash payment, or shares

of common stock, representing the accrued but unpaid interest on the note being converted and a cash payment for fractional shares.

For a discussion of certain tax consequences to a holder that converts 2009 Notes, see Material US federal income tax consequences Consequences to US Holders Conversion of the 2009 Notes and Consequences to non-US holders Conversion of the 2009 Notes.

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Change in the conversion right upon certain reclassifications, business combinations and asset sales

Except as provided in the indenture and as described below, if we reclassify or change our common stock or are party to a consolidation, merger or binding share exchange, or if there occurs a sale, transfer, lease, conveyance or other disposition of all or substantially all of our property or assets, in each case pursuant to which our common stock would be converted into or exchanged for, or would constitute solely the right to receive, cash, securities or other property, then, at the effective time of the transaction, the right to convert a note into common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property (the reference property), which a holder of such note would have received (assuming, if applicable, that the holder would have made the applicable election referred to in the immediately following paragraph) if the holder had converted the note immediately before the transaction. A change in the conversion right such as this could substantially lessen or eliminate the value of the conversion right. For example, if a third party acquires us in a cash merger, each note would be convertible into cash and would no longer be convertible into securities whose value could increase depending on our future financial performance, prospects and other factors. There is no precise, established definition of the phrase all or substantially all under applicable law. Accordingly, there may be uncertainty as to whether the provisions above would apply to a sale, transfer, lease, conveyance or other disposition of less than all of our property or assets.

If a transaction described above occurs and holders of our common stock have the opportunity to elect the form of consideration to receive in that transaction, then we will make adequate provision to give holders of the 2009 Notes, treated as a single class, a reasonable opportunity to elect the form of such consideration for purposes of determining the composition of the reference property described above. Once the election is made, it will apply to all holders of our 2009 Notes after the effective time of the transaction.

We will agree in the indenture not to become a party to such a transaction unless its terms are consistent with these provisions.

Adjustments to the conversion rate

Subject to the terms of the indenture, we will adjust the conversion rate for:

- dividends or distributions on our common stock payable in shares of our common stock to all or substantially all holders of our common stock;

- subdivisions, combinations or certain reclassifications of our common stock;

- distributions to all or substantially all holders of our common stock of certain rights or warrants (other than, as described below, rights distributed pursuant to a stockholder rights plan) to purchase or subscribe for shares of our common stock, or securities convertible into or exchangeable or exercisable for shares of our common stock, at a price per share that is less than the Daily VWAP on the trading day immediately preceding the announcement of the issuance of such rights or warrants;

- dividends or other distributions to all or substantially all holders of our common stock of shares of our or any of our existing or future subsidiaries capital stock (other than our common stock), evidences of indebtedness or other assets (other than dividends or distributions covered by the bullet points below) or the dividend or distribution to all or substantially all holders of our common stock of certain rights or warrants (other than those covered in the immediately preceding bullet point or, as described below, certain rights or warrants distributed pursuant to a stockholder rights plan) to purchase or subscribe for our securities;

- cash dividends or other cash distributions by us to all or substantially all holders of our common stock, other than distributions described in the immediately following bullet point; and

- distributions of cash or other consideration by us or any of our subsidiaries in respect of a tender offer or exchange offer for our common stock, where such cash and the value of any such other

consideration per share of our common stock validly tendered or exchanged exceeds the closing sale price per share of our common stock on the first trading day after the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

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Subject to the provisions of the indenture, if we distribute cash in accordance with the fifth bullet point above, then we will generally increase the conversion rate so that it equals the rate determined by multiplying the conversion rate in effect immediately prior to the ex date for the cash distribution by a fraction whose numerator is the Daily VWAP on the trading day immediately preceding the ex date and whose denominator is that Daily VWAP less the per share amount of the distribution. However, we will not adjust the conversion rate pursuant to this provision to the extent that the adjustment would reduce the conversion price below the par value of our common stock.

To the extent any of the rights, options or warrants described in the bullet points above are not exercised before they expire, we will readjust the conversion rate to the conversion rate that would then be in effect if such rights, options or warrants had not been distributed. If we issue rights, options or warrants that are only exercisable upon the occurrence of certain triggering events, then we will not adjust the conversion rate pursuant to the bullet points above until the earliest of these triggering events occurs. However, if prior to the occurrence of such a triggering event, the holder of a note converts into common stock, in addition to the issuance of the common stock, upon conversion we will also issue such holder the rights, options or warrants subject to such triggering events that such holder would have received if the holder had converted into common stock prior to the issuance of such rights, options or warrants.

The indenture does not require us to adjust the conversion rate for any of the transactions described in the bullet points above if we make provision for each holder of the 2009 Notes to participate in the transaction without conversion as if such holder held a number of shares of our common stock equal to the conversion rate in effect on the ex date or effective date, as the case may be, for such transaction multiplied by the principal amount (expressed in thousands) of the applicable 2009 Notes held by such holder.

On conversion, the holders of 2009 Notes will receive, in addition to shares of our common stock and any cash for fractional shares, the rights under our stockholder rights plan or any future stockholder rights plan that we may establish, unless the rights have separated from our common stock at the time of conversion, in which case the conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common stock shares of our capital stock, evidences of indebtedness, other assets or certain rights or warrants as described in the fourth bullet point under Adjustments to the conversion rate above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

a taxable distribution to holders of common stock which results in an adjustment to the conversion rate; or

an increase in the conversion rate at our discretion

the holders of the 2009 Notes may, in certain circumstances, be deemed to have received a distribution subject to US federal income tax as a dividend. This generally would occur, for example, if we adjust the conversion rate to compensate holders for cash dividends on our common stock and could also occur if we make other distributions of cash or property to our stockholders. See Material US federal income tax consequences Consequences to US holders and Consequences to non-US holders.

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COVENANT TO MAINTAIN SUFFICIENT AUTHORIZED AND RESERVED SHARES TO SATISFY CONVERSION OBLIGATIONS AND SEEK STOCKHOLDER APPROVAL

So long as any 2009 Notes are outstanding, we are required to take all action necessary to reserve and keep available out of our authorized and unissued common stock, solely for the purpose of effecting the conversion of the 2009 Notes, the number of shares of common stock as shall from time to time be necessary to effect the conversion of all of the 2009 Notes then outstanding or that may be issued, referred to herein as the required reserve amount.

We do not have a sufficient number of shares of our common stock currently authorized and available for issuance to allow for full conversion of the 2009 Notes, payment of interest in shares of our common stock or exercise of the warrants, and are required to seek stockholder approval at our next annual meeting of stockholders, or, alternatively, at a special meeting of stockholders, of, and to effect no later than the date that is 105 days from the date of issuance of the 2009 Notes, an increase the number of shares of our authorized common stock from 6,000,000,000 to at least [___] and to reserve for issuance shares of our common stock sufficient to permit full conversion of the 2009 Notes, to allow us to pay interest in shares of our common stock and to allow exercise of the warrants. We are also required to seek stockholder approval at the same time, and to effect by the same date, a ___for ___reverse stock split of the shares of our common stock.

RANKING

The 2009 Notes will be:

secured on a second-priority lien basis by all of our assets;

subordinated to our existing 2008 Notes and any other existing and future senior secured indebtedness;

senior to any existing and future indebtedness that by its terms ranks junior to the 2009 Notes;

pari-passu with our other existing and future indebtedness except in the case of existing and future unsecured indebtedness to the extent of the value of assets securing the 2009 Notes remaining after application to any senior secured indebtedness; and structurally subordinated to the existing and future indebtedness of any of our subsidiaries.

The indenture does not limit the amount of additional indebtedness, including secured indebtedness, which we can create, incur, assume or guarantee, nor does the indenture limit the amount of indebtedness or other liabilities that our subsidiaries can create, incur, assume or guarantee. To the extent we incur additional secured indebtedness, the liens securing the 2009 Notes would be senior to the liens securing such additional secured indebtedness only to the extent that the liens securing the 2009 Notes have been perfected prior to, and have priority over, the liens securing such additional secured indebtedness.

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For a description of our existing indebtedness, see Description of other indebtedness.

SUBORDINATION

The 2009 Notes will be subordinate in right of payment to all of our existing and future Senior Debt (as defined below). The indenture does not restrict the amount of Senior Debt or other Indebtedness that we or any of our subsidiaries can incur. As of December 31, 2008, we had approximately $15.5 million of Senior Debt outstanding. The payment of the principal of, interest on or any other amounts due on, the 2009 Notes is subordinated in right of payment to the prior payment in full of all of our existing and future secured Senior Debt. No payment on account of principal of, interest on or any other amounts due on the 2009 Notes (other than the issuance of common stock upon conversion or in respect of accrued interest) may be made if:

- a default in the payment of Senior Debt occurs and is continuing beyond any applicable period of grace (a Payment Default); or

- a default other than a Payment Default on any Senior Debt occurs and is continuing that permits the holders of, or the trustee or agent on behalf of the holders of, Senior Debt to accelerate maturity (a Non-Payment Default).

We may resume payments and distributions on the 2009 Notes upon the date on which such Payment Default or Non-Payment Default, as applicable, is cured or waived or ceases to exist.

Upon any distribution of our assets in connection with any dissolution, winding-up, liquidation or reorganization of us or acceleration of the principal amount due on the 2009 Notes because of any event of default, all Senior Debt must be paid in full in cash before the holders of the 2009 Notes are entitled to any payments whatsoever.

As a result of these subordination provisions, in the event of our insolvency, holders of the 2009 Notes may recover ratably less than the holders of our Senior Debt.

If the trustee or any holder of 2009 Notes receives any payment or distribution of our assets of any kind in contravention of any of the terms of the indenture, whether in cash, property or securities, including, without limitation by way of set-off or otherwise, in respect of the 2009 Notes before all Senior Debt is paid in full in cash, then the payment or distribution will be held by the recipient in trust for the benefit of holders of Senior Debt, and will be immediately paid over or delivered to the holders of Senior Debt or their representative or representatives to the extent necessary to make payment in full of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution, or provision therefor, to or for the holders of Senior Debt.

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The 2009 Notes are our exclusive obligations.

The indenture does not limit the amount of additional indebtedness, including Senior Debt, which we can create, incur, assume or guarantee, nor does the indenture limit the amount of indebtedness and other liabilities which any subsidiary can create, incur, assume or guarantee.

Indebtedness means, with respect to any person, any indebtedness of such person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, or similar instruments or letters of credit, bank guarantees or bankers acceptances, or reimbursement agreements in respect thereof, or representing the balance deferred and unpaid of the purchase price of any property, including pursuant to capital leases and sale-and-leaseback transactions, or representing our obligations and liabilities, contingent or otherwise, in respect of leases required, in conformity with GAAP, to be accounted for as capitalized lease obligations on our balance sheet, or under other leases for facilities, equipment or related assets, whether or not capitalized, entered into or leased for financing purposes, or representing any hedging obligations under an Exchange Rate Contract or an Interest Rate Agreement, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness, other than obligations under an Exchange Rate Contract or an Interest Rate Agreement, would appear as a liability upon a balance sheet of such person prepared in accordance with GAAP, and also includes, to the extent not otherwise included, the Guarantee of items which would be included within this definition. The amount of any Indebtedness outstanding as of any date shall be the accreted value thereof, in the case of any Indebtedness issued with original issue discount. Indebtedness shall not include liabilities for taxes of any kind.

Senior Debt with respect to us means Indebtedness (including any monetary obligation in respect of the 2008 Notes, and interest, whether or not allowable, accruing on Indebtedness incurred pursuant to the 2008 Notes after the filing of a petition initiating any proceeding under any bankruptcy, insolvency or similar law) of ours arising under the 2008 Notes or any other secured Indebtedness of ours, whether outstanding on the date of the indenture or thereafter created, incurred, assumed or guaranteed by us.

Notwithstanding anything to the contrary in the foregoing, Senior Debt shall not include: (a) Indebtedness of or amounts owed by us for compensation to employees, or for goods or materials purchased or for services obtained in the ordinary course of business; (b) our Indebtedness to any of our subsidiaries; (c) unsecured Indebtedness, or (d) our Indebtedness that expressly provides that it shall not be senior in right of payment to the 2009 Notes or expressly provides that it is pari passu or junior to the 2009 Notes.

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Exchange Rate Contract means, with respect to any person, any currency swap agreements, forward exchange rate agreements, foreign currency futures or options, exchange rate collar agreements, exchange rate insurance and other agreements or arrangements, or combination thereof, the principal purpose of which is to provide protection against fluctuations in currency exchange rates. An Exchange Rate Contract may also include an Interest Rate Agreement.

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession, which are applied on a consistent basis.

Guarantee means a guarantee, other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner, including, without limitation, letters of credit and reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

Interest Rate Agreement means, with respect to any person, any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement the principal purpose of which is to protect the party indicated therein against fluctuations in interest rates.

SECURITY

General

The 2009 Notes will be secured by a second-priority lien granted by us on all of our assets, subject to certain permitted liens and encumbrances described in the security agreement. As of December 31, 2008, our total assets were approximately $12.7 million.

Control over collateral and enforcement of liens

The proposed security documents provide that, while any senior priority obligations, including the 2008 Notes (or any commitments or letters of credit in respect thereof) are outstanding, the holders of the liens securing senior priority obligations will control at all times all remedies and other actions related to the collateral and the second-priority lien will not entitle the trustee or the holders of any of the 2009 Notes to take any action whatsoever (other than limited actions to preserve and protect the second-priority lien that do not impair the first-priority liens) with respect to the collateral. As a result, while any senior priority obligations (or any commitments or letters of credit in respect thereof) are outstanding, neither the trustee nor the holders of the 2009 Notes will be able to force a sale of the collateral or otherwise exercise remedies normally available to secured creditors without the concurrence of the holders of the senior priority liens or challenge any decisions in respect thereof by the holders of the senior priority liens.

Proceeds realized from the collateral (including in an insolvency proceeding) will, under the proposed terms of the intercreditor agreement, be applied (after payment of statutory obligations (e.g. wages, taxes and bankruptcy administrative fees)):

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first, to amounts owing to the holders of the senior priority liens in accordance with the terms of the senior priority obligations until they are paid in full;

second, to amounts owing to the trustee or collateral agent in its capacity as such in accordance with the terms of the indenture;

third, ratably to amounts owing to the holders of the 2009 Notes and the holders of any other indebtedness that is secured on a pari passu basis with the 2009 Notes in accordance with the terms of the indenture and the terms of any intercreditor agreement applicable thereto; and

fourth, to us and/or other persons entitled thereto.

None of the collateral has been appraised in connection with the offering of the 2009 Notes. The amount to be received upon a sale of the collateral would be dependent on numerous factors, including but not limited to the actual fair market value of the collateral at such time and the timing and the manner of the sale. Likewise, there can be no assurance that the collateral will be saleable, or, if saleable, that there will not be substantial delays in its liquidation. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds, if any, from any sale of liquidation of the collateral will be sufficient to pay our obligations under the 2009 Notes. There can be no assurance that proceeds of any sale of the collateral pursuant to the indenture and the related security documents following an event of default would be sufficient to satisfy, or would not be substantially less than, the amounts due under the 2009 Notes.

If the proceeds of the collateral are not sufficient to repay all amounts due on the 2009 Notes, the holders of the 2009 Notes (to the extent not repaid from the proceeds of the sale of the collateral) would have only an unsecured claim against our remaining assets.

Release of liens

The security documents provide that, to the extent that the holders of the senior priority liens release their senior priority liens (including with respect to the disposition of collateral) on all or any portion of the collateral, the second-priority lien on such collateral securing the 2009 Notes will likewise be released.

However, if the senior priority liens are released in connection with the repayment of the senior priority lien obligations and termination of the commitments and any hedging or similar obligations thereunder, the second-priority lien on the collateral will not be released, except to the extent the collateral or any portion thereof was disposed of by the senior representative or by us in a disposition the proceeds of which will be applied to repay in whole or in part the senior priority lien obligations secured by the collateral, and after repayment in full of the senior priority lien obligations and termination of the commitments thereunder, the trustee or collateral agent (acting at the direction of the holders of a majority of outstanding principal amount of the 2009 Notes) will have the right to exercise remedies and to take other actions with respect to the collateral.

If, after the liens on any collateral securing the 2009 Notes are released as contemplated above, the senior obligations (or any portion thereof) are thereafter secured by assets of a type constituting collateral under the security documents, the 2009 Notes will then be required to be secured by a junior priority lien on such assets, to the same extent and subject to the same relative priorities as they were prior to such release, pursuant to the security documents and the intercreditor agreement.

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The second-priority lien securing the 2009 Notes will be released (a) upon discharge of the 2009 Notes as set forth below under Discharge, (b) upon payment in full of principal, interest and all other obligations on the 2009 Notes issued under the indenture, (c) with the consent of the requisite holders of the 2009 Notes in accordance with the provisions under Modification and waiver, and (d) in connection with any disposition of collateral to any person that is permitted by the indenture (with respect to the lien on such collateral) provided that the liens on such collateral in respect of the senior obligations are released as well.

Amendments to security documents

So long as the senior priority obligations (or any commitments in respect thereof) are outstanding, the intercreditor agreement will require that certain changes, waivers, modifications or amendments made by the senior parties in respect of the collateral documentation governing the senior obligations shall automatically apply to the security documents governing the 2009 Notes, and that the trustee shall confirm any such amendment, change, waiver or modification under the junior documents upon request; *provided* that any such change, waiver, modification or amendment that is prejudicial to the rights of the trustee and the holders of the 2009 Notes and does not affect the senior parties in a similar manner shall not apply to the security documents governing the 2009 Notes without the consent of the trustee (acting at the direction of the holders of a majority of the aggregate principal amount of the 2009 Notes).

Intercreditor agreement

The indenture requires that we, the trustee and the appropriate representative (the senior representative) of the holders (together with the senior representative, the senior parties) of the 2008 Notes (the obligations thereunder, the senior obligations), enter into an intercreditor agreement that will establish the respective priorities of the liens securing the 2009 Notes, on the one hand, and the liens securing the 2008 Notes, on the other hand, and will contain certain other restrictions and agreements as specified below. When we refer to the intercreditor agreement, we refer to the terms and conditions that we would propose in such an agreement. However, there is no assurance that we will be able to enter into an intercreditor agreement on those terms, and it is possible that we will enter into an intercreditor agreement with terms less favorable to the holders of the 2009 Notes than the terms described herein. Except as expressly and specifically stated otherwise, the indenture does not prohibit us or the collateral agent or trustee for the 2009 Notes from entering into an intercreditor agreement with such less favorable terms.

Although the holders of the 2009 Notes will not be parties to the intercreditor agreement, by their acceptance of the 2009 Notes they will agree to be bound by its terms and consent to the entry into the intercreditor agreement by the collateral agent or trustee for the 2009 Notes.

