

GENTA INC DE/  
Form S-1/A  
July 30, 2009

As filed with the Securities and Exchange Commission on July 29, 2009

Registration No. 333-153278

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

AMENDMENT NO. 4  
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 Heights, New Jersey 07922

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Copies to:  
Emilio Ragosa, Esq.  
Morgan, Lewis & Bockius LLP  
502 Carnegie Center  
Princeton, New Jersey 08540  
tel: (609) 919-6600  
fax: (609) 919-6701

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.

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.

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.

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.

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

#### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(2)
Units(1), each unit consisting of	7,000	\$ 1,000(1)	\$ 7,000,000.00	\$ 390.60
(i) 70% Convertible Notes, and	4,900	(1)	\$ 4,900,000.00	(1)
(ii) 30% Shares of Common Stock (par value \$0.001 per share)	2,100	(1)	\$ 2,100,000.00	(1)
Shares of Common Stock (par value \$0.001 per share) underlying the Convertible Notes	49,000,000	\$ 0.10(6)	\$ 4,900,000.00	(3)
Convertible Notes issuable as payment of interest on the Convertible Notes	832	\$ 1,000	\$ 832,308.00	—
Shares of Common Stock underlying the Convertible	8,323,080	\$ 0.10(6)	\$ 832,308.00	(3)

Notes issuable as payment of  
interest on the Convertible  
Notes

Warrants to purchase Common Stock				
Shares of Common Stock underlying the Warrants	12,250,000	\$	0.10(6)	\$ 1,225,000.00 (4)
TOTAL				\$ 390.60(5)

- (1) Each Unit will be issued in \$1,000 denominations and will consist of 70% (or \$700) convertible notes and 30% (or \$300) shares of common stock.
- (2) 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.
- (3) Pursuant to Rule 457(i), no separate registration fee is required for Shares of Common Stock underlying the Convertible Notes because we are registering those securities in the same registration statement as the Convertible Notes.
- (4) Pursuant to Rule 457(g), no separate registration fee is required for the Shares of Common Stock underlying the Warrants because we are registering those securities in the same registration statement as the Warrants.
- (5) A registration fee of \$905.00 was previously paid by the registrant 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.
- (6) Estimated solely for purposes of calculating the proposed maximum aggregate offering price.

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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 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 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 July 29, 2009

GENTA INCORPORATED

Up to \$7.0 million of an aggregate principal amount of Units consisting of 70% (or \$4.9 million) Convertible Notes and 30% (or \$2.1 million) Common Stock

Up to 49,000,000 shares of Common Stock underlying the Convertible Notes

\$832,308 Convertible Notes issuable as payment of interest on the Convertible Notes

8,323,080 shares of Common Stock underlying the Convertible Notes issuable as payment of interest on the Convertible Notes

Warrants to purchase 12,250,000 shares of Common Stock

12,250,000 shares of Common Stock underlying the Warrants

We are offering units consisting of an aggregate principal amount of \$4.9 million convertible notes and \$2.1 million common stock, 49,000,000 shares of common stock underlying the convertible notes, \$832,308 convertible notes convertible into 8,323,080 shares of common stock issuable as payment of interest on the convertible notes, warrants to purchase 12,250,000 shares of our common stock underlying the principal amount of the convertible notes and 12,250,000 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 June 26, 2009, we effected a 1-for-50 reverse stock split. As a result, the share numbers and stock price numbers found herein are all reflected on a post-split basis.

On July 28, 2009, the closing price of our common stock was \$0.38 per share. Our common stock is quoted on the OTC Bulletin Board under the symbol "GETA."

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 12.

	Price to Public	Placement Agent Discounts and Commissions	Proceeds to Genta, before expenses
Per Unit	\$ 1,000.00	\$ 60.00	\$ 930.00

Total	\$ 7,000,000.00	\$ 420,000.00	\$ 6,580,000.00
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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. For more information related to our arrangement with Rodman & Renshaw, LLC, including the fees payable to Rodman for their placement agent services in connection with this offering, please see “Plan of Distribution” on page 109.

The securities offered herein will only be offered to investors who qualify as institutional Accredited Investors as defined in Regulation D under the Securities Act of 1933.

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 July 29, 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 CALIFORNIA RESIDENTS: WITH RESPECT TO SALES OF THE SECURITIES BEING OFFERED HEREBY TO CALIFORNIA RESIDENTS, SUCH SECURITIES MAY BE SOLD ONLY TO: (1) INSTITUTIONAL "ACCREDITED INVESTORS" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), (2) "QUALIFIED INSTITUTIONAL BUYERS" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, (3) BANKS, SAVINGS AND LOAN ASSOCIATIONS, TRUST COMPANIES, INSURANCE COMPANIES, INVESTMENT COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, PENSION OR PROFIT-SHARING TRUSTS, CORPORATIONS OR ENTITIES WHICH, TOGETHER WITH THE CORPORATIONS OR OTHER AFFILIATES WHICH ARE UNDER COMMON CONTROL, HAVE A NET WORTH ON A CONSOLIDATED

BASIS ACCORDING TO THEIR MOST RECENT REGULARLY PREPARED FINANCIAL STATEMENTS OF NOT LESS THAN \$14,000,000 AND SUBSIDIARIES OF THE FOREGOING OR (4) ANY PERSON (OTHER THAN A PERSON FORMED FOR THE SOLE PURPOSE OF PURCHASING THE SECURITIES BEING OFFERED HEREBY) WHO PURCHASES AT LEAST ONE MILLION DOLLARS AGGREGATE AMOUNT OF THE SECURITIES OFFERED HEREBY. EACH CALIFORNIA RESIDENT PURCHASING THE SECURITIES OFFERED HEREBY WILL BE DEEMED TO REPRESENT BY SUCH PURCHASE THAT IT COMES WITHIN ONE OF THE AFOREMENTIONED CATEGORIES, THAT IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH SECURITIES TO A CALIFORNIA RESIDENT UNLESS THE TRANSFEREE COMES WITHIN ONE OF THE AFOREMENTIONED CATEGORIES AND THAT IT WILL ADVISE THE TRANSFEREE OF THIS CONDITION WHICH TRANSFEREE, BY BECOMING SUCH WILL BE DEEMED TO BE BOUND BY THE SAME RESTRICTIONS ON RESALE.

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.

## 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 Genta Incorporated and its subsidiaries.

This offering relates to the sale of units consisting of our common stock and convertible notes convertible into 49,000,000 shares of our common stock, 49,000,000 shares of common stock underlying the convertible notes, convertible notes issuable as payment of interest on the convertible securities convertible into up to 8,323,080 shares of our common stock, up to 8,323,080 shares of common stock underlying any convertible notes issued as payment of interest on the convertible securities, 12,250,000 warrants to purchase shares of our common stock underlying the principal amount of the convertible notes and 12,250,000 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 tasetaxel 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®

The Company’s principal goal has been to secure regulatory approval for the marketing of Genasense®. 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 (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 resulted in regulatory approval for marketing. Nonetheless, we believe that Genasense® can ultimately be approved and commercialized and we have undertaken a number of initiatives in this regard that are described below.

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## Melanoma

The Company's major current initiative is a randomized controlled trial that tests whether the addition of Genasense to standard chemotherapy can improve outcomes for patients with advanced melanoma. In 2004, the Company withdrew its New Drug Application (NDA) for Genasense® in melanoma 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 European Medicines Agency (EMA) in 2007. Data from the Phase 3 trial that comprised the basis for