Pursuant to the intercreditor agreement, the senior parties have no fiduciary duties to the trustee, the collateral agent or the holders of the 2009 Notes in respect of the maintenance or preservation of the collateral or of the lien thereon securing the 2009 Notes. In addition, the trustee or the collateral agent and the holders of the 2009 Notes will, pursuant to the intercreditor agreement, waive, to the fullest extent permitted by law, any claim against the senior parties in connection with any actions they may take under the security documents governing the 2008 Notes, or with respect to the collateral. They further waive, to the fullest extent permitted by law, any right to assert, or request the benefit of, any marshalling or similar rights that may otherwise be available to them. They further waive, to the fullest extent permitted by law, certain other rights (including rights relating to accounting, equitable remedies, consequential or punitive damages) they would have been entitled to both as secured creditors and as unsecured creditors were the 2009 Notes not secured.

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Pursuant to the intercreditor agreement, the trustee, for itself and on behalf of the holders of the 2009 Notes, irrevocably constitutes and appoints the senior representative and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place of the trustee or a holder of the 2009 Notes or in the senior representative s own name, from time to time in the senior representative s discretion, for the purpose of carrying out the terms of certain sections of the intercreditor agreement (including those relating to the release of the liens securing the 2009 Notes as permitted thereby, including releases upon sales due to enforcement of remedies), to take any and all appropriate action, and to execute and, if applicable, file any and all releases, documents and instruments, that may be necessary or desirable to accomplish the purposes of such sections of the intercreditor agreement, including any financing or termination statements, mortgage releases, intellectual property releases, endorsements or other instruments or transfer or release of such liens.

So long as the senior obligations are outstanding, if the trustee or the collateral agent holds any lien on any of our assets securing the 2009 Notes that are not also subject to liens of higher priority securing the senior obligations, the trustee or the collateral agent, as applicable, at the request of the senior representative, will permit us to grant to the senior representative as security for the senior obligations a lien of higher priority (regardless of the manner of timing of perfection) on such assets, which collateral and the lien thereon shall be subject to the intercreditor agreement (in which case the collateral agent will, if such assets constitute collateral under the security documents governing the 2009 Notes, retain a junior lien on such assets subject to the terms of the intercreditor agreement).

The trustee or the collateral agent and the holders of the 2009 Notes agree that (1) in most circumstances the senior obligations will be required by the terms thereof and the intercreditor agreement to be prepaid or repaid with proceeds of dispositions of collateral, including any proceeds realized in a bankruptcy or insolvency proceeding, prior to repayment of the 2009 Notes and (2) they will not accept payments from such dispositions until applied to repayment of the senior obligations as so required.

Neither the trustee nor the holders of the 2009 Notes may commence or join in any judicial or nonjudicial foreclosure proceedings with respect to, seek to have a trustee, receiver, liquidator or similar official appointed for or over, attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its interest in or realize upon, or take any other action available to it in respect of, the collateral under any security document, applicable law or otherwise, at any time when such collateral is subject to any lien securing the senior obligations. Only the senior parties will be entitled to take any such actions or exercise any such remedies, and they may do so, and otherwise exercise all the rights and remedies of a secured creditor under applicable law, in such order as they determine. Neither the trustee nor the holders of the 2009 Notes may contest, protest or object to any such action or exercise of remedies by any senior party, or the forbearance by the senior parties from such actions or exercise. Notwithstanding the foregoing, the trustee or the collateral agent may, but does not have any obligation to, take all such actions it deems necessary to perfect or continue the perfection of the junior priority liens of the holders of the 2009 Notes on the collateral under the security documents so long as such actions would not vitiate or call into question the senior liens or the relative lien priorities set forth in the intercreditor agreement.

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The trustee and the holders of the 2009 Notes generally agree that if they receive payments from the collateral or from proceeds of the disposition thereof in contravention of the intercreditor agreement, such payments will be held in trust by the recipient and promptly turned over to the senior representative for application to the senior obligations.

Each of the trustee and each holder of the 2009 Notes agrees that:

- it will not take or cause to be taken any action the purpose or effect of which is, or could be, to make any lien that the holders of the 2009 Notes have on the collateral pari passu with, or to give the trustee or the holders of the 2009 Notes any preference or priority relative to, any lien that the senior parties have with respect to such collateral;

- it will not challenge or question (or support any person in contesting or challenging) in any proceeding the validity, attachment, enforceability, perfection or priority of any security interest of the senior parties in the collateral securing the senior obligations;

- it will not take or cause to be taken any action the purpose or intent of which is, or could be, to contest, interfere with, or hinder or delay, in any manner, whether by judicial proceedings or otherwise, any sale, transfer or other disposition of the collateral, or any other exercise of remedies with respect thereto, by the senior parties;

- it waives any rights it may have to object to the manner in which the senior parties seek to enforce or collect the senior obligations, regardless of whether any action or failure to act by the senior parties is adverse to the interests of the trustee or the holders of the 2009 Notes;

- the trustee shall take such actions and enter into such releases and other documents as appropriate to give effect to the provisions of the intercreditor agreement;

- it will consent to any change in any terms or provisions of, and to any exercise or delay in exercising by the senior parties of their rights and remedies under applicable law or, the documentation governing the senior obligations, including any guarantees and security documentation relating thereto and any credit support therefor, subject to the indenture s limitations on the principal amount thereof;

- no covenant, agreement or other provision contained in the indenture or the security documents shall be deemed to restrict in any way the rights and remedies of the senior parties with respect to collateral as set forth in the documentation governing the senior obligations or in the intercreditor agreement;

- it will not institute any suit or assert in any suit, bankruptcy, insolvency or other proceeding any claim against the senior parties seeking damages from or other relief by way of specific performance, instructions or otherwise with respect to, and waives any claim it may have with respect to, and none of the senior parties will be liable for, any action taken or omitted to be taken by the senior parties;

- the senior creditors may amend or modify the documentation governing the senior obligations freely from time to time (including without limitation increasing the principal amount of the obligations under and the interest rate applicable to the senior obligations) without the need for any consent or approval from the note holders or the trustee;

- the terms of the intercreditor agreement will be reinstated in the event that any payment which resulted in the retirement of the senior obligations is subsequently avoided as a preference, fraudulent transfer, etc.;

- it will not consent to any modification of the indenture or the security documents inconsistent with the provisions of the intercreditor agreement restricting such modifications;

it will not attempt, directly or indirectly, whether by judicial proceedings or otherwise, to challenge the enforceability of any provision of the intercreditor agreement;

it will not consent to any modification of the indenture, the 2009 Notes or the security documents to increase the conversion rate of the 2009 Notes;

it will not consent to any modification of the indenture, the 2009 Notes or the security documents to add to the covenants for the benefit of the holders of the 2009 Notes; and

it will not exercise any remedies or seek to enforce any rights arising under the 2009 Notes in respect of any event of default under the 2009 Notes other than a default in the delivery of shares of our common stock upon conversion of the 2009 Notes at the election of the holder.

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In addition, if we are subject to any insolvency or liquidation proceeding (an insolvent party), the trustee and the holders of the 2009 Notes agree that:

they will consent to the insolvent party s use of cash collateral and the proceeds of any debtor-in-possession (DIP) financing if the senior parties consent to such usage and will not support any other person in objecting to the foregoing;

they shall not seek or require the insolvent party to provide any adequate protection, or accept any such adequate protection, for claims in respect of the 2009 Notes except replacement or additional liens on such categories of assets which shall constitute collateral for the 2009 Notes as of the collateral effective date that are fully junior and subordinate to the liens securing the senior obligations, and except for the foregoing, will not seek or accept any payments pursuant to Section 362(d)(3)(B) of Title 11 of the United States Code;

if the senior parties consent to a DIP financing, whether or not it provides for priming of the senior obligations, the trustee and the holders of the 2009 Notes will be deemed to have consented to priming of their liens and will not object to the DIP financing or any adequate protection provided to the senior parties;

they will consent to subordinate the liens securing the 2009 Notes to (x) the liens securing any DIP financing, (y) any adequate protection liens provided to the senior parties, and (z) any carve-out for professional and United States Trustee fees agreed to by the senior representative;

they will not without the senior creditors consent propose, support or participate in any DIP financing which is not proposed or supported by the senior creditors;

none of them shall contest, or support any other person contesting, (x) any request by the senior parties for adequate protection, or (y) any objection by the senior parties to any motion, relief, action or proceeding based on any senior party claiming a lack of adequate protection;

none of them shall oppose, or support any other person opposing, any claim by a senior party for allowance consisting of post-petition interest to the extent of the value of the collateral securing the senior obligations, without regard to the existence of the lien securing the 2009 Notes;

without the consent of the senior parties, the trustee and the holders of the 2009 Notes will not seek relief from the automatic stay so long as any senior obligations are outstanding;

they will not oppose any sale or other disposition of any of the assets constituting senior collateral, whether or not such assets collateralize the 2009 Notes (including any post-petition property subject to adequate protection liens) which sale or disposition is consented to by the senior parties; and

they will not vote in favor of any plan of reorganization unless (1) such plan provides for the payment in full in cash on the effective date of such plan of reorganization of all claims of the senior parties in respect of the senior obligations and the cash collateralization of the face amount of the letters of credit issued under the credit agreement or replacement credit facility, as applicable, or (2) such plan is approved by the senior parties, and they will vote in favor of any plan of reorganization which meets the foregoing parameters if such plan is supported by the senior parties.

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CONSOLIDATION, MERGER AND SALE OF ASSETS

The indenture prohibits us from consolidating with or merging with or into, or selling, transferring, leasing, conveying or otherwise disposing of all or substantially all of our property or assets to, another person (including pursuant to a statutory arrangement), whether in a single transaction or series of related transactions, unless, among other things:

Ø such other person is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction,

Ø such person expressly assumes all of our obligations under the 2009 Notes and the indenture, and

Ø no default or event of default exists immediately after giving effect to the transaction or series of transactions.

When the successor assumes all of our obligations under the indenture, except in the case of a lease, our obligations under the indenture will terminate.

There is no precise, established definition of the phrase all or substantially all under applicable law. Accordingly, there may be uncertainty as to whether the provisions above would apply to a sale, transfer, lease, conveyance or other disposition of less than all of our property or assets.

EVENTS OF DEFAULT

The following are events of default under the indenture for the 2009 Notes:

our failure to pay the principal of any 2009 Note when due whether at maturity or otherwise;

our failure to pay an installment of interest on any 2009 Note when due, if the failure continues for 30 days after the date when due;

our failure to satisfy our conversion obligations upon the exercise of a holder s conversion right;

our failure to comply with any material covenant, condition or agreement set forth in the 2009 Notes or related security agreement, intercreditor agreement, purchase agreement or indenture and such failure continues for 30 days after notice of such default sent by the trustee or the holders of at least 25% in aggregate principal amount of the 2009 Notes then outstanding;

we default in the payment when due, after the expiration of any applicable grace period, of principal of, or interest on, indebtedness for money borrowed, in the aggregate principal amount then outstanding of $250,000 or more, or the acceleration of indebtedness for money borrowed in such aggregate principal amount or more so that it becomes due and payable prior to the date on which it would otherwise become due and payable and such default is not cured or waived, or such acceleration is not rescinded, within 30 days after notice to us by the trustee or to us and the trustee by holders of at least 25% in aggregate principal amount of the 2009 Notes then outstanding;

the security interest in favor of the holders pursuant to the security agreement or any of the security provided for therein shall, at any time, cease to be in full force and effect for any reason other than the satisfaction in full of all obligations under the 2009 Notes and discharge of the 2009 Notes (except as provided in the intercreditor agreement with the holders of the 2008 Notes or the holders of any other senior secured indebtedness relating to the release of liens under certain circumstances) or any security interest created thereunder shall be declared invalid or unenforceable or we or any of our subsidiaries or affiliates shall assert, in any pleading in any court of competent jurisdiction, that any such security interest is invalid or unenforceable;

there shall be any SEC or judicial stop trade order or trading suspension stop-order or any restriction in place with the transfer agent for our common stock restricting the trading of such common stock;

our common stock is no longer quoted on the OTC Bulletin Board and is not listed on at least one of the New York Stock Exchange, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global

Select Market or the NYSE Alternext US LLC for a period of 5 consecutive trading days;

we shall be unable for any reason to deliver freely tradable, and validly issued and non-assessable shares of common stock upon conversion of the securities;

failure by us to have a sufficient number of authorized shares after the release date;

failure of the authorization date to have occurred prior to the date that is 105 days from the date of the first issuance of a 2009 Note; or

certain events of bankruptcy, insolvency or reorganization with respect to us.

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If an event of default, other than an event of default referred to in the last bullet point above with respect to us has occurred and is continuing, subject to the intercreditor agreement, either the trustee, by written notice to us, or the holders of at least 25% in aggregate principal amount of the 2009 Notes then outstanding, by written notice to us and the trustee may declare the principal of, and any accrued and unpaid interest, and any premium on, all 2009 Notes to be immediately due and payable. In the case of an event of default referred to in the last bullet point above with respect to us, the principal of, and accrued and unpaid interest, and any premium on, all 2009 Notes will automatically become immediately due and payable.

After any such acceleration, the holders of a majority of the principal amount of the 2009 Notes, by written notice to the trustee, may rescind or annul such acceleration in certain circumstances, if:

all events of default, other than the non-payment of accelerated principal, have been cured or waived; and

certain amounts due under the notes and to the trustee are paid.

The indenture does not obligate the trustee to exercise any of its rights or powers at the request or demand of the holders, unless the holders have offered to the trustee security or indemnity that is reasonably satisfactory to the trustee against the costs, expenses and liabilities that the trustee may incur to comply with the request or demand. Subject to the indenture, applicable law and the trustee s rights to indemnification, the holders of a majority in aggregate principal amount of the outstanding 2009 Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

No holder will have any right to institute any proceeding under the indenture, or for the appointment of a receiver or a trustee, or for any other remedy under the indenture, except as permitted in the intercreditor agreement and unless:

the holder gives the trustee written notice of a continuing event of default;

the holders of not less than 25% in aggregate principal amount of the outstanding 2009 Notes make a written request to the trustee to pursue the remedy;

the holder or holders offer and, if requested, provide the trustee indemnity reasonably satisfactory to the trustee against any loss, liability or expense; and

the trustee fails to comply with the request within 60 days after the trustee receives the notice, request and offer of indemnity and does not receive, during those 60 days, from holders of a majority in aggregate principal amount of the 2009 Notes then outstanding, a direction that is inconsistent with the request.

However, the above limitations, other than the limitations in the intercreditor agreement, do not apply to a suit by a holder to enforce:

the payment of any amounts due on that holder s 2009 Notes after the applicable due date; or

the right to convert that holder s 2009 Notes into shares of our common stock in accordance with the indenture.

Except as provided in the indenture, the holders of a majority of the aggregate principal amount of outstanding 2009 Notes may, by notice to the trustee, waive any past default or event of default and its consequences, other than a default or event of default:

in the payment of principal of, or interest, on, any note;

arising from our failure to convert any note into shares of our common stock in accordance with the indenture; or

in respect of any provision under the indenture that cannot be modified or amended without the consent of the holders of each outstanding note affected.

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We will promptly notify the trustee if a default or event of default occurs. In addition, the indenture requires us to furnish to the trustee, on an annual basis, a statement by our officers stating whether they are aware of any default or event of default by us in performing any of our obligations under the indenture or the 2009 Notes and describing any such default or event of default. If a default or event of default has occurred and the trustee has received notice of the default or event of default in accordance with the indenture, the trustee must mail to each holder a notice of the default or event of default within 30 days after it occurs. However, the trustee need not mail the notice if the default or event of default:

has been cured or waived; or

is not in the payment of any amounts due with respect to any note and the trustee in good faith determines that withholding the notice is in the best interests of holders.

MODIFICATION AND WAIVER

Subject to the intercreditor agreement, we may amend or supplement the indenture, the 2009 Notes, the security documents or the intercreditor agreement with the consent of the trustee and holders of at least a majority in aggregate principal amount of the outstanding 2009 Notes and, in the case of the intercreditor agreement, the other parties thereto. In addition, subject to certain exceptions, the holders of a majority in aggregate principal amount of the outstanding 2009 Notes may waive our compliance with any provision of the indenture, 2009 Notes, the security documents or the intercreditor agreement. However, without the consent of the holders of each outstanding note affected, no amendment, supplement or waiver may:

change the stated maturity of the principal of, or the payment date of any installment of interest or any premium on, any note;

reduce the principal amount of, or any interest or interest rate on, any note;

change the place, manner or currency of payment of principal of, or any interest on, any note;

impair the right to institute a suit for the enforcement of any payment on, or with respect to, or of the conversion of, any note;

modify the ranking provisions of the indenture in a manner adverse to the holders of 2009 Notes;

except as provided in the indenture, release all or substantially all of the collateral other than in accordance with the indenture, the security documents or the intercreditor agreement;

adversely affect the right of the holders of the 2009 Notes to convert their 2009 Notes in accordance with the indenture;

reduce the percentage in aggregate principal amount of outstanding 2009 Notes whose holders must consent to a modification or amendment of the indenture or the 2009 Notes;

reduce the percentage in aggregate principal amount of outstanding 2009 Notes whose holders must consent to a waiver of compliance with any provision of the indenture or the 2009 Notes or a waiver of any default or event of default; or

modify the provisions of the indenture with respect to modification and waiver (including waiver of a default or event of default), except to increase the percentage required for modification or waiver or to provide for the consent of each affected holder.

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We may, with the trustee s consent, amend or supplement the indenture or the 2009 Notes without notice to or the consent of any holder of the 2009 Notes to:

- evidence the assumption of our obligations under the indenture and the 2009 Notes by a successor upon our consolidation or merger or the sale, transfer, lease, conveyance or other disposition of all or substantially all of our property or assets in accordance with the indenture;

- make adjustments in accordance with the indenture to the right to convert the 2009 Notes upon certain reclassifications or changes in our common stock and certain consolidations, mergers and binding share exchanges and upon the sale, transfer, lease, conveyance or other disposition of all or substantially all of our property or assets;

- grant additional security for our obligations in respect of the 2009 Notes;

- make provision with respect to adjustments to the conversion rate as required by the indenture but not to increase the conversion rate in accordance with the indenture; or

- surrender any right or power conferred upon us.

In addition, we and the trustee may enter into a supplemental indenture without the consent of holders of the 2009 Notes in order to cure any ambiguity, defect, omission or inconsistency in the indenture in a manner that does not, individually or in the aggregate with all other changes, adversely affect the rights of any holder. We and the trustee may also enter into a supplemental indenture without the consent of holders of the notes in order to conform the indenture to the description of the notes contained in this prospectus.

DISCHARGE

We may generally satisfy and discharge our obligations under the indenture and the security documents by:

- delivering all outstanding 2009 Notes to the trustee for cancellation; or

- depositing with the trustee or the paying agent after the 2009 Notes have become due and payable, at stated maturity, cash sufficient to pay all amounts due on all outstanding 2009 Notes and paying all other sums payable under the indenture; provided that such cash deposited with the trustee is not subject to any liens other than a lien in favor of the 2009 Notes.

In addition, at the time of discharge we must have paid all other sums that are due under the terms of the indenture and have delivered to the trustee an officer s certificate and opinion of counsel stating that we have complied with all conditions precedent relating to satisfaction and discharge of the indenture.

Notwithstanding the foregoing, upon satisfaction and discharge of the indenture, the following rights will survive: conversion rights, trustee s payment rights and, in the case of a deposit to pay all amounts due on all outstanding 2009 Notes, certain other provisions as set forth in the indenture.

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CALCULATIONS IN RESPECT OF 2009 NOTES

We and our agents are responsible for making all calculations called for under the indenture and 2009 Notes. These calculations include, but are not limited to, the determination of the current market price of our common stock, the number of shares issuable and the amount of any cash payable upon conversion of the 2009 Notes and amounts of interest payable on the 2009 Notes and adjustments to the conversion rate. We and our agents will make all of these calculations in good faith, and, absent manifest error, these calculations will be final and binding on all holders of 2009 Notes. We will provide a copy of these calculations to the trustee, as required, and, absent manifest error, the trustee is entitled to rely on the accuracy of our calculations without independent verification.

REPORTING

The indenture provides for us to file with the trustee, within 15 days after we are required to file the same with the SEC, after giving effect, to the extent applicable, any extension permitted by Rule 12b-25 under the Exchange Act, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations prescribe) that we file with the SEC, pursuant to Section 13 or Section 15(d) of the Exchange Act; provided, however, that we will not be required to deliver to the trustee any materials for which we have sought and obtained confidential treatment from the SEC. Documents filed by us with the SEC via the EDGAR system will be deemed filed with the trustee as of the time such documents are filed via EDGAR. If we are not required to file information, documents or reports pursuant to Section 13 or Section 15(d) of the Exchange Act, we will file with the trustee and, unless the SEC will not accept such a filing, the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, no later than the date we would have been required to file the same with the SEC, such periodic reports and other documents which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations. We will also comply with Section 314(a) of the Trust Indenture Act of 1939, as amended.

REPORTS TO TRUSTEE

We will regularly furnish to the trustee copies of our annual report to stockholders, containing audited financial statements, and any other financial reports which we furnish to our stockholders.

UNCLAIMED MONEY

If money deposited with the trustee or paying agent for the payment of principal of, premium, if any, or accrued and unpaid interest on, the 2009 Notes remains unclaimed for two years, the trustee and paying agent will pay the money back to us upon our written request. However, the trustee and paying agent have the right to withhold paying the money back to us until they publish in a newspaper of general circulation in the City of New York, or mail to each holder, a notice stating that the money will be paid back to us if unclaimed after a date no less than 30 days from the publication or mailing. After the trustee or paying agent pays the money back to us, holders of 2009 Notes entitled to the money must look to us for payment as general creditors, subject to applicable law, and all liability of the trustee and the paying agent with respect to the money will cease.

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PURCHASE AND CANCELLATION

The registrar, paying agent and conversion agent will forward to the trustee any 2009 Notes surrendered to them for transfer, exchange, payment or conversion, and the trustee will promptly cancel those 2009 Notes in accordance with its customary procedures. We will not issue 2009 Notes to replace 2009 Notes that we have paid or delivered to the trustee for cancellation or that any holder has converted.

We may, to the extent permitted by law, purchase 2009 Notes in the open market or by tender offer at any price or by private agreement. We may, at our option and to the extent permitted by law, reissue, resell or surrender to the trustee for cancellation any 2009 Notes we purchase in this manner. 2009 Notes surrendered to the trustee for cancellation may not be reissued or resold and will be promptly cancelled.

REPLACEMENT OF 2009 NOTES

We will replace mutilated, lost, destroyed or stolen 2009 Notes at the holder s expense upon delivery to the trustee of the mutilated 2009 Notes or evidence of the loss, destruction or theft of the 2009 Notes satisfactory to the trustee and us. In the case of a lost, destroyed or stolen note, we or the trustee may require, at the expense of the holder, indemnity reasonably satisfactory to us and the trustee.

TRUSTEE AND TRANSFER AGENT

The trustee for the 2009 Notes is U.S. Bank National Association, and we have appointed the trustee as the paying agent, registrar, conversion agent and custodian with regard to the 2009 Notes. The indenture permits the trustee to deal with us and any of our affiliates with the same rights the trustee would have if it were not trustee. However, under the Trust Indenture Act of 1939, if the trustee acquires any conflicting interest and there exists a default with respect to the 2009 Notes, the trustee must eliminate the conflict or resign. U.S. Bank National Association and its affiliates have in the past provided and may from time to time in the future provide banking and other services to us in the ordinary course of their business.

The holders of a majority in aggregate principal amount of the 2009 Notes then outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, subject to certain exceptions and to the restrictions contained in the intercreditor agreement. If an event of default occurs and is continuing, the trustee must exercise its rights and powers under the indenture using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The indenture does not obligate the trustee to exercise any of its rights or powers at the request or demand of the holders, unless the holders have offered to the trustee security or indemnity that is reasonably satisfactory to the trustee against the costs, expenses and liabilities that the trustee may incur to comply with the request or demand.

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The transfer agent for our common stock is BNY Mellon Shareholder Services.

LISTING AND TRADING

The 2009 Notes, warrants, top-up rights and purchase rights are a new issue of securities, and there is currently no established trading market for the 2009 Notes, warrants, top-up rights and purchase rights. An active or liquid market is not expected to develop for the 2009 Notes, warrants, top-up rights and purchase rights or, if developed, be maintained. We have not applied, and do not intend to apply, for the listing of the 2009 Notes, warrants, top-up rights and purchase rights on any securities exchange. Our common stock is listed on the OTC Bulletin Board under the ticker symbol GNTA.OB.

FORM, DENOMINATION AND REGISTRATION OF 2009 NOTES

General

The 2009 Notes will be issued in registered form, without interest coupons, in denominations of integral multiples of $1,000 principal amount, in the form of global securities, as further provided below. See Global securities below for more information.

See Global securities and Certificated securities for a description of additional transfer restrictions that apply to the 2009 Notes.

We will not impose a service charge in connection with any transfer or exchange of any note, but we may in general require payment of a sum sufficient to cover any transfer tax or similar governmental charge imposed in connection with the transfer or exchange.

Global securities

Global securities will be deposited with the trustee as custodian for The Depository Trust Company, or DTC, and registered in the name of DTC or a nominee of DTC.

Investors may hold their interests in a global security directly through DTC, if they are DTC participants, or indirectly through organizations that are DTC participants.

Except in the limited circumstances described below and in Certificated securities, holders of 2009 Notes will not be entitled to receive 2009 Notes in certificated form. Unless and until it is exchanged in whole or in part for certificated securities, each global security may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC.

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We will apply to DTC for acceptance of the global securities in its book-entry settlement system. The custodian and DTC will electronically record the principal amount of 2009 Notes represented by global securities held within DTC. Beneficial interests in the global securities will be shown on records maintained by DTC and its direct and indirect participants. So long as DTC or its nominee is the registered owner or holder of a global security, DTC or such nominee will be considered the sole owner or holder of the 2009 Notes represented by such global security for all purposes under the indenture and the 2009 Notes. No owner of a beneficial interest in a global security will be able to transfer such interest except in accordance with DTC s applicable procedures and the applicable procedures of its direct and indirect participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. These limitations and requirements may impair the ability to transfer or pledge beneficial interests in a global security.

Payments of principal, premium, if any, and interest under each global security will be made to DTC or its nominee as the registered owner of such global security. We expect that DTC or its nominee, upon receipt of any such payment, will immediately credit DTC participants accounts with payments proportional to their respective beneficial interests in the principal amount of the relevant global security as shown on the records of DTC. We also expect that payments by DTC participants to owners of beneficial interests will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants, and none of us, the trustee, the custodian or any paying agent or registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in any global security or for maintaining or reviewing any records relating to such beneficial interests.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under the Exchange Act. DTC was created to hold the securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, which eliminates the need for physical movement of securities certificates.

DTC s participants include securities brokers and dealers (including Rodman & Renshaw, LLC), banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to DTC s book-entry system is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The ownership interest and transfer of ownership interests of each beneficial owner or purchaser of each security held by or on behalf of DTC are recorded on the records of the direct and indirect participants.

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Certificated securities

The trustee will exchange each beneficial interest in a global security for one or more certificated securities registered in the name of the owner of the beneficial interest, as identified by DTC, only if:

DTC notifies us that it is unwilling or unable to continue as depositary for that global security or ceases to be a clearing agency registered under the Exchange Act and, in either case, we do not appoint a successor depositary within 90 days of such notice or cessation; or

an event of default has occurred and is continuing and the trustee has received a request from DTC to issue certificated securities.

Same-day settlement and payment

We will make payments in respect of 2009 Notes represented by global securities by wire transfer of immediately available funds to DTC or its nominee as registered owner of the global securities. We will make payments in respect of 2009 Notes that are issued in certificated form by wire transfer of immediately available funds to the accounts specified by each holder of 2009 Notes. However, if a holder of a certificated note does not specify an account, then we will mail a check to that holder s registered address.

We expect the 2009 Notes will trade in DTC s Same-Day Funds Settlement System, and DTC will require all permitted secondary market trading activity in the 2009 Notes to be settled in immediately available funds. We expect that secondary trading in any certificated securities will also be settled in immediately available funds.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

Although we understand that DTC has agreed to the above procedures to facilitate transfers of interests in the global securities among DTC participants, DTC is under no obligation to perform or to continue those procedures, and those procedures may be discontinued at any time. None of us, the trustee will have any responsibility for the performance by DTC or its direct or indirect participants of their respective obligations under the rules and procedures governing their operations.

We have obtained the information we describe in this prospectus concerning DTC and its book-entry system from sources that we believe to be reliable, but we do not take any responsibility for the accuracy of this information.

GOVERNING LAW

The indenture and the 2009 Notes will be governed by and construed in accordance with the laws of the State of New York.

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DESCRIPTION OF THE WARRANTS

The material terms and provisions of the warrants being offered pursuant to this prospectus are summarized below. This summary is subject to, and qualified in its entirety by, the terms of the warrants as set forth in the form of warrant filed as an exhibit hereto.

The warrants represent the right to purchase shares of common stock at an exercise price of $[___] per share. Each warrant may be exercised at any time and from time to time on or after the six month anniversary of the date of its issuance, until the five year anniversary of the date of its issuance.

In lieu of paying the exercise price for the shares of common stock issuable upon exercise of the warrants, at any time when the shares of common stock deliverable upon exercise of the warrant would not upon such exercise be freely tradable without restriction, the holder of the warrants may elect to convert the warrant into a number of shares of common stock equal to the value of the shares of common stock as to which the holder of the warrant is electing to exercise the warrant, less the exercise price otherwise payable upon exercise of such number of shares.

A warrant may be transferred by a holder without our consent upon surrender of the warrant to us, properly endorsed by the holder executing an assignment in the form attached to the warrant agreement.

The warrants are subject to customary pro rata anti-dilution provisions for stock splits or recapitalizations. The exercise price and the number of shares of common stock are subject to adjustment in the event of stock splits, stock dividends on our common stock, stock combinations or similar events affecting our common stock. In addition, in the event we consummate any merger, consolidation, sale or other reorganization event in which our common stock is converted into or exchanged for securities, cash or other property or we consummate a sale of substantially all of our assets, then following that event, the holders of outstanding warrants may be entitled to receive upon exercise of the warrants securities which the holders would have received if they had exercised their warrants prior to such reorganization event or the repurchase of the warrant by the Company for cash.

Upon receipt of payment and the form of exercise properly completed and duly executed, we will, as soon as practicable, issue the securities purchasable upon exercise of the warrant. In addition, the warrants are subject to an issuance cap that prevents the holder from exercising such warrants to the extent that such exercise would result in the holder and the holder s affiliates owning more than 4.999% of our outstanding common stock after exercise.

Before the exercise of their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon the exercise of the warrants, and will not be entitled to, among other things, vote or receive dividend payments or similar distributions on the securities purchasable upon exercise.

Warrant certificates may be exchangeable for new warrant certificates of different denominations as indicated in the applicable warrant.

DESCRIPTION OF THE TOP UP RIGHTS

Each purchaser of 2009 Notes and related warrants in the offering will receive the right, which we refer to in this prospectus as the top up right, to purchase additional 2009 Notes at any time or from time to time in one or more closings during the period commencing 70 days from the closing of the initial sale and ending one year following the closing of the initial sale in an aggregate principal amount equal to the principal amount of the 2009 Notes purchased by such purchaser in the initial sale. In the event that any purchaser should exercise a top up right, we will issue to such purchaser a warrant to purchase a number of shares of our common stock equal to 10% of the number of shares of our common stock underlying the 2009 Note purchased by such purchaser in such exercise.

In the aggregate, the top up rights we will grant to the purchasers of the 2009 Notes will represent the right to acquire an additional $[___] million of 2009 Notes and corresponding warrants to purchase an additional [___] shares of common stock.

DESCRIPTION OF THE PURCHASE RIGHTS

Concurrently with the closing of the initial sale, we will enter into a consent and amendment agreement with each holder of the 2008 Notes. Under the terms of these agreements, each holder of 2008 Notes will agree to provide such holder s consent to and approval of the transactions described in this prospectus, and will agree to certain amendments to the 2008 Notes necessary to permit the transactions described in this prospectus.

In exchange for these consents, we will agree to offer each such holder the right, which we refer to in this prospectus as a purchase right , at any time and from time to time during the one year period following the initial sale,

to purchase additional 2009 Notes from us, up to a total aggregate principal amount equal to 50% of the face amount of the 2008 Notes held by such holder on the date of the initial sale. As of the date of this prospectus, there was an aggregate of $[___] million in principal amount of 2008 Notes outstanding.

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DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 6,000,000,000 shares of common stock and 5,000,000 shares of preferred stock.

The following descriptions are summaries of the material terms of our restated certificate of incorporation and bylaws. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, the restated certificate of incorporation and bylaws and applicable law. Our restated certificate of incorporation, as amended and our amended and restated bylaws are incorporated by reference and copies are available upon request. See How to Get More Information in this prospectus.

Common Stock

Except as required by law or by the restated certificate of incorporation, holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Subject to preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of Genta, holders of our common stock and our preferred stock are entitled to share ratably on an as-converted basis in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding preferred stock. Holders of common stock have no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and non-assessable.

In September 2005, the Board of Directors adopted a Stockholder Rights Plan and declared a dividend of one preferred stock purchase right, or Right, for each outstanding share of our common stock, payable to holders of record as of the close of business on September 27, 2005. In addition, Rights shall be issued in respect of all shares of common stock issued after such date, including the shares issued hereunder, pursuant to the Plan. Generally, the rights become exercisable upon the earlier of the close of business on the tenth business day following the first public announcement that any person or group has become a beneficial owner of 15% or more of our common stock and the close of business on the tenth business day after the date of the commencement of a tender or exchange offer by any person which would, if consummated, result in such person becoming a beneficial owner of 15% or more of the our common stock. Each Right shall be exercisable to purchase, for $25.00, subject to adjustment, one one-hundredth of a newly registered share of Series G Participating Cumulative Preferred Stock, par value $0.001 per share of the Company. The terms and conditions of the Rights are set forth in a Rights Agreement dated September 20, 2005 between the Company and Mellon Investor Services, LLC, as Rights Agent.

Preferred Stock

The Board of Directors has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series or the designation of such series. The issuance of preferred stock could adversely affect the voting power of holders of common stock and could have the effect of delaying, deferring or preventing a change in control of Genta without further action by the stockholders and may adversely affect the voting and other rights of the holders of our common stock.

Series A Convertible Preferred Stock

We are authorized to issue 600,000 shares of Series A Convertible Preferred Stock. At December 31, 2008, we had 7,700 shares of Series A Convertible Preferred Stock issued and outstanding.

Each share of Series A Convertible Preferred Stock is immediately convertible, into shares of our common stock, at a rate determined by dividing the aggregate liquidation preference of the series A convertible preferred stock by the conversion price. The conversion price is subject to adjustment for antidilution.

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In the event of a liquidation of Genta, the holders of Series A Convertible Preferred Stock are entitled to a liquidation preference equal to $50.00 per share.

Series G Participating Cumulative Preferred Stock

Two million shares of our Preferred Stock have been designated as Series G Participating Cumulative Preferred Stock, none of which are issued and outstanding. The Series G Participating Cumulative Preferred Stock are subject to the Stockholder Rights Plan described above.

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15% Senior Secured Convertible Notes

On June 5, 2008, we entered into a securities purchase agreement with certain institutional and accredited investors, to place up to $40 million of senior secured convertible notes, referred to herein as the notes, with such investors. On June 9, 2008, we placed $20 million of such notes in the initial closing. The notes will bear interest at an annual rate of 15% payable at quarterly intervals in stock or cash at our option, and will be convertible into shares of our common stock at a conversion rate of 100,000 shares of common stock for every $1,000.00 of principal. Until June 9, 2009, the holders of the notes have the right, but not the obligation, to purchase in whole or in part up to an additional $20 million of notes. We have the right to force conversion of the notes in whole or in part if the closing bid price of our common stock exceeds $0.50 for a period of 20 consecutive trading days.

As of the date of this prospectus, we have amended the 2008 Notes to delete the second tranche option to purchase an additional $20 million of 2008 Notes.

Concurrent with this offering, we are amending our 2008 Notes for, among other things, the following:

- reduce the conversion price for $0.01 per share to $[___] per share; and
- modify the share reservation covenant as described further in this prospectus.

Certain members of our senior management participated in the initial closing.

The issuance of common stock upon conversion of the convertible notes has adversely affected the voting power of remaining holders of common stock and could result in a change in control of Genta without further action by the stockholders.

Delaware Anti-Takeover Law

Under Section 203 of the Delaware General Corporation Law certain business combinations between a Delaware corporation, whose stock generally is publicly traded or held of record by more than 2,000 stockholders, and an interested stockholder are prohibited for a three-year period following the date that such stockholder became an interested stockholder, unless:

- the corporation has elected in its certificate of incorporation not to be governed by Section 203 (we have not made such an election);
- either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors of the corporation before the other party to the business combination became an interested stockholder;
- upon consummation of the transaction that made it an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the commencement of the transaction excluding voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer;
- on or subsequent to such date the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the interested stockholder.

The three-year prohibition also does not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of certain extraordinary transactions involving the

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corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation s directors. A business combination is defined to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. In general, an interested stockholder is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation s voting stock.

The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Advance Notice Requirements for Stockholder Proposals

Our amended and restated bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder s notice must be delivered to the secretary at our principal executive offices not less than 50 calendar days nor more than 75 calendar days prior to the meeting; provided, that if less than 65 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the 15th day following the day on which notice of the date of the annual meeting was mailed or such public disclosure was made. Our amended and restated bylaws also specify requirements as to the form and content of a stockholder s notice. These provisions may discourage stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Transfer Agent Information

Our transfer agent is BNY Mellon Securities LLC.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of certain United States federal income tax considerations relevant to holders of the notes and common stock into which the notes may be converted. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, Internal Revenue Service (IRS) rulings and judicial decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or different interpretations. There can be no assurance that the IRS will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the United States federal income tax consequences of acquiring or holding notes or common stock. This discussion does not purport to deal with all aspects of United States federal income taxation that may be relevant to a particular holder in light of the holder s circumstances (for example, persons subject to the alternative minimum tax provisions of the Code or a holder whose functional currency is not the United States dollar). Also, it is not intended to be wholly applicable to all categories of investors, some of which (such as dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, banks, thrifts, regulated investment companies, insurance companies, tax-exempt organizations, and persons holding notes or common stock as part of a hedging or conversion transaction or straddle or persons deemed to sell notes or common stock under the constructive sale provisions of the Code) may be subject to special rules. The discussion also does not discuss any aspect of state, local or foreign law, or United States federal estate and gift tax law as applicable to the holders of the notes and common stock into which the notes may be converted. In addition, this discussion is limited to purchasers of notes who hold the notes and common stock as capital assets within the meaning of Section 1221 of the Code (generally, held for investment) and who purchased the notes at the public offering price set forth on the front cover of this prospectus supplement. This summary also assumes that the IRS will respect the classification of the notes as indebtedness for United States federal income tax purposes.

The purchaser of the notes is advised to consult its own tax advisors regarding the United States federal, state, local and foreign tax consequences of the purchase, ownership and disposition of the notes and the common stock in its particular situation.

As used herein, the term U.S. Holder means a beneficial holder of a note or common stock that for United States federal income tax purposes is (i) an individual who is a citizen or resident (as defined in Section 7701(b) of the Code) of the United States (unless such person is not treated as a resident of the United States under an applicable income tax treaty), (ii) a corporation created or organized under the laws of the United States or any political subdivision thereof or other entity treated as a corporation for United States federal income tax purposes, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source and (iv) in general, a trust subject to the primary supervision of a court within the United States and the control of a United States person as described in Section 7701(a)(30) of the Code. A Non-U.S. Holder is any beneficial holder of a note or common stock other than a U.S. Holder or an entity treated as a partnership for United States tax purposes.

If a partnership (including for this purpose any entity, domestic or foreign, treated as a partnership for United States federal income tax purposes) is a beneficial owner of the notes or

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common stock into which the notes may be converted, the United States tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. As a general matter, income earned through a foreign or domestic partnership is attributed to its owners. A holder of the notes or common stock into which the notes may be converted that is a partnership, and partners in such partnership, should consult their own tax advisors about the United States federal income tax consequences of holding and disposing of the notes and the common stock.

Classification of the Notes

The proper treatment of the notes is subject to substantial uncertainty. The notes have features that have not been addressed in any published authority and consequently there can be no assurance that the Internal Revenue Service (the IRS) might not successfully challenge the Company s intended characterization and tax reporting of the notes as described below. In particular, due to the terms of the notes, there is substantial uncertainty as to the characterization of the notes as debt for United States federal income tax purposes, and, therefore, it is possible that the notes might be characterized as equity of the Company. The Company, however, intends to treat the notes as debt for United States federal income tax purposes. If the notes are not properly characterized as debt, the notes will be treated as equity and subject to rules similar to those described under U.S. Holders The Common Sock for U.S. Holders. For Non-U.S. Holders, distributions out of the Company s current or accumulated earnings and profits generally are subject to withholding as further described under the heading Non-U.S. Holders Dividends. In light of the substantial uncertainty as to the United States federal income tax characterization of the notes as debt or equity of the Company, prospective investors, particularly those investors that would be Non-U.S. Holders, are urged to consult their own tax advisors as to the United States federal, state, local and foreign tax consequences of ownership and disposition of the notes.

Under the indenture governing the notes, the Company will agree, and by acceptance of a beneficial interest in a note each holder of a note will be deemed to have agreed, to treat the notes as indebtedness for United States federal income tax purpose that is subject to the Treasury regulations governing contingent payment debt instruments (the contingent payment debt regulations) with a comparable yield calculated in the manner described below. However, because the applicability of the contingent payment debt regulations to any particular instruments, such as the notes, is uncertain, no assurance can be given that the IRS will not assert that the notes should be treated differently. Different treatment could affect the amount, timing and character of income, gain or loss with respect to an investment in the notes.

Except as otherwise stated in the discussion below, it is assumed that the notes will be treated as debt for United States federal income tax purposes, rather than as equity in the Company, that is subject to the contingent payment debt regulations as described above. In light of the uncertainty and complexity of the rules applicable to the notes, prospective investors are urged to consult their tax advisors regarding the tax consequences of ownership and disposition of the notes.

U.S. Holders

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Interest Accruals on the Notes

Under the contingent payment debt regulations, a U.S. Holder, regardless of its method of accounting for United States federal income tax purpose, will be required to accrue interest income on the notes on a constant yield basis at an assumed yield (the comparable yield) determined at the time of issuance of the notes. Accordingly, U.S. Holders generally will be required to include interest income, in each year prior to maturity, in excess of the regular interest payments on the notes. The comparable yield for the notes is based on the yield at which we could issue a nonconvertible, fixed rate debt instrument with no contingent payments, but with terms otherwise similar to those of the notes.

Solely for purposes of determining the amount of interest income that a U.S. Holder will be required to accrue, we are required to construct a projected payment schedule in respect of the notes representing a series of payments the amount and timing of which would produce a yield to maturity on the notes equal to the comparable yield. Holders that wish to obtain the projected payment schedule may do so by contacting Rodman & Renshaw, LLC, 1251 Avenue of the Americas, New York, NY 10020.

The comparable yield and the schedule of projected payments are not determined for any purpose other than for the determination of a U.S. Holder s interest accruals and adjustments thereof in respect of the notes for United States federal income tax purposes and do not constitute a projection or representation regarding the actual amounts payable to U.S. Holders of the notes.

Pursuant to the terms of the notes, we and every U.S. Holder agree (in the absence of an administrative determination or judicial ruling to the contrary) to be bound by our determination of the comparable yield and projected payment schedule and to use such comparable yield and projected payment schedule in determining interest accruals and adjustments in respect of the notes.

Based on the comparable yield and the issue price for the notes, a U.S. Holder of a note (regardless of its accounting method) will be required to accrue interest as the sum of the daily portions of interest on the notes for each day in the taxable year on which the U.S. Holder holds the note, adjusted upward or downward to reflect the difference, if any, between the actual and projected amount of any contingent payments on the notes (as set forth below). The issue price of the notes is the first price at which a substantial amount of the notes is sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placements agents or wholesalers (the issue price).

The daily portions of interest in respect of a note are determined by allocating to each day in an accrual period the ratable portion of interest on the note that accrues in the accrual period. The amount of interest on a note that accrues in an accrual period is the product of the comparable yield on the note (adjusted to reflect the length of the accrual period) and the adjusted issue price of the note. The adjusted issue price of a note at the beginning of the first accrual period will equal its issue price and for any accrual periods thereafter will be (x) the sum of the issue price of such note and any interest previously accrued thereon (disregarding any positive or negative

adjustments described below) minus (y) the amount of any projected payments on the notes for previous accrual periods.

In addition to the interest accrual discussed above, a U.S. Holder will be required to recognize interest income equal to the amount of the excess of actual payments over projected payments (a positive adjustment) in respect of a note for a taxable year. For this purpose, the payments in a taxable year include the fair market value of property (such as our common stock) received in that year. If a U.S. Holder receives actual payments that are less than the projected payments in respect of a note for a taxable year, the U.S. Holder will incur a negative adjustment equal to the amount of such difference. This negative adjustment will (i) first reduce the amount of interest in respect of the note that a U.S. Holder would otherwise be required to include in the taxable year and (ii) to the extent of any excess, give rise to an ordinary loss equal to that portion of such excess that does not exceed the excess of (A) the amount of all previous interest inclusions under the note over (B) the total amount of the U.S. Holder s net negative adjustments treated as ordinary loss on the note in prior taxable years. A net negative adjustment is not subject to the 2% floor limitation imposed on miscellaneous deductions under Section 67 of the Code. Any negative adjustment in excess of the amounts described in (i) and (ii) will be carried forward to offset future interest income in respect of the notes or to reduce the amount realized on a sale, exchange or retirement of the notes.

Sale, Exchange, Conversion or Retirement of the Notes

Upon a sale, exchange or retirement of a note for cash, a U.S. Holder will generally recognize gain or loss. The calculation of the comparable yield and the schedule of projected payments for the notes includes the receipt of our common stock upon conversion as a contingent payment with respect to the notes. Accordingly, the Company intends to treat the receipt of our common stock by a U.S. Holder upon the conversion of a note as a payment under the contingent payment debt regulations. As described above, holders have agreed to be bound by our determination of the comparable yield and the schedule of projected payments.

The amount of gain or loss on a taxable sale, exchange, conversion or retirement will be equal to the difference between the amount realized on the sale, exchange, conversion or retirement (including the fair market value of our common stock received, if any) and such U.S. Holder s adjusted tax basis in the note. A U.S. Holder s adjusted tax basis in a note will generally be equal to the U.S. Holder s purchase price for the note, increased by any interest income previously accrued by the U.S. Holder (determined without regard to any positive or negative adjustments to interest accruals described above) and decreased by the amount of any projected payments previously made on the note to the U.S. Holder. A U.S. Holder generally will treat any gain as interest income and any loss as ordinary loss to the extent of the excess of previous interest inclusions over the total negative adjustments previously taken into account as ordinary loss, and the balance as capital loss. The deductibility of capital loss is subject to limitation.

A U.S. Holder s tax basis in our common stock received upon the conversion of a note will equal the then current fair market value of such common stock. The U.S. Holder s holding period for our common stock received will commence on the day immediately following the date of conversion.

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Constructive Distributions

The conversion rate of the notes is subject to adjustment under certain circumstances. Section 305 of the Code and the Treasury Regulations issued thereunder may treat the holders of the notes as having received a constructive distribution, resulting in a taxable dividend (subject to a possible dividends received deduction in the case of corporate holders) to the extent of our current and/or accumulated earnings and profits, if, and to the extent that certain adjustments in the conversion rate, which may occur in limited circumstances (particularly an adjustment to reflect a taxable dividend to holders of common stock), increase the proportionate interest of a holder of notes in our assets or earnings and profits, whether or not such holder ever exercises its conversion privilege. Therefore, U.S. Holders may recognize dividend income in the event of a deemed distribution even though they may not receive any cash or property. Moreover, if there is not a full adjustment to the conversion ratio of the notes to reflect a stock dividend or other event increasing the proportionate interest of the holders of outstanding common stock in our assets or earnings and profits, then such increase in the proportionate interest of the holders of the common stock generally will be treated as a distribution to such holders, taxable as a dividend (subject to a possible dividends received deduction in the case of corporate holders) to the extent of our current and/or accumulated earnings and profits. Adjustments to the conversion rate made pursuant to a bona fide reasonable adjustment formula which has the effect of preventing dilution in the interest of the holders of the debt instruments, however, will generally not be considered to result in a constructive dividend distribution.

The Common Stock

Distributions (including constructive distributions), if any, paid on the common stock that a U.S. Holder receives upon conversion of a note generally will constitute a taxable dividend, to the extent made from our current or accumulated earnings and profits, as determined under United States federal income tax principles. Any distribution in excess of our current and accumulated earnings and profits will be treated first as a tax-free return of capital, which will reduce the U.S. Holder s adjusted tax basis in the shares (but not below zero). To the extent such a distribution exceeds the U.S. Holder s adjusted tax basis in the shares, the distribution will generally be taxable as capital gain. Dividends received by a corporate U.S. Holder may be eligible for a dividends received deduction. For taxable years beginning before January 1, 2011, subject to certain exceptions, dividends received by non-corporate shareholders (including individuals) from domestic corporations generally are taxed at the same preferential rates that apply to long-term capital gain.

Gain or loss realized on the sale or exchange of common stock will equal the difference between the amount realized on such sale or exchange and the U.S. Holder s adjusted tax basis in such common stock. Such gain or loss will generally be long-term capital gain or loss if the holder has held or is deemed to have held the common stock for more than twelve months. Generally, long-term capital gain of non-corporate shareholders is eligible for a reduced rate of taxation. The deductibility of capital losses is subject to certain limitations.

Non-U.S. Holders

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For purposes of the following discussion, dividends and gain on the sale, exchange or other disposition of a note or common stock will be considered to be U.S. trade or business income if such income or gain is (i) effectively connected with the conduct of a United States trade or business and (ii) in the case of a Non-U.S. Holder eligible for the benefits of an applicable United States bilateral income tax treaty, attributable to a permanent establishment (or, in the case of an individual, a fixed base) in the United States.

Notes

All payments on the notes made to a Non-U.S. Holder, including a payment in our common stock or cash pursuant to a conversion or retirement, and any gain realized on a sale or exchange of the notes will be exempt from United States federal income and withholding tax, provided that:

the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote, is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership, and is not a bank receiving certain types of interest;

the certification requirement described below has been fulfilled with respect to the Non-U.S. Holder;

such payments are not effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States; and

in the case of gain realized on the sale, exchange, conversion or retirement of the notes, we are not, and have not been within the shorter of the five-year period preceding such sale, exchange, conversion or retirement and the period the Non-U.S. Holder held the notes, a U.S. real property holding corporation. We believe that we are not, and do not anticipate becoming, a U.S. real property holding corporation for United States federal income tax purposes.

However, if a Non-U.S. Holder were deemed to have received a constructive dividend (see U.S. Holders Constructive Distributions above), the Non-U.S. Holder generally will be subject to United States withholding tax at a 30% rate, subject to reduction by an applicable treaty, on the taxable amount of the dividend. A Non-U.S. Holder who is subject to withholding tax under such circumstances should consult his own tax advisor as to whether he can obtain a refund for all or a portion of the withholding tax.

The certification requirement referred to above will be fulfilled if the beneficial owner of a note certifies to the Company on IRS Form W-8BEN (or any successor thereto), under penalties of perjury, that it is not a U.S. person and provides the required information.

If a Non-U.S. Holder does not qualify for the United States withholding tax exemption described above, then the Non-U.S. Holder generally will be subject to United States withholding tax at a 30% rate, subject to reduction by an applicable treaty, on all payments received on the notes (as

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described above). In order to obtain a reduced rate of withholding, a Non-U.S. Holder must comply with applicable certification requirements, which generally include furnishing a properly executed IRS Form W-8BEN (or any successor thereto) or a substitute form. Non-U.S. Holders who are subject to United States withholding tax under such circumstances should consult their own tax advisors as to whether they can obtain a refund for all or a portion of the withholding tax.

If a Non-U.S. Holder of a note is engaged in a trade or business in the United States, and if payments on the note are effectively connected with the conduct of this trade or business, the Non-U.S. Holder, although exempt from U.S. withholding tax, will generally be taxed in the same manner as a U.S. Holder (see U.S. Holders above), except that the Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding tax. These Non-U.S. Holders should consult their own tax advisors with respect to other tax consequences of the ownership of the notes, including the possible imposition of a branch profits tax at a rate of 30%, subject to reduction by an applicable treaty, on their effectively connected income.

As discussed above, the proper treatment of the notes is subject to substantial uncertainty. The notes have features that have not been addressed in any published authority and consequently there can be no assurance that the IRS might not successfully challenge the Company s intended characterization and tax reporting of the notes as debt and it is possible that the notes might be characterized as equity of the Company. In such a case, payments with respect to the notes will be treated as distributions with respect to stock of the Company and will be characterized as dividends to the extent of the Company s current or accumulated earnings and profits. Dividends paid by the Company to Non-U.S Holders do not qualify for the withholding exception described above and will be subject to withholding as described below in Non-U.S. Holders Dividends. In light of the substantial uncertainty as to the United States federal income tax characterization of the notes as debt or equity of the Company, prospective investors are urged to consult their own tax advisors as to the United States federal, state, local and foreign tax consequences of ownership and disposition of the notes.

Dividends

In general, dividends paid to a Non-U.S. Holder of common stock will be subject to withholding of United States federal income tax at a 30 percent rate unless such rate is reduced by an applicable income tax treaty. Dividends that are U.S. trade or business income are generally subject to United States federal income tax at regular income tax rates, but are not generally subject to the 30 percent withholding tax or treaty-reduced rate if the Non-U.S. Holder files a properly executed Form W-8ECI (or appropriate substitute form), as applicable with the payor. Any U.S. trade or business income received by a Non-U.S. Holder that is a corporation may also, under certain circumstances, be subject to an additional branch profits tax at a 30 percent rate or such lower rate as may be applicable under an income tax treaty. A Non-U.S. Holder of common stock who wishes to claim the benefit of an applicable treaty rate must provide a properly executed IRS Form W-8BEN (or appropriate substitute form), as applicable. In addition, a Non-U.S. Holder may under certain circumstances be required to obtain a United States taxpayer identification number and make certain certifications to us. Special procedures

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are provided for payments through qualified intermediaries. A Non-U.S. Holder of common stock that is eligible for a reduced rate of United States withholding tax pursuant to an income treaty may obtain a refund of amounts withheld at a higher rate by filing an appropriate claim for a refund with the IRS. A Non-U.S. Holder should consult its tax advisor regarding its entitlement to benefits under a relevant income tax treaty.

Sale, Exchange, Redemption or Other Disposition of Common Stock

Except as described below and subject to the discussion concerning backup withholding, any gain realized by a Non-U.S. Holder on the sale, exchange (other than by exercise of the conversion privilege for our common stock), retirement or redemption of common stock generally will not be subject to United States federal income tax, unless (i) such gain is U.S. trade or business income, (ii) subject to certain exceptions, the Non-U.S. Holder is an individual who holds the common stock as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition, (iii) the Non-U.S. Holder is subject to tax pursuant to the provisions of United States tax law applicable to certain United States expatriates (including certain former citizens or residents of the United States), or (iv) we are a United States real property holding corporation within the meaning of Section 897 of the Code. We do not believe that we are currently a United States real property holding corporation within the meaning of Section 897 of the Code, or that we will become one in the future.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the notes, our common stock and the proceeds from a sale or other disposition of the notes or our common stock.

A U.S. Holder may be subject to United States backup withholding tax on those payments if it fails to provide its taxpayer identification number to the paying agent and comply with certification procedures or otherwise establish an exemption from backup withholding. A Non-U.S. Holder may be subject to United States backup withholding tax on these payments unless the Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person. The certification procedures required of Non-U.S. holders to claim the exemption from withholding tax on certain payments on the notes, described above, will satisfy the certification requirements necessary to avoid the backup withholding tax as well. The amount of any backup withholding from a payment will be allowed as a credit against the holder s United States federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, the investor should consult its own tax advisor as to particular tax consequences to it of purchasing, holding and disposing of the notes and the common stock issuable upon conversion of the notes, including the applicability and effect of any state, local or foreign tax laws, and of any proposed changes in applicable laws.

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PLAN OF DISTRIBUTION

Rodman & Renshaw, LLC, which we refer to as the placement agent, has entered into a placement agent agreement with us pursuant to which Rodman & Renshaw, LLC has agreed to act as our exclusive placement agent in connection with this offering. Among other things, the placement agent will assist us in identifying and evaluating prospective qualified investors and approach qualified investors regarding the offering. The placement agent intends to market the securities on a best efforts agency basis primarily to accredited institutional investors. The placement agent will have no obligation to buy any of the securities from us, nor will the placement agent be required to arrange the purchase or sale of any specific number or dollar amount of the securities. We will enter into subscription agreements directly with investors in connection with this offering. There may be one or more closings of this offering.

The placement agency agreement provides that the obligations of the placement agent are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our officers, our counsel, and our independent auditors. On the closing date (or each closing date, if there is more than one closing), we will issue the securities to the investors and we will receive funds in the amount of the aggregate purchase price.

On each closing date, the following will occur:

- we will receive funds in the amount of the aggregate purchase price of the securities being sold by us on such closing date, less the amount of the fees we are paying to the placement agent;
- we will cause to be delivered the convertible debt securities being sold on such closing date in book-entry form and issue the warrants to the investors; and
- we will pay the placement agent its fees and issue the placement agent its warrants in accordance with the terms of the placement agency agreement.

We have agreed to pay the placement agent a cash fee equal to 6% of the gross proceeds of the offering of securities by us. We have also agreed to issue the placement agent warrants to purchase shares of our common stock at an exercise price of $[___] per share equal to 6% of the number of shares of common stock issued (or issuable upon conversion of the 2009 Notes) by us in this offering (not including any shares issued upon any future exercise of warrants). We expect the warrants issued to the placement agent will be in substantially the same form as the warrants issued to the investors in the offering as permitted by the Financial Industry Regulatory Authority except that these warrants will not be transferable for a period of six months from the closing except in the limited circumstances permitted by FINRA Rule 5110(g)(1).

The following table shows the per-security and total placement agent fee to be paid by us to the placement agent. These amounts are shown assuming all of the securities offered pursuant to this prospectus are issued and sold by us.

	Placement Agent Fee Per Share	Total
Rodman & Renshaw, LLC	$ [__]	$[__]

We are offering pursuant to this prospectus convertible debt securities in an aggregate principal amount up to $[___] million and warrants to purchase [___] shares of common stock, but there can be no assurance that the offering will be fully subscribed. Accordingly, we may sell substantially less than $[___] million in convertible debt securities and warrants to purchase [___] shares of common stock, in which case our net proceeds would be substantially reduced and the total placement agent s fees may be substantially less than the maximum total set forth above.

We have also agreed to reimburse the placement agent for documented costs and expenses incident to the performance of our obligations in connection with this offering in the amount of 1% of gross offering proceeds, up to a maximum of $25,000.

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We estimate that the total expenses of the offering by us, excluding the placement agent s fees, will be approximately $[___].

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act of 1933 relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Rodman & Renshaw, LLC for a period of 90 days after the date of this prospectus, except issuances or the obligation to file a registration statement pursuant to existing contractual rights or obligations or issuances pursuant to the exercise of employee stock options or warrants outstanding on the date hereof or pursuant to conversion of our convertible notes outstanding on the date hereof.

We have agreed to indemnify the placement agent and any sub-agents or selected dealers against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and liabilities arising from the placement agent s engagement as the placement agent in connection with this offering. We have also agreed to contribute to payments the placement agent may be required to make in respect of such liabilities.

The placement agency agreement with the placement agent will be filed as an exhibit to an amendment to the registration statement of which this prospectus is a part or as an exhibit to a Current Report on Form 8-K, each of which will be filed with the SEC in connection with the consummation of this offering.

The placement agent has informed us that it will not engage in over-allotment, stabilizing transactions or syndicate covering transactions in connection with this offering, but the placement agent may enter into one or more sub-placement agreements with securities dealers to assist with the distribution of securities in the offering. Notwithstanding anything to the contrary contained herein, we shall not be responsible for paying any fees or compensation to any persons pursuant to such arrangements.

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LEGAL MATTERS

The validity of the shares offered herein will be opined on for us by Morgan, Lewis & Bockius, LLP, which has acted as our outside legal counsel in relation to certain restricted tasks.

EXPERTS

The consolidated financial statements as of and for the year ended December 31, 2008, included in this prospectus have been audited by Amper Politziner & Mattia, LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement (which report expresses an unqualified opinion on the consolidated financial statements and includes an explanatory paragraph relating to Genta Incorporated s ability to continue to as a going concern). Such consolidated financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements as of December 31, 2007, and for each of the two years in the period ended December 31, 2007, included in this Prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the Registration Statement (which report expresses an unqualified opinion on the consolidated financial statements and includes explanatory paragraphs relating to Genta Incorporated s ability to continue to as a going concern and the adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109, effective January 1, 2007)*. Such consolidated financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

HOW TO GET MORE INFORMATION

We have filed with the SEC a Registration Statement on Form S-1 under the Securities Act with respect to the securities offered by this prospectus. This prospectus, which forms a part of the Registration Statement, does not contain all the information set forth in the Registration Statement, as permitted by the rules and regulations of the SEC. For further information with respect to us and the securities offered by this prospectus, reference is made to the Registration Statement. Statements contained in this prospectus as to the contents of any contract or other document that we have filed as an exhibit to the Registration Statement are qualified in their entirety by reference to the exhibits for a complete statement of their terms and conditions. The Registration Statement and other information may be read and copied at the SEC s Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

We will also send you copies of the material we file with the SEC, free of charge, upon your request. Please call or write our Investor Relations department at:

Genta Incorporated
Attention: Investor Relations
200 Connell Drive
Berkeley Heights, NJ 07922
(908) 286-9800

We make available free of charge on our internet website (http://www.genta.com) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the Registration Statement of which it forms a part.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Genta Incorporated:

We have audited the accompanying consolidated balance sheet of Genta Incorporated and Subsidiaries (the Company) as of December 31 2008, and the related consolidated statement of operations, stockholders (deficit) equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Genta Incorporated and Subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the year then ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company s recurring losses from operations and negative cash flows from operations raise substantial doubt about its ability to continue as a going concern. Management s plans considering these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Amper, Politziner & Mattia, LLP

Edison, New Jersey

February 12, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Genta Incorporated:

We have audited the accompanying consolidated balance sheet of Genta Incorporated and subsidiaries (the Company) as of December 31, 2007, and the related consolidated statements of operations, stockholders (deficit) equity, and cash flows for each of the two years in the period ended December 31, 2007. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Genta Incorporated and subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company s recurring losses from operations and negative cash flows from operations raise substantial doubt about its ability to continue as a going concern. Management s plans concerning these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, effective January 1, 2007.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

March 17, 2008

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GENTA INCORPORATED
CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,908	$ 5,814
Marketable securities (Note 3)		1,999
Accounts receivable net of allowances of $12 at December 31, 2008 and $38 at December 31, 2007	2	31
Inventory (Note 4)	121	225
Prepaid expenses and other current assets (Note 6)	973	19,170
Total current assets	6,004	27,239
Property and equipment, net (Note 7)	300	323
Deferred financing costs on convertible note financing (Note 11)	911	
Deferred financing costs warrant (Note 11)	5,478	
Other assets (Note 5)		1,731
Total assets	$ 12,693	$ 29,293
LIABILITIES AND STOCKHOLDERS (DEFICIT)/EQUITY		
Current liabilities:		
Accounts payable and accrued expenses (Note 6 and Note 9)	$ 11,224	$ 25,850
Notes payable (Note 10)		512
Total current liabilities	11,224	26,362
Long-term liabilities:		
Office lease settlement obligation (Note 5)	1,979	
Convertible notes due June 9, 2010, $15,540 outstanding, net of debt discount of ($11,186) (Note 11)	4,354	
Total long-term liabilities	6,333	
Commitments and contingencies (Note 18)		
Stockholders (deficit)/equity (Note 13):		
Preferred stock, 5,000 shares authorized:		
Series A convertible preferred stock, $.001 par value; 8 shares issued and outstanding, liquidation value of $385 at December 31, 2008 and December 31, 2007, respectively		
Series G participating cumulative preferred stock, $.001 par value; 0 shares issued and outstanding at December 31, 2008 and December 31, 2007,		

respectively		
Common stock, $.001 par value; 6,000,000 and 250,000 shares authorized 486,724 and 30,621 shares issued and outstanding at December 31, 2008 and December 31, 2007, respectively	487	31
Additional paid-in capital	938,775	441,159
Accumulated deficit	(944,126)	(438,288)
Accumulated other comprehensive income		29
Total stockholders (deficit)/equity	(4,864)	2,931
Total liabilities and stockholders (deficit)/equity	$ 12,693	$ 29,293

See accompanying notes to consolidated financial statements.

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GENTA INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Years Ended December 31, 2008	2007	2006
Product sales net	$ 363	$ 580	$ 708
Cost of goods sold	102	90	108
Gross margin	261	490	600
Operating expenses:			
Research and development	19,991	13,491	28,064
Selling, general and administrative	10,452	16,865	25,152
Settlement of office lease obligation (Note 5)	3,307		
Provision for settlement of litigation (Note 6 and Note 18)	(340)	(4,240)	5,280
Write-off of prepaid royalty (Note 8)			1,268
Total operating expenses	33,410	26,116	59,764
Other (expense)/income, net:			
Gain on maturity of marketable securities	31	159	310
Interest income and other income, net	252	837	1,216
Interest expense	(1,718)	(160)	(72)
Amortization of deferred financing costs and debt discount (Note 11)	(11,229)		
Fair value conversion feature liability (Note 11)	(460,000)		
Fair value warrant liability (Note 11)	(2,000)		
Total other (expense)/income, net	(474,664)	836	1,454
Loss before income taxes	(507,813)	(24,790)	(57,710)
Income tax benefit (Note 12)	1,975	1,470	929
Net loss	$ (505,838)	$ (23,320)	$ (56,781)
Net loss per basic and diluted common share	$ (9.10)	$ (0.79)	$ (2.52)
Shares used in computing net loss per basic and diluted common share	55,576	29,621	22,553

See accompanying notes to consolidated financial statements.

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GENTA INCORPORATED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS (DEFICIT)/EQUITY
For the Years Ended December 31, 2008, 2007 and 2006

(In thousands)	Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders (Deficit)/Equity
Balance at January 1, 2006	10	$	19,092	$ 19	$ 373,805	$ (358,187)	$ 60	$ 15,697
Net loss						(56,781)		(56,781)
Net change in value of marketable securities							(29)	(29)
Issuance of common stock, net of issuance costs of $3,125			3,167	3	37,722			37,725
Issuance of common stock in connection with conversion of Series A preferred stock	(2)		3					
Issuance of common stock, net of issuance costs of $925			3,333	4	14,871			14,875
Issuance of common stock in connection with exercise of stock options			26		156			156
Stock-based compensation expense					2,999			2,999
	8	$	25,621	$ 26	$ 429,553	$ (414,968)	$ 31	$ 14,642

Balance at December 31, 2006								
Net loss					(23,320)			(23,320)
Net change in value of marketable securities						(2)		(2)
Issuance of common stock, net of issuance costs of $562		5,000	5	10,233				10,238
Stock-based compensation expense				1,373				1,373
Balance at December 31, 2007	8	$ 30,621	$ 31	$ 441,159	$ (438,288)	$ 29	$	2,931
Net loss					(505,838)			(505,838)
Net change in value of marketable securities						(29)		(29)
Issuance of common stock, net of issuance costs of $183		6,120	6	2,870				2,876
Issuance of common stock as interest payment on Senior Convertible Promissory Note		4,000	4	643				647
Issuance of common stock on voluntary conversions of Senior Convertible Promissory Note		445,963	446	4,014				4,460
Transfer of warrant liability to				9,600				9,600

paid-in-capital									
Transfer conversion feature liability to paid-in-capital					480,000				480,000
Vesting of restricted stock			20						
Stock-based compensation expense					489				489
Balance at December 31, 2008	8	$	486,724	$ 487	$ 938,775	$ (944,126)	$	$	(4,864)

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GENTA INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31, 2008	2007	2006
Operating activities:			
Net loss	$ (505,838)	$ (23,320)	$ (56,781)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	154	170	942
Loss on disposition of equipment	10		
Amortization of deferred financing costs and debt discount (Note 11)	11,229		
Share-based compensation (Note 14)	489	1,373	2,999
Provision for sales returns	79	(133)	(300)
Gain on maturity of marketable securities	(31)	(159)	(310)
Interest payment settled in shares of common stock (Note 19)	647		
Provision for settlement of litigation, net (Note 6)	(340)	(4,240)	5,280
Write-off of prepaid royalty (Note 8)			1,268
Change in fair value conversion feature liability (Note 11)	460,000		
Change in fair value warrant liability (Note 11)	2,000		
Changes in operating assets and liabilities:			
Accounts receivable	29	(14)	42
Inventory	104	83	88
Prepaid expenses and other current assets	198	627	(142)
Accounts payable and accrued expenses	5,615	(6,071)	2,264
Other assets		(42)	(40)
Net cash used in operating activities	(25,655)	(31,726)	(44,690)
Investing activities:			
Purchase of marketable securities		(13,900)	(56,784)
Maturities of marketable securities	2,000	32,000	49,091
Release of restricted cash deposits (Note 5)	1,731		
Purchase of property and equipment	(141)	(222)	(136)
Net cash provided by (used in) investing activities	3,590	17,878	(7,829)
Financing activities:			
Net proceeds from sale of common stock, net (Note 13)	2,876	10,238	52,691
Issuance of note payable (Note 10)		1,155	1,174
Repayments of note payable (Note 10)	(512)	(1,285)	(1,261)
Issuance of convertible notes net of financing cost of $1,205 (Note 11)	18,795		
Issuance of common stock upon exercise of stock options (Note 15)			155
Net cash provided by financing activities	21,159	10,108	52,759
Increase (decrease) in cash and cash equivalents	(906)	(3,740)	240
Cash and cash equivalents at beginning of year	5,814	9,554	9,314

Cash and cash equivalents at end of year	$ 4,908	$ 5,814	$ 9,554

See accompanying notes to consolidated financial statements.

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GENTA INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2008, 2007 and 2006

1. Organization and Business

Genta Incorporated (Genta or the Company) is a biopharmaceutical company engaged in pharmaceutical (drug) research and development, its sole reportable segment. The Company is dedicated to the identification, development and commercialization of novel drugs for the treatment of cancer and related diseases.

The Company has had recurring annual operating losses since its inception. Management expects that such losses will continue at least until its lead product, Genasense® (oblimersen sodium) Injection, receives approval for and begins commercial sale in one or more indications. Achievement of profitability for the Company is currently dependent on the timing of Genasense® regulatory approval. Any adverse events with respect to approvals by the U.S. Food and Drug Administration ("FDA) and/or European Medicines Agency ("EMEA) could negatively impact the Company s ability to obtain additional funding or identify potential partners.

The Company has prepared its financial statements under the assumption that it is a going concern. The Company s recurring losses and negative cash flows from operation raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company had $4.9 million of cash and cash equivalents on hand at December 31, 2008. Net cash used in operating activities during 2008 was $25.7 million, which represents an average monthly outflow of $2.1 million.

On June 5, 2008, the Company entered into a securities purchase agreement with certain institutional and accredited investors to place up to $40 million of senior secured convertible notes with such investors. On June 9, 2008, the Company placed $20 million of such notes in the initial closing.

The 2-year notes bear interest at an annual rate of 15% payable at quarterly intervals in stock or cash at the Company s option, and are convertible into shares of Genta common stock at a conversion rate of 100,000 shares of common stock for every $1,000 of principal. Holders of the notes have the right, but not the obligation, for the 12 months following the initial closing date to purchase in whole or in part up to an additional $20 million of the notes. The Company shall have the right to force conversion of the notes in whole or in part if the closing bid price of the Company s common stock exceeds $0.50 for a period of 20 consecutive trading days. Certain members of senior management of Genta participated in this offering. The notes are secured by a first lien on all assets of Genta.

The notes included certain events of default, including a requirement that the Company obtain stockholder approval within a specified period of time to amend its certificate of incorporation to authorize additional shares of common stock. On October 6, 2008, at the Annual Meeting of Stockholders, the Company s stockholders approved an amendment to Genta s Restated Certificate of Incorporation, as amended, to increase the total number of authorized shares of capital stock available for issuance from 255,000,000, consisting of 250,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, to 6,005,000,000, consisting of 6,000,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock.

The Company will require additional cash in order to maximize its commercial opportunities and continue its clinical development opportunities. The Company has had discussions with other companies regarding partnerships for the further development and global commercialization of Genasense®. Additional alternatives available to the Company to subsequently sustain its operations include financing arrangements with potential corporate partners, debt financing, asset-based loans, royalty-based financings, equity financing and other sources. However, there can be no assurance that any such collaborative agreements or other sources of funding will be available on favorable terms, if at all. Presently, with no further financing, management projects that the Company will run out of funds in the first quarter of 2009. The Company currently does not have any additional financing in place. There can be no assurance that the Company can obtain financing, if at all, on terms acceptable to it.

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If the Company is unable to raise additional funds, it will need to do one or more of the following:

delay, scale back or eliminate some or all of the Company s research and product development programs and sales and marketing activity;

license third parties to develop and commercialize products or technologies that the Company would otherwise seek to develop and commercialize themselves;

attempt to sell the Company;

cease operations; or

declare bankruptcy.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented on the basis of accounting principles generally accepted in the United States of America. Such financial statements include the accounts of the Company and all majority-owned subsidiaries.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect reported earnings, financial position and various disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid instruments with maturities of three months or less from the date acquired and are stated at cost that approximates their fair market value. At December 31, 2008, the amounts on deposit that exceeded the $250,000 federally insured limit was $3.9 million.

Revenue Recognition

The Company recognizes revenue from product sales when title to product and associated risk of loss has passed to the customer and the Company is reasonably assured of collecting payment for the sale. All revenue from product sales are recorded net of applicable allowances for returns, rebates and other applicable discounts and allowances. The Company allows return of its product for up to twelve months after product expiration.

Research and Development

Research and development costs are expensed as incurred, including raw material costs required to manufacture products for clinical trials.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws. Management records valuation allowances against net deferred tax assets, if based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and when temporary differences become deductible. The Company considers, among other available information, uncertainties surrounding the recoverability of deferred tax assets, scheduled reversals of deferred tax liabilities, projected future taxable income and other matters in making this assessment. The Company reviewed its deferred tax assets and at both December 31, 2008 and December 31, 2007, recorded a valuation allowance to reduce these assets to zero to reflect that, more likely than not, they will not be realized. Utilization of the Company s net operating loss (NOL) and research and development (R&D) credit carryforwards may be subject

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to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the Code), as well as similar state provisions. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders or public groups.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. The Company adopted the provisions of FIN 48 as of January 1, 2007 and has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions.

The State of New Jersey has taken the position that amounts reimbursed to Genta by Aventis Pharmaceutical Inc. for co-development expenditures during an audit period of 2000 through 2004 were subject to Alternative Minimum Assessment (AMA), resulting in a liability at December 31, 2008 of $841,000, (see Note 13 to the Company s Consolidated Financial Statements). The Company believes the State s position is unjustified and is pursuing this matter before the New Jersey Tax Court. Other than this matter, the Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. In addition, the Company did not record a cumulative effect adjustment related to the adoption of FIN 48. If such adjustment was recorded, it would have been fully offset by a change in a valuation allowance.

The Company s policy for recording interest and penalties associated with audits is that penalties and interest expense are recorded in interest expense in the Company s Consolidated Statements of Operations.

Stock Options

The Company s share-based payments including grants of employee stock options are recognized in the Consolidated Statement of Operations based on their fair values. The amount of compensation cost is measured based on the grant-date fair value of the equity instrument issued. The Company utilizes a Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. See Note 15 to our Consolidated Financial Statements for a further discussion on share-based compensation.

Deferred Financing Costs and Other Debt-Related Costs

Deferred financing costs are amortized over the term of its associated debt instrument. The Company evaluates the terms of the debt instruments to determine if any embedded derivatives or beneficial conversion features exist. The Company allocates the aggregate proceeds of the notes payable between the warrants and the notes based on their relative fair values in accordance with Accounting Principle Board No. 14 (APB 14), Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. The fair value of the warrant issued to the placement agent is calculated utilizing the Black-Scholes option-pricing model. The Company is amortizing the resultant discount or other features over the term of the notes through its earliest maturity date using the effective interest method. Under this method, the interest expense recognized each period will increase significantly as the instrument approaches its maturity date. If the maturity of the debt is accelerated because of defaults or conversions, then the amortization is accelerated.

Net Loss Per Common Share

Net loss per common share for the year ended December 31, 2008, 2007 and 2006, respectively, are based on the weighted average number of shares of common stock outstanding during the periods. Basic and diluted loss per share are identical for all periods presented as potentially dilutive securities have been excluded from the calculation of the diluted net loss per common share because the inclusion of such securities would be antidilutive. The potentially dilutive securities include 1.6 billion, 2.3 million and 2.1 million shares in 2008, 2007 and 2006,

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respectively, reserved for the conversion of convertible notes, convertible preferred stock and the exercise of outstanding options and warrants.

Recent Accounting Pronouncements

In June 2008 the FASB issued EITF 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock . EITF 07-5 provides guidance in assessing whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock for purposes of determining whether the appropriate accounting treatment falls under the scope of SFAS 133, Accounting For Derivative Instruments and Hedging Activities and/or EITF 00-19, Accounting For Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock . EITF 07-05 is effective as of the beginning of our 2009 fiscal year. The Company does not expect the adoption of EITF 07-05 to have a material impact on its consolidated financial position or results of operations.

In May 2008, the FASB issued FASB Staff Position (FSP) APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). FSP APB14-1 will require us to account separately for the liability and equity components of our convertible debt. The debt would be recognized at the present value of its cash flows discounted using our nonconvertible debt borrowing rate at the time of issuance. The equity component would be recognized as the difference between the proceeds from the issuance of the note and the fair value of the liability. The FSP also requires accretion of the resultant debt discount over the expected life of the debt. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. Entities are required to apply the FSP retrospectively for all periods presented. We are currently evaluating FSP APB 14-1 and have not yet determined the impact its adoption will have on our consolidated financial statements. However, the impact of this new accounting treatment may be significant and may result in a significant increase to non-cash interest expense beginning in fiscal year 2009 for financial statements covering past and future periods.

In May 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* . The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are prepared in conformance with generally accepted accounting principles. The statement is effective 60 days following the Securities and Exchange Commission s (SEC) approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with GAAP* , and is not expected to have any impact on the Company s financial statements.

In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities*, *an amendment of FASB SFAS 133* (SFAS 161), which requires enhanced disclosures for derivative and hedging activities. SFAS 161 will become effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The implementation of this standard did not have a material effect on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS 141(R), *Business Combinations* (SFAS 141(R)), which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after an entity s fiscal year that begins after December 15, 2008. The standard will have an impact on our financial statements when an acquisition occurs.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160

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clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The implementation of this standard did not have a material effect on the Company s consolidated financial statements.

In December 2007, the SEC issued Staff Accounting Bulletin 110 (SAB 110), which permits entities, under certain circumstances, to continue to use the simplified method of estimating the expected term of plain options as discussed in SAB No. 107 and in accordance with SFAS 123R. The guidance in this release was effective January 1, 2008. The implementation of this standard did not have a material effect on the Company s consolidated financial statements.

In December 2007, the FASB issued EITF Issue No. 07-1, *Accounting for Collaborative Arrangements*, which is effective for calendar year companies on January 1, 2009. The Task Force clarified the manner in which costs, revenues and sharing payments made to, or received by, a partner in a collaborative arrangement should be presented in the income statement and set forth certain disclosures that should be required in the partners financial statements. The implementation of this standard did not have a material effect on the Company s consolidated financial statements.

In June 2007, the FASB issued EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities*, which was effective for calendar year companies on January 1, 2008. The Task Force concluded that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the services are performed, or when the goods or services are no longer expected to be provided. The implementation of this standard did not have a material effect on the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS 159 applied to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that also elected to apply the provisions of SFAS 157, *Fair Value Measurements* . The implementation of this standard did not have a material effect on the Company s consolidated financial statements.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* . SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. The Company was required to adopt SFAS 157 beginning January 1, 2008. In February 2008, the FASB released FASB Staff Position (FSP FAS 157-2 Effective Date of FASB Statement No. 157), which delayed the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157 for the Company s financial assets and liabilities did not have a material impact on its consolidated financial statements. The Company does not expect that adoption of SFAS No. 157 for the Company s non-financial assets and liabilities, effective January 1, 2009, will have a material impact on its financial statements.

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3. Marketable Securities

The carrying amounts of the Company s marketable securities, which are primarily securities of government-backed agencies, approximate fair value due to the short-term nature of these instruments. The fair value of available-for-sale marketable securities was as follows ($ thousands):

	December 31, 2007
Cost	$ 1,970
Gross unrealized gains	29
Gross unrealized losses	
Fair value	$ 1,999

The fair value of each marketable security was compared to its cost and therefore, unrealized gains of approximately $29,000 were recognized in accumulated other comprehensive income in the Company s Consolidated Balance Sheets at December 31, 2007.

4. Inventory

Inventories are stated at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) method. Inventories consisted of the following ($ thousands):

	December 31, 2008	2007
Raw materials	$ 24	$ 24
Work in process		
Finished goods	97	201
	$ 121	$ 225

The Company has substantial quantities of Genasense® drug supply which are recorded at zero cost. Such inventory would be available for the commercial launch of this product, should Genasense® be approved.

5. Settlement of Office Lease Obligation and Operating Leases

In May 2008, the Company entered into an amendment of its Lease Agreement with The Connell Company (Connell), whereby the lease for one floor of office space in Berkeley Heights, New Jersey was terminated. Connell received a termination payment of $1.3 million, comprised solely of the Company s security deposits and the Company agreed to a future payment from the Company of $2.0 million upon the earlier of July 1, 2009 or the receipt of at least $5.0 million in upfront cash from a business development deal. In January 2009, the Company entered into an amendment of its agreement with Connell whereby the Company s future payment of $2.0 million is now payable on January 1, 2011. The Company will pay 6.0% interest in arrears to Connell from July 1, 2009 through the new payment date.

At December 31, 2007, the Company had maintained $1.7 million in restricted cash balances with financial institutions related to lease obligations on its corporate facilities. These amounts were included in other assets in the Company s Consolidated Balance Sheets.

Future minimum obligations under operating leases at December 31, 2008 are as follows ($ thousands):

2009	$ 706
2010	146
2011	2,007

2012	
2013	
Thereafter	
	$ 2,859

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Annual rent expense incurred by the Company in 2008, 2007 and 2006 was $4.8 million, $2.6 million and $2.5 million, respectively. The annual rent expense in 2008 of $4.8 million includes the termination agreement with Connell for $3.3 million.

6. Provision for Settlement of Litigation, net

The Company reached an agreement to settle a class action litigation in consideration for issuance of 2.0 million shares of common stock of the Company (adjusted for any subsequent event that results in a change in the number of shares outstanding as of January 31, 2007) and $18.0 million in cash for the benefit of plaintiffs and the stockholder class, (see Note 19 to the Consolidated Financial Statements). A Court order approving the settlement was issued on May 27, 2008 and the settlement became final on June 27, 2008. The Company also entered into release and settlement agreements with its insurance carriers, pursuant to which insurance will cover the settlement fee and various costs incurred in connection with the action. Under FASB Statement No. 5, *Accounting for Contingencies* and FASB Interpretation No. 14, *Reasonable Estimation of the Amount of a Loss, an interpretation of FASB Statement No. 5,* the Company recorded an expense of $5.3 million, comprised of 2.0 million shares of the Company s common stock valued at a market price of $2.64 on December 31, 2006. At December 31, 2007, the revised estimated value of the common shares portion of the litigation settlement was $1.0 million, based on a closing price of Genta s common stock of $0.52 per share, resulting in a reduction in the provision of $4.2 million recognized in the year ended December 31, 2007. At June 27, 2008, the date that the settlement became final, the revised value of the common stock portion of the litigation settlement was $0.7 million, based on a closing price of Genta s common stock of $0.35 per share, resulting in a reduction in the provision of $0.3 million for the year ended December 31, 2008. The liability for the settlement of litigation, originally recorded at $23.2 million at December 31, 2006, was measured at $19.0 million at December 31, 2007 and $0.7 million at December 31, 2008 and is included in accounts payable and accrued expenses in the Company s Consolidated Balance Sheets. An insurance receivable of $18.0 million was included in prepaid expenses and other current assets in the Company s Consolidated Balance Sheets at December 31, 2007. As a result of the Court approving the settlement on May 27, 2008 and it being deemed final on June 27, 2008, the Company no longer had any interest in the insurance proceeds held in escrow or the associated liability.

7. Property and Equipment, Net

Property and equipment is comprised of the following ($ thousands):

	Estimated Useful Lives	December 31, 2008	December 31, 2007
Computer equipment	3	$ 2,298	$ 2,855
Software	3	3,206	3,211
Furniture and fixtures	5	899	936
Leasehold improvements	Life of lease	463	420
Equipment	5	182	182
		7,048	7,604
Less accumulated depreciation and amortization		(6,748)	(7,281)
		$ 300	$ 323

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8. Write-off of Prepaid Royalty

In December 2000, the Company recorded $1.3 million as the fair value for its commitment to issue shares of common stock to a major university as consideration for an amendment to a license agreement initially executed in August 1991 related to antisense technology licensed from the university. The amendment provided for a reduction in the royalty percentage rate to be paid to the university based on the volume of sales of the Company s products containing the antisense technology licensed from such university. These shares were issued in 2001. The Company planned to amortize the prepaid royalties upon the commercialization of Genasense®. In December 2006, the Company received a non-approvable notice from the FDA for its NDA for the use of Genasense® plus chemotherapy in patients with CLL. As a result, in December 2006, the Company accounted for the impairment of these prepaid royalties by recording a write-off of this asset.

9. Workforce reduction

In December 2006, due to FDA s non-approval of the Company s NDA for CLL, the Company initiated a series of steps that are designed to conserve cash in order to focus on its oncology development operations. The Company reduced its workforce by 34 positions, or approximately 35%, including the elimination of 18 positions classified as research and development, 9 in sales and marketing and 7 in administration. Severance costs of $0.7 million were recognized in operating expenses in December 2006, including $0.3 million in research and development expenses and $0.4 million in selling, general and administrative expenses in the Company s Consolidated Statements of Operations. Payment of the severance began in January 2007 and was completed by June 30, 2007.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses is comprised of the following ($ thousands):

	December 31,	
	2008	**2007**
Accounts payable	$ 4,654	$ 2,519
Accrued compensation	574	488
Reserve for settlement of litigation obligation	700	19,040
License obligations to Daiichi Sankyo	2,125	
State of New Jersey (AMA) tax liability	841	776
Other accrued expenses	2,330	3,027
	$ 11,224	$ 25,850

The carrying amount of accounts payable approximates fair value due to the short-term nature of these instruments.

11. Notes Payable

During 2007, the Company issued notes payable to finance premiums for its corporate insurance policies of $1.1 million. Payments were scheduled for seven or ten equal monthly installments for the notes initiated in 2007. The notes payable balance at December 31, 2007 was $0.5 million. The carrying amount of notes payable approximates fair value due to the short-term nature of these instruments.

12. Convertible Notes and Warrant

On June 5, 2008, the Company entered into a securities purchase agreement with certain institutional and accredited investors to place up to $40.0 million of senior secured convertible notes with such investors. On June 9, 2008, the Company placed $20.0 million of such notes in the initial closing. The notes are due June 9, 2010 and bear interest at an annual rate of 15% payable at quarterly intervals in stock or cash at the Company s option, and are convertible into shares of Genta common stock at a conversion rate of 100,000 shares of common stock for every

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$1,000 of principal. At the time the notes were issued, the Company recorded a debt discount (beneficial conversion) relating to the conversion feature in the amount of $20.0 million. The aggregate intrinsic value of the difference between the market price of the Company s share of stock on June 9, 2008 and the conversion price of the notes was in excess of the face value of the $20.0 million notes, and thus, a full debt discount was recorded in an amount equal to the face value of the debt. The Company is amortizing the resultant debt discount over the term of the notes through its maturity date using the effective interest method. In addition, the notes prohibit the Company from consummating any additional financing transaction without the approval of holders of more than two-thirds of the principal amount of the notes. The Company is in compliance with all debt-related covenants at December 31, 2008.

Through December 31, 2008, holders of the convertible notes have voluntarily converted approximately $4.5 million, resulting in an issuance of 446.0 million shares of common stock.

The notes included certain events of default, including a requirement that the Company obtain stockholder approval within a specified period of time to amend its certificate of incorporation to authorize additional shares of common stock.

Upon the occurrence of an event of default, holders of the notes have the right to require the Company to prepay all or a portion of their notes as calculated as the greater of (a) 150% of the aggregate principal amount of the note plus accrued interest or (b) the aggregate principal amount of the note plus accrued interest divided by the conversion price; multiplied by a weighted average price of the Company s common stock. Pursuant to a general security agreement, entered into concurrently with the notes (the Security Agreement), the notes are secured by a first lien on all assets of the Company, subject to certain exceptions set forth in the Security Agreement.

In addition, in connection with the placement of the senior secured convertible notes, the Company issued a warrant to its private placement agent to purchase 40,000,000 shares of common stock at an exercise price of $0.02 per share. The warrant was valued at $7.6 million, using a Black-Scholes valuation model. In addition, the Company incurred a financing fee of $1.2 million. The deferred financing costs, including the financing fee and the initial value of the warrant, are being amortized over the two-year term of the convertible notes. At December 31, 2008, the unamortized balances of the financing fee and the warrant are $0.9 million and $5.5 million, respectively.

The Company concluded that it should initially account for conversion options embedded in convertible notes in accordance with SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) and EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock* (EITF 00-19). SFAS 133 generally requires companies to bifurcate conversion options embedded in convertible notes from their host instruments and to account for them as free standing derivative financial instruments in accordance with EITF 00-19. EITF 00-19 states that if the conversion option requires net cash settlement in the event of circumstances that are not solely within the Company s control, that the notes should be classified as a liability measured at fair value on the balance sheet. In this case, if the Company was not successful in obtaining approval of its stockholders to increase the number of authorized shares to accommodate the potential number of shares that the notes convert into, the Company would have been required to cash settle the conversion option.

Upon the issuance date, there were an insufficient number of authorized shares of common stock in order to permit conversion of all of the issued convertible notes. In accordance with EITF 00-19, when there are insufficient authorized shares to allow for settlement of convertible financial instruments, the conversion obligation for the notes should be classified as a liability and measured at fair value on the balance sheet. Accordingly, at June 9, 2008, in connection with the $20.0 million initial closing, the convertible features of the notes were recorded as derivative liabilities of $380.0 million. At the recording of the initial closing, the fair value of the conversion feature, $380.0 million, exceeded the proceeds of $20.0 million. The difference of $360.0 million was charged to expense as the change in the fair market value of conversion liability. Accordingly, the Company recorded an initial discount of $20.0 million equal to the face value of the notes, which is being amortized over the two-year term of the notes.

On October 6, 2008, at the Annual Meeting of Stockholders, the Company s stockholders approved an amendment to Genta s Restated Certificate of Incorporation, as amended, to increase the total number of authorized shares of capital stock available for issuance from 255,000,000, consisting of 250,000,000 shares of Common Stock

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and 5,000,000 shares of Preferred Stock, to 6,005,000,000, consisting of 6,000,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. The notes were re-measured and credited to permanent equity, resulting in total expense for the year ended December 31, 2008 of $460.0 million.

The conversion option was valued at June 9, 2008 and October 6, 2008 using the Black-Scholes valuation model with the following assumptions:

	October 6, 2008	June 9, 2008
Price of Genta common stock	$ 0.25	$ 0.20
Volatility	137.4%	125.6%
Risk-free interest rate	1.36%	2.73%
Remaining contractual lives	1.68	2.00

The Company also classified the warrant obligation as a liability to be measured at fair value on the balance sheet, in accordance with EITF 00-19. Accordingly, at June 9, 2008, the Company recorded the warrant liability at a fair value of $7.6 million based upon the Black-Scholes valuation model. On October 6, 2008, we re-measured the warrant liability and credited it to permanent equity, resulting in total expense for the year ended December 31, 2008 of $2.0 million.

	October 6, 2008	June 9, 2008
Price of Genta common stock	$ 0.25	$ 0.20
Volatility	128.6%	115.0%
Risk-free interest rate	2.32%	3.41%
Remaining contractual lives	4.68	5.00

13. Income Taxes

Significant components of the Company s deferred tax assets as of December 31, 2008 and 2007 and related valuation reserves are presented below ($ thousands):

	December 31,	
	2008	**2007**
Deferred tax assets:		
Deferred compensation	$ 772	$ 772
Net operating loss carryforwards	135,990	130,111
Research and development credit and Orphan Drug credit carryforwards	51,288	41,484
Purchased technology and license fees	0	4,850
Depreciation and amortization, net	193	261
Share-based compensation expense	911	892
Provision for settlement of litigation, net	308	458
Write-off of prepaid royalties	558	558
New Jersey Alternative Minimum Assessment (AMA) Tax	730	730
New Jersey research and development credits	4,979	5,612
Provision for excess inventory	714	714
Reserve for product returns	0	2
Accrued liabilities	1,576	355
Other, net	197	323
Total deferred tax assets	198,216	187,122
Valuation allowance for deferred tax assets	(190,884)	(187,122)

Net deferred tax assets	$ 7,332	$

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	December 31, 2008	2007
Deferred tax liabilities:		
Deferred financing costs	$ (4,922)	$
Debt discount	(2,410)	
Total deferred tax liabilities	$ (7,332)	$
Net deferred tax assets (liabilities)	$	$

A full valuation allowance has been provided at December 31, 2008 and 2007, respectively, to reserve for deferred tax assets, as it appears more likely than not that net deferred tax assets will not be realized.

Effective January 1, 2007 the company adopted FIN 48. As of December 31, 2008 and 2007, the Company recorded a liability for $841,000 and $776,000, respectively, of unrecognized tax benefits (UTB s), of which $841,000 and $776,000 is included in accounts payable and accrued expenses on the Company s Consolidated Balance Sheets, respectively. In addition, as of December 31, 2008 and 2007, the Company reduced its deferred tax assets by $1,312,000 and $1,033,000, respectively. However, the Company recorded a full valuation allowance on its net deferred tax assets and reduced its valuation allowance on these respective amounts. The amount of UTB s that would have an impact on the effective tax rate, if recognized, is $533,000.

A reconciliation of the total amount of unrecognized tax benefits (UTB s) is as follows**:**

($ in thousands)	2008	2007
Unrecognized tax benefits: January 1	$ 1,567	$ 1,388
Gross increases: Tax positions taken in prior periods		
Gross decreases: Tax positions taken in prior periods		
Gross Increases- Current period tax positions	$ 278	$ 179
Lapse of Statute of Limitations		
Unrecognized tax benefits: December 31	$ 1,845	$ 1,567

The Company files corporate tax returns at the federal level and in the State of New Jersey. The open tax years that are subject to examination for these jurisdictions are 2005 through 2008 for federal returns and 2002 through 2008 for tax returns for the State of New Jersey.

New Jersey has enacted legislation permitting certain corporations located in the state to sell state tax loss carryforwards and state research and development credits. The Company sold portions of its New Jersey net operating losses and received approximate payments of $2.0 million in 2008 and $1.5 million in 2007, recognized as income tax benefits.

If still available under New Jersey law, the Company will attempt to sell its tax loss carryforwards in 2008. We cannot be assured that the New Jersey program will continue in 2008, nor can we estimate what percentage of our saleable tax benefits New Jersey will permit us to sell, how much money will be received in connection with the sale, or if the Company will be able to find a buyer for its tax benefits.

The Company s Federal tax returns have never been audited. In January 2006, the State of New Jersey concluded its fieldwork with respect to a tax audit for the years 2000 through 2004. The State of New Jersey took the position that amounts reimbursed to Genta by Aventis Pharmaceutical Inc. for co-development expenditures during the audit period

were subject to Alternative Minimum Assessment (AMA), resulting in a liability at that time of approximately $533,000. Although the Company and its outside tax advisors believe the State s position on the AMA liability is unjustified, there is little case law on the matter and it is probable that the Company will be required to ultimately pay the liability. As of December 31, 2008, the Company had accrued a tax liability of $533,000, penalties of $27,000 and interest of $281,000 related to this assessment. The Company appealed this

decision to the State and in February 2008, the State notified the Company that its appeal had not been granted. The Company believes the State s position is unjustified and is pursuing this matter before the New Jersey Tax Court. Upon close of the audit the Company s UTB s should decrease by approximately $841,000.

The Company recorded $65,000, $139,000 and $66,000 in interest expense related to the State of New Jersey assessment during 2008, 2007 and 2006, respectively.

At December 31, 2008, the Company has federal and state net operating loss carryforwards of approximately $324.8 million and $241.9 million, respectively. The federal tax loss carryforward balance at December 31, 2008 begins to expire in 2009 and completely expires in 2028. The Company also has Research and Development credit and Orphan Drug credit carryforwards totaling $49.7 million; the balance at December 31, 2008 begins to expire in 2009 and completely expires in 2028.

14. Stockholders (Deficit)/Equity

Common Stock

On October 6, 2008, at the Annual Meeting of Stockholders, the Company s stockholders approved an amendment to Genta s Restated Certificate of Incorporation, as amended, to increase the total number of authorized shares of capital stock available for issuance from 255,000,000, consisting of 250,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, to 6,005,000,000, consisting of 6,000,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock.

In February 2008, the Company sold 6.1 million shares of the Company s common stock at a price of $0.50 per share, raising approximately $3.1 million, before estimated fees and expenses.

At the Company s Annual Meeting of Stockholders on July 11, 2007, the Company s stockholders authorized its Board of Directors to effect a reverse stock split of all outstanding shares of common stock, and the Board of Directors subsequently approved the implementation of a reverse stock split at a ratio of one for six shares.

In March 2007, the Company sold 5.0 million shares of the Company s common stock at a price of $2.16 per share, raising $10.2 million, net of fees and expenses.

Preferred Stock Purchase Right

In 2005 the Board of Directors adopted a Stockholder Rights Plan and declared a dividend of one preferred stock purchase right (a Right) for each outstanding share of common stock of the Company, payable to holders of record as of the close of business on September 27, 2005. Generally, the rights become exercisable upon the earlier of the close of business on the tenth business day following the first public announcement that any person or group has become a beneficial owner of 15% or more of the Company s common stock and the close of business on the tenth business day after the date of the commencement of a tender or exchange offer by any person which would, if consummated, result in such person becoming a beneficial owner of 15% or more of the Company s common stock. Each Right shall be exercisable to purchase, for $25.00, subject to adjustment, one one-hundredth of a newly registered share of Series G Participating Cumulative Preferred Stock, par value $0.001 per share of the Company.

Series A Preferred Stock

Each share of Series A Preferred Stock is immediately convertible into shares of the Company s common stock, at a rate determined by dividing the aggregate liquidation preference of the Series A Preferred Stock by the conversion price. The conversion price is subject to adjustment for antidilution. As of December 31, 2008 and December 31, 2007, each share of Series A Preferred Stock was convertible into 153.4393 and 2.3469 shares of common stock, respectively. At December 31, 2008 and December 31, 2007, the Company had 7,700 shares of Series A Convertible Preferred Stock issued and outstanding.

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In the event of a liquidation of the Company, the holders of the Series A Preferred Stock are entitled to a liquidation preference equal to $50 per share, or $0.4 million at December 31, 2008.

Series G Preferred Stock

The Company has 5.0 million shares of preferred stock authorized, of which 2.0 million shares has been designated Series G Participating Cumulative Preferred.

Warrant

In connection with the June 2008 convertible note financing, the Company issued a common stock purchase warrant to its private placement agent. The warrant is exercisable into 40,000,000 shares of common stock at an exercise price of $0.02 per share.

Common Stock Reserved

At December 31, 2008, the Company had 486.7 million shares of common stock outstanding, 3.4 million shares reserved for the conversion of convertible preferred stock and the exercise of outstanding options, 40.0 million shares reserved for the conversion of an outstanding warrant, 1,554.0 million shares reserved for the conversion of senior convertible notes and 0.2 million additional shares of common stock authorized for issuance and remaining to be granted under the Company s Non-Employee Directors 1998 Stock Option Plan, as amended and restated.

15. Share-Based Compensation

The Company estimates the fair value of each option award on the date of the grant using the Black-Scholes option valuation model. Expected volatilities are based on the historical volatility of the Company s common stock over a period commensurate with the options expected term. The expected term represents the period of time that options granted are expected to be outstanding and is calculated in accordance with the Securities and Exchange Commission (SEC) guidance provided in the SEC s Staff Accounting Bulletin 107 (SAB 107), using a simplified method. The Company has used the simplified method and will continue to use the simplified method as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate an expected term. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company s stock options. The post-vesting forfeiture rate is estimated using historical option cancellation information. The post-vesting forfeiture rate assumption was 40% for the years ended December 31, 2007 and 2006, respectively, and was increased to 50% for the year ended December 31, 2008 based on actual historical forfeitures. The following table summarizes the weighted-average assumptions used in the Black-Scholes model for options granted during the years ended December 31, 2008, 2007 and 2006, respectively:

	2008	**2007**	**2006**
Expected volatility	115.7%	102%	97%
Expected dividends			
Expected term (in years)	6.25	6.25	6.25
Risk-free rate	2.7%	4.8%	4.6%

The share-based compensation expense recognized for the years ended December 31, 2008, 2007 and 2006, respectively, follows:

($ thousands, except per share data)	**2008**	**2007**	**2006**
Research and development expenses	$ 151	$ 521	$ 997
Selling, general and administrative	338	852	2,002
Total share-based compensation expense	$ 489	$ 1,373	$ 2,999
Share-based compensation expense, per basic and diluted common share	$ 0.01	$ 0.05	$ 0.13

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16. Stock Option Plans

As of December 31 2008, the Company has two outstanding share-based compensation plans, which are described below:

1998 Stock Incentive Plan

Pursuant to the Company s 1998 Stock Incentive Plan, as amended (the 1998 Plan), 3.4 million shares were provided for the grant of stock options to employees, directors, consultants and advisors of the Company. Option awards were granted with an exercise price at not less than the fair market price of the Company s common stock on the date of the grant; those option awards generally vested over a four-year period in equal increments of 25%, beginning on the first anniversary of the date of the grant. All options granted had contractual terms of ten years from the date of the grant. As of May 27, 2008, the authorization to provide grants under the 1998 Plan expired.

The following table summarizes the option activity under the 1998 Plan as of December 31, 2008 and changes during the three years then ended:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Stock Options				
Outstanding at December 31, 2005	1,570	30.24		
Granted	432	11.64		
Exercised				
Forfeited or expired	(66)	25.32		
Outstanding at December 31, 2006	1,936	$ 26.22		
Granted	316	1.40		
Exercised				
Forfeited or expired	(97)	16.38		
Outstanding at December 31, 2007	2,155	$ 23.05		
Granted				
Exercised				
Forfeited or expired	(278)	17.76		
Outstanding at December 31, 2008	1,877	$ 23.83	3.8	$
Vested and exercisable at December 31, 2008.	1,299	$ 22.19	1.7	$

There is no intrinsic value to outstanding stock options as the exercise prices of all outstanding options are above the market price of the Company s stock at December 31, 2008.

As of December 31, 2008, there was approximately $0.2 million of total unrecognized compensation cost related to non-vested share-based compensation granted under the 1998 Plan, which is expected to be recognized over a weighted-average period of 1.2 years.

The following table summarizes the restricted stock unit (RSU) activity under the 1998 Plan as of December 31, 2008 and changes during the two years then ended:

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Restricted Stock Units	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value per Share
Outstanding nonvested RSUs at January 1, 2007	0	$
Granted	60	$ 1.42
Vested	0	$
Forfeited or expired	(40)	$ 1.42
Outstanding nonvested RSUs at December 31, 2007	20	$ 1.42
Granted	488	$ 0.41
Vested	(20)	$ 1.42
Forfeited or expired	(235)	$ 0.41
Outstanding nonvested RSUs at December 31, 2008	253	$ 0.41

As of December 31, 2008, there was approximately $24,000 of total unrecognized compensation cost related to non-vested share-based compensation resulting from RSUs granted under the 1998 Plan, which is expected to be recognized over the six months ended June 30, 2009.

1998 Non-Employee Directors Plan

Pursuant to the Company s 1998 Non-Employee Directors Plan as amended (the Directors Plan), 0.6 million shares have been provided for the grant of non-qualified stock options to the Company s non-employee members of the Board of Directors. Option awards must be granted with an exercise price at not less than the fair market price of the Company s common stock on the date of the grant. Initial option grants vest over a three-year period in equal increments, beginning on the first anniversary of the date of the grant. Subsequent grants, generally vest on the date of the grant. All options granted have contractual terms of ten years from the date of the grant.

The fair value of each option award is estimated on the date using the same valuation model used for options granted under the 1998 Plan.

The following table summarizes the option activity under the Directors Plan as of December 31, 2008 and changes during the three years then ended:

Stock Options	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2005	193	$ 37.56		
Granted	23	12.42		
Exercised	(26)	6.00		
Forfeited or expired	(90)	40.98		
Outstanding at December 31, 2006	100	$ 37.02		
Granted	20	1.80		

Exercised				
Forfeited or expired	(7)	40.08		
Outstanding at December 31, 2007	113	$ 30.61		
Granted.	17	0.25		
Exercised				
Forfeited or expired	(28)	41.82		
Outstanding at December 31, 2008	102	$ 22.61	6.2	$
Vested and exercisable at December 31, 2008.	102	$ 22.61	6.2	$

There is no intrinsic value to outstanding stock options as the exercise prices of all outstanding options are above the market price of the Company s stock at December 31, 2008. The weighted-average grant-date fair value of options granted during the year ended December 31, 2008 was $0.25.

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Stock option grants for a combination of both the 1998 Plan and the 1998 Directors Plan were as follows:

Year	Options Granted (in Thousands)	Weighted Average Grant Date Per Share Fair Value
2008	17	$ 0.25
2007	336	1.42
2006	455	11.70

An analysis of all options outstanding as of December 31, 2008 is presented below, (option figures are in thousands):

Range of Prices	Options Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price of Options Exercisable
$0.25 - $1.98	204	9.0	$ 0.78	65	$ 0.86
$2.73 - $9.54	168	7.4	7.07	64	6.95
$9.66 - $12.96	297	7.0	12.24	167	12.09
$14.58 - $16.01	804	0.9	16.00	804	16.00
$34.38 - $56.10	189	2.8	43.24	190	43.24
$59.28 - $109.50	317	4.2	66.29	100	75.23
	1,979	3.9	$ 23.77	1,401	$ 22.22

2007 Stock Incentive Plan

On September 17, 2007, the Company s Board of Directors approved the Company s 2007 Stock Incentive Plan (the 2007 Plan), pursuant to which 8.5 million shares of the Company s common stock would be authorized for issuance, subject to approval of the Company s stockholders. On September 17, 2007 and September 20, 2007, the Board of Directors approved the issuance of a combined total of 5.4 million options under the 2007 Plan. Awards granted under the plan prior to stockholder approval of the plan were subject to and conditioned upon receipt of such approval on or before September 17, 2008. The Company did not obtain stockholder approval of this plan; the plan was terminated and awards granted pursuant to the plan were terminated. The Company did not recognize compensation expense for grants under the 2007 Plan because grants of these options were contingent upon stockholder approval, and therefore, a grant date as defined in SFAS 123R had not occurred.

Acquisition Bonus Program

On September 17, 2007, the Board of Directors approved an Acquisition Bonus Program. Under the program, participants were eligible to share in a portion of the proceeds realized from a change in control of the Company that occurred prior to the earlier of (i) December 31, 2008 or (ii) the approval by the Company s stockholders of the 2007 Stock Incentive Plan.

The Acquisition Bonus Program expired on December 31, 2008.

17. Employee Savings Plan

In 2001, the Company initiated sponsorship of the Genta Incorporated Savings and Retirement Plan, a defined contribution plan under Section 401(k) of the Internal Revenue Code. The Company s matching contribution to the Plan was $0.2 million, $0.3 million, and $0.4 million for 2008, 2007 and 2006, respectively.

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18. Comprehensive Loss

An analysis of comprehensive loss is presented below:

($ in thousands)	Years Ended December 31, 2008	2007	2006
Net loss	$ (505,838)	$ (23,320)	$ (56,781)
Change in market value on available-for-sale marketable securities	(29)	29	31
Total comprehensive loss	$ (505,867)	$ (23,291)	$ (56,750)

19. Commitments and Contingencies

Litigation and Potential Claims

In February 2007, a complaint against the Company was filed in the Superior Court of New Jersey by Howard H. Fingert, M.D., a former employee of the Company. The complaint alleges, among other things, breach of contract as to the Company s stock option plan and as to a consulting agreement allegedly entered into by the Company and Dr. Fingert subsequent to termination of Dr. Fingert s employment with the Company, breach of implied covenant of good faith and fair dealing with respect to the Company s stock option plan and the alleged consulting agreement, promissory estoppel with respect to the exercise of stock options and provision of consulting services after termination of employment, and fraud and negligent misrepresentation with respect to the exercise of stock options and provision of consulting services after termination of employment. The complaint sought monetary damages, including punitive and consequential damages. The Company and Fingert settled this complaint in January 2009, and the Company accrued the settlement amount as of December 31, 2008. The settlement did not constitute an admission of guilt or liability.

In November 2007, a complaint against the Company was filed in the United States District Court for the District of New Jersey by Ridge Clearing & Outsourcing Solutions, Inc. The complaint alleges, among other things, that the Company caused or contributed to losses suffered by a Company stockholder which have been incurred by Ridge. The Company and Ridge settled this complaint in September 2008. The settlement did not constitute an admission of guilt or liability.

In September 2008, several stockholders of the Company, on behalf of themselves and all others similarly situated, filed a class action complaint against us, our Board of Directors, and certain of our executive officers in Superior Court of New Jersey, captioned Collins v. Warrell, Docket No. L-3046-08. The complaint alleges that in issuing convertible notes, our Board of Directors, and certain officers breached their fiduciary duties, and we aided and abetted the breach of fiduciary duty. Defendants filed a motion to dismiss on December 29, 2008. Plaintiffs opposition is due on or before February 13, 2009, and Defendants reply is due March 16, 2009. It is possible that oral argument on the motion will be held on March 20, 2009. Discovery has begun. We, the Board of Directors and Officers deny these allegations and intend to vigorously defend this lawsuit.

In November 2008, a complaint against the Company and its transfer agent, BNY Mellon Shareholder Services, was filed in the Supreme Court of the State of New York by an individual stockholder. The complaint alleges that the Company and its transfer agent caused or contributed to losses suffered by the stockholder. The Company denies the allegations of the complaint and intends to vigorously defend this lawsuit.

20. Supplemental Disclosure of Cash Flows Information and Non-cash Investing and Financing Activities

In accordance with the terms of the convertible notes, the Company elected to pay interest due on the notes on December 9, 2008 in shares of its common stock to all noteholders where the issuance of the shares would not cause the noteholder to beneficially own more than 4.999% of the Company s outstanding common stock. Accordingly, the Company issued 4.0 million shares and $0.1 million to satisfy the interest payment on December 9, 2008.

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Through December 31, 2008, holders of the convertible notes have voluntarily converted approximately $4.5 million of their notes, resulting in an issuance of 446.0 million shares of common stock.

No interest was paid for the twelve months ended December 31, 2007 and 2006, respectively.

21. Selected Quarterly Financial Data (Unaudited)

2008

	Quarter Ended			
($ thousands, except per share data)	**Mar. 31**	**Jun. 30**	**Sep. 30**	**Dec. 31**
Revenues	$ 117	$ 131	$ 115	$
Gross margin	92	102	89	(23)
Operating expenses	9,816	10,268	7,563	5,763
Other income/(expense), net	67	(728,198)	220,087	33,380
Net (loss)/income	(9,657)	(738,364)	212,613	29,569
Net (loss)/income per basic common share**	$ (0.29)	$ (20.10)	$ 5.78	$ 0.26
Net (loss)/income per diluted common share	$ (0.29)	$ (20.10)	$ 0.10	$ 0.02

2007

	Quarter Ended			
($ thousands, except per share data)	**Mar. 31**	**Jun. 30**	**Sep. 30**	**Dec. 31**
Revenues	$ 94	$ 105	$ 115	$ 266
Gross margin	72	79	95	244
Operating expenses-net	5,875	8,594	8,046	3,601
Net loss	(5,605)	(8,235)	(7,732)	(1,748)
Net loss per common share:				
Basic and diluted	$ (0.21)	$ (0.27)	$ (0.25)	$ (0.06)

** Net (loss)/income per basic common share and net (loss)/income per diluted common share are calculated independently for each quarter and the full year based upon respective average shares outstanding. Therefore, the sum of the quarterly amounts does not equal the annual amounts reported.

The Company has experienced significant quarterly fluctuations in operating results and it expects that these fluctuations will continue.

Quarterly results in 2008 have been impacted by the accounting for the convertible note and warrant issued in June 2008, (see note 12 to the Consolidated Financial Statements).

During the fourth quarter of 2007, the Company revised its estimate of certain accrued expenses in the amount of $4.7 million, since such amount was no longer deemed probable.

Restatement

During the Company s year-end close, it was discovered that the $18.0 million escrow deposit relating to the insurance proceeds and the corresponding liability to settle a 2004 class action lawsuit against the Company should not have been included on the Company s Consolidated balance sheets as of June 30, 2008 and September 30, 2008. As a result of the Court approving the settlement on May 27, 2008, and it being deemed final on June 27, 2008, the Company no longer had any interest in the insurance proceeds held in escrow or the associated liability.

In lieu of filing amendments to the Reports on Form 10Q for the periods ended June 30, 2008 and September 30, 2008, the Company is providing the following unaudited balance sheet captions to show the effect of the restatement. There was no income statement effect resulting from the restatement and the only effect on the Company s statement of cash flows is a non-cash supplemental disclosure.

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($ thousands)	Quarter ended June 30, 2008 (restated)	Quarter ended September 30, 2008 (restated)
Selected Balance Sheet Data:		
Current assets	$ 17,230	$ 9,450
Total assets	26,029	17,113
Current liabilities	767,403	12,827
Total liabilities	767,986	546,310
	(as previously reported)	**(as previously reported)**
Current assets	$ 35,230	$ 27,450
Total assets	44,029	35,113
Current liabilities	785,403	30,827
Total liabilities	785,986	564,310

22. Related Party Transactions

Dr. Daniel Von Hoff, one of Genta s directors, holds the position of Physician in Chief and Director of Translational Research at the Translational Genomics Research Institute (TGen), which provides preclinical testing services under direction of and by contract to Genta. During 2008, TGen performed services for which it was compensated by Genta in the amount of approximately $36,419. The Company believes that the payment of these services was on terms no less favorable than would have otherwise been provided by an "unrelated party. In the opinion of the Board of Directors, Dr. Von Hoff s relationship with TGen will not interfere with Dr. Von Hoff s exercise of independent judgment in carrying out his responsibilities as a Director of Genta.

On June 5, 2008, the Company entered into a securities purchase agreement with certain institutional and accredited investors to place up to $40 million of senior secured convertible notes with such investors. On June 9, 2008, the Company placed $20 million of such notes in an initial closing. Each of Dr. Raymond Warrell, our Chief Executive Officer and Chairman, and Dr. Loretta Itri, our President, Pharmaceutical Development and Chief Medical Officer, participated in the initial closing by purchasing $1,950,000 and $300,000, respectively, of such notes. The remaining members of the Board of Directors independently discussed Dr. Warrell and Dr. Itri s participation in the transaction and resolved that such participation would not interfere with Dr. Warrell or Dr. Itri s exercise of independent judgment in carrying out their responsibilities in their respective positions. In connection with the June 2008 convertible note financing and in accordance with the Audit Committee Charter, the Audit Committee reviewed and approved the June 2008 convertible note financing with Dr. Warrell and Dr. Itri.

23. Subsequent Event

From January 1, 2009 through February 4, 2009, holders of convertible notes have voluntarily converted approximately $4.6 million of their notes, resulting in an issuance of 459.6 million shares of common stock.

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GENTA INCORPORATED
Up to [___] in Convertible Debt Securities
[___] shares of Common Stock underlying the Convertible Debt Securities
[___] shares of Common Stock issuable as payment of interest on the Convertible Debt Securities
Warrants to purchase [___] shares of Common Stock
[___] shares of Common Stock underlying the Warrants

PROSPECTUS

[___], 2009

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth estimated expenses expected to be incurred in connection with the issuance and distribution of the securities being registered. Genta will pay all expenses in connection with this offering.

SEC Registration Fee	$ 905.00
Printing and Engraving Expenses	$ 25,000.00
Accounting Fees and Expenses	$ 50,000.00
Legal Fees and Expenses	$ 100,000.00
Miscellaneous	$ 9,095.00
TOTAL	**$ 185,000.00**

All expenses, other than the SEC Registration Fee, are estimated.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Our Certificate of Incorporation includes an indemnification provision under which we have agreed to indemnify directors and officers of Genta from and against certain claims arising from or related to future acts or omissions as a director or officer of Genta. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Genta pursuant to the foregoing, or otherwise, Genta has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the three year period preceding the date of the filing of this registration statement, we have issued securities in the transaction described below without registration under the Securities Act of 1933. These securities were offered and sold by us in reliance upon exemptions from the registration requirements provided by Section 4(2) of the Securities Act of 1933 or Regulation D under the Securities Act as transactions by an issuer not involving a public offering.

On June 9, 2008, we placed $20 million of such senior secured convertible notes to certain institutional and accredited investors. The investors consisted of: Arcus Ventures Fund, Baker Biotech Fund I, L.P., Baker Biotech Fund I, L.P., 14159, L.P., Baker Brothers Life Sciences, L.P., Boxer Capital LLC, Bristol Investment Fund, Ltd., Carl Berg, Cat Trail Private Equity Fund LLC, Cranshire Capital LP, Enable Growth Partners LP, Eric Bannasch, Firebird Global Master Fund II, Ltd, Highbridge International LLC, Iroquois Master Fund Ltd., Loretta Itri, Perceptive Life Sciences Master Fund LTD, RA Capital Biotech Fund II, LP, RA Capital Biotech Fund, LP, Radcliffe SPC, Ltd,

Raymond P. Warrell, Jr., Rockmore Investment Master Fund Ltd., Rodman & Renshaw LLC, RRC Biofund, Trustees of the Tang Family Trust, Noa Young Tang and Tang Capital Partners, LP. The notes are convertible into shares of our common stock at a conversion rate of 100,000 shares of common stock for every $1,000.00 of principal; however, no note may be converted into a number of shares equal to or greater than 4.999% of the total outstanding shares of common stock at the time of conversion.

All purchasers described above represented to us in connection with their purchase that they were accredited investors and were acquiring the securities for investment and not distribution, that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from such registration.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description of Document
3.1.a	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).1 to the Company s Annual Report on Form 10-K for the year ended December 31, 1995, Commission File No. 0-19635)
3.1.b	Certificate of Designations of Series D Convertible Preferred Stock of the Company (incorporated by reference to Exhibit 3(i) to the Company s Current Report on Form 8-K filed on February 28, 1997, Commission File No. 0-19635)
3.1.c	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).3 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
3.1.d	Amended Certificate of Designations of Series D Convertible Preferred Stock of the Company (incorporated by reference to Exhibit 3(i).4 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
3.1.e	Certificate of Increase of Series D Convertible Preferred Stock of the Company (incorporated by reference to Exhibit 3(i).5 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
3.1.f	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).4 to the Company s Annual Report on Form 10-K for the year ended December 31, 1998, Commission File No. 0-19635)
3.1.g	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).3 to the Company s Annual Report on Form 10-K for the year ended December 31, 1998, Commission File No. 0-19635)
3.1.h	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).8 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
3.1.i	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1.i to the Company s Registration Statement on Form S-1, Commission File No. 333-110238)
3.1.j	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1.j to the Company s Registration Statement on Form S-1, Commission File No. 333-110238)
3.1.k	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1.k to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, Commission File No. 0-19635)
3.1.l	

	Certificate of Designation of Series G Participating Cumulative Preferred Stock of the Company (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed on September 21, 2005, Commission File No. 0-19635)
3.1.m	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, Commission File No. 0-19635)
3.1.n	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K, filed on July 13, 2007, Commission File No. 0-19635)
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, Commission File No. 0-19635)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company s Registration Statement on Form S-1, Commission File No. 333-110238)
4.2	Rights Agreement, dated September 20, 2005, between the Company and Mellon Investor Services LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K

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Exhibit Number	Description of Document
	filed on September 21, 2005, Commission File No. 0-19635)
4.3	Form of Senior Secured Convertible Promissory Note (incorporated by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K filed on June 10, 2008, Commission File No. 0-19635)
4.4	Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.2 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, Commission File No. 0-19635)
4.5	Form of Common Stock Purchase Warrant (filed herewith)
4.6	Form of Indenture (filed herewith)
4.7	Form of Note (included in Exhibit 4.6)
5.1	Opinion of Morgan Lewis & Bockius LLP as to the legality of the securities being registered (filed herewith)
8.1	Opinion of Morgan Lewis & Bockius LLP regarding tax matters (to be filed by amendment)
10.1	Non-Employee Directors 1998 Stock Option Plan, as amended and restated (incorporated by reference to Exhibit 99.B to the Company s Definitive Proxy Statement on Schedule 14A filed on April 30, 2004, Commission File No. 0-19635)
10.2	1998 Stock Incentive Plan, as amended and restated, effective March 19, 2004 (incorporated by reference to Exhibit 99.A to the Company s Definitive Proxy Statement on Schedule 14A filed on April 30, 2004, Commission File No. 0-19635)
10.3	Form of Indemnification Agreement entered into between the Company and its directors and officers (incorporated by reference to Exhibit 10.7 to the Company s Registration Statement on Form S-1, Commission File No. 0-19635)
10.4	Asset Purchase Agreement, dated as of March 19, 1999, among JBL Acquisition Corp., JBL Scientific Incorporated and the Company (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report filed on Form 10-Q for the quarter ended March 31, 1999, Commission File No. 0-19635)
10.5	Stock Option Agreement, dated as of October 28, 1999, between the Company and Raymond P. Warrell, Jr., M.D. (incorporated by reference to Exhibit 10.71 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
10.6	Letter Agreement, dated March 4, 1999, from SkyePharma Plc to the Company (incorporated by reference to Exhibit 10.72 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
10.7	Subscription Agreement executed in connection with the November 26, 2001 sale of common stock to Franklin Small-Mid Cap Growth Fund, Franklin Biotechnology Discovery Fund, and SF Capital Partners Ltd., and the November 30, 2001 sale of common stock to SF Capital Partners Ltd. (incorporated by

reference to Exhibit 10.73 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 0-19635)

10.8 Agreement of Lease dated June 28, 2000 between The Connell Company and the Company (incorporated by reference to Exhibit 10.76 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 0-19635)

10.8A Amendment of Lease, dated June 19, 2002 between The Connell Company and the Company (incorporated by reference to Exhibit 10.10 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)

10.9* U.S. Commercialization Agreement dated April 26, 2002, by and between Genta Incorporated and Aventis Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June, 30, 2002, Commission File No.

10.9A* Amendment No. 1 dated March 14, 2003 to the U.S. Commercialization Agreement between Genta Incorporated and Aventis Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, Commission File No.

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Exhibit Number	Description of Document
	0-19635).
10.10*	Ex-U.S. Commercialization Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June, 30, 2002, Commission File No. 0-19635)
10.11*	Global Supply Agreement, dated April 26, 2002, by and among Genta Incorporated, Aventis Pharmaceuticals Inc. and Garliston Limited (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.12*	Securities Purchase Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.13	Standstill and Voting Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.14	Registration Rights Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.6 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.15	Convertible Note Purchase Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.7 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.16*	5.63% Convertible Promissory Note, due April 26, 2009 (incorporated by reference to Exhibit 10.8 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.17*	Subordination Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.9 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.18*	Manufacture and Supply Agreement, dated December 20, 2002, between Genta Incorporated and Avecia Biotechnology Inc. (incorporated by reference to Exhibit 10.88 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 0-19635)
10.19*	License Agreement dated August 1, 1991, between Genta Incorporated and the Trustees of the University of Pennsylvania (incorporated by reference to Exhibit 99.1 to the Company s Current Report on Form 8-K filed on October 28, 2003, Commission File No. 0-19635)
10.19A*	Amendment to License Agreement, dated December 19, 2000, between Genta Incorporated and the Trustees of the University of Pennsylvania (incorporated by reference to Exhibit 99.2 to the Company s Current Report on Form 8-K filed on October 28, 2003, Commission File No. 0-19635)

10.19AA*	Second Amendment to License Agreement, dated October 22, 2003, between Genta Incorporated and the Trustees of the University of Pennsylvania (incorporated by reference to Exhibit 99.3 to the Company s Current Report on Form 8-K filed on October 28, 2003, Commission File No. 0-19635)
10.20	Settlement Agreement and Release, dated October 22, 2003, between Genta Incorporated and the Trustees of the University of Pennsylvania (incorporated by reference to Exhibit 99.4 to the Company s Current Report on Form 8-K filed on October 28, 2003, Commission File No. 0-19635)
10.21	Securities Purchase Agreement, dated December 14, 2004, among the Company, Riverview Group, LLC and Smithfield Fiduciary LLC (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on December 16, 2004, Commission File No. 0-19635)

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Exhibit Number	Description of Document
10.22	Form of Subscription Agreement, dated August 5, 2005 among the Company and the purchasers of the Shares (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on August 8, 2005, Commission File No. 0-19635)
10.23	Placement Agency Agreement, dated August 5, 2005 between the Company and Piper Jaffray & Co. (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on August 8, 2005, Commission File No. 0-19635)
10.24	Form of Subscription Agreement, dated March 6, 2006 by and among the Company and the Purchasers (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on March 7, 2006, Commission File No. 0-19635)
10.25	Form of Placement Agent Agreement, dated March 6, 2006 by and among the Company, Cowen & Co., LLC and Rodman & Renshaw, LLC (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on March 7, 2006, Commission File No. 0-19635)
10.26	Form of Confirmation of Purchase, dated March 10, 2006 by and between the Company and certain Investors (incorporated by reference to Exhibit 10.34 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005, Commission File No. 0-19635)
10.27	Form of Amendment No. 1 to Placement Agent Agreement, dated as of March 10, 2006 by and among the Company, Cowen & Co., LLC and Rodman & Renshaw, LLC (incorporated by reference to Exhibit 10.35 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005, Commission File No. 0-19635)
10.28	Development and License Agreement, dated March 22, 2006 by and between the Company and Emisphere Technologies, Inc. * (incorporated by reference to Exhibit 10.5 to the company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19635)
10.29	1998 Stock Incentive Plan, as amended and restated, effective April 5, 2006 (incorporated by reference to the company s Definitive Proxy statement on Schedule 14A filed on April 28, 2006, Commission File No. 0-19635)
10.30	Employment Agreement, dated as of March 28, 2006, between the Company and Loretta M. Itri, M.D. (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, Commission File No. 0-19635)
10.31	Form of Securities Purchase Agreement, dated September 19, 2006, between the Company and each Purchaser (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on September 20, 2006, Commission File No. 0-19635)
10.32	Form of Placement Agent Agreement, dated September 19, 2006, by and between the Company and Rodman & Renshaw LLC (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on September 20, 2006, Commission File No. 0-19635)
10.33	

Supply and Distribution Agreement between the Company and IDIS Limited, dated March 6, 2007 (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q, filed on May 8, 2007, Commission File No. 0-19635)

10.34 Form of Purchase Agreement by and among the Company and the Purchasers, dated March 13, 2007 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on March 14, 2007, Commission File No. 0-19635)

10.35 Placement Agent Agreement, by and between the Company and Rodman & Renshaw, LLC, dated February 23, 2007 (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on March 14, 2007, Commission File No. 0-19635)

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Exhibit Number	Description of Document
10.36	Form of Acquisition Bonus Program Agreement (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on September 21, 2007, Commission File No. 0-19635)
10.37*	Project Contract with ICON Clinical Research, L.P., dated November 19, 2007 (incorporated by reference to Exhibit 10.37 to the Company s Annual Report on Form 10-K for the year ended December 31, 2007, Commission File No. 0-19635)
10.38	Amended and Restated Employment Agreement, dated as of November 30, 2007, between the Company and Raymond P. Warrell, Jr. M.D. (incorporated by reference to Exhibit 10.38 to the Company s Annual Report on Form 10-K for the year ended December 31, 2007, Commission File No. 0-19635)
10.39	Form of Securities Purchase Agreement, dated February 8, 2008, by and between the Company each Purchaser (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on February 11, 2008, Commission File No. 0-19635)
10.40	Placement Agent Agreement, dated February 8, 2008, by and between the Company and Rodman & Renshaw, LLC (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on February 11, 2008, Commission File No. 0-19635)
10.41	License Agreement, dated March 7, 2008, between the Company and Daiichi Sankyo (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, Commission File No. 0-19635)
10.42	Securities Purchase Agreement, dated June 5, 2008, by and among the Company and certain accredited investors set forth therein (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on June 10, 2008, Commission File No. 0-19635)
10.43	General Security Agreement, dated June 9, 2008, by and among the Company, certain additional grantors as set forth therein and Tang Capital Partners, L.P. as agent (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on June 10, 2008, Commission File No. 0-19635)
10.44	Amendment to the Lease Agreement, dated May 27, 2008, between the Company and The Connell Company (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, Commission File No. 0-19635)
10.45**	Supply Agreement, dated May 1, 2008, between the Company and Avecia Biotechnology (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, Commission File No. 0-19635)
16.1	Letter from Deloitte & Touche LLP, dated July 16, 2008, regarding change in certifying accountant (incorporated by reference to Exhibit 16.1 to the Company s Current Report on Form 8-K, filed on July 22, 2008, Commission File No. 0-19365)
21	Subsidiaries of the Registrant (filed herewith)
23.1	Consent of Amper Politziner & Mattia, LLP (filed herewith)

23.2	Consent of Deloitte & Touche LLP (filed herewith)
23.3	Consent of Morgan Lewis & Bockius LLP (included in Exhibit 5.1)
23.4	Consent of Morgan Lewis & Bockius LLP (included in Exhibit 8.1)
24.1	Power of Attorney (incorporated by reference to Exhibit 24.1 to the Company s Registration Statement on Form S-1 filed on August 29, 2008, Commission File No. 333-153278)

* The Company has been granted confidential treatment of certain portions of this exhibit.

** The Company has requested confidential treatment of certain portions of this exhibit.

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ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

1. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

2. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Act, Genta Incorporated certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Berkeley Heights, State of New Jersey, on March 6, 2009.

GENTA INCORPORATED

March 6, 2009

By: /s/ Raymond P. Warrell, Jr., M.D.
Name: Raymond P. Warrell, Jr., M.D.
Title: Chairman and Chief Executive Officer
(principal executive officer)

March 6, 2009

By: /s/ Gary Siegel
Name: Gary Siegel
Title: Vice President, Finance
(principal financial and accounting officer)

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Pursuant to the requirements of the Act, this Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities indicated.

Signatures	Title	Date
/s/ Raymond P. Warrell, Jr., M.D. Raymond P. Warrell, Jr., M.D.	Chairman and Chief Executive Officer (principal executive officer)	March 6, 2009
/s/ Gary Siegel Gary Siegel	Vice President, Finance (principal financial and accounting officer)	March 6, 2009
* Martin J. Driscoll	Director	March 6, 2009
* Christopher J. Parios	Director	March 6, 2009
* Daniel D. Von Hoff, M.D.	Director	March 6, 2009
* Douglas G. Watson	Director	March 6, 2009
By: */s/ Raymond P. Warrell, Jr., M.D.* Raymond P. Warrell, Jr., M.D.	Attorney-in-fact	March 6, 2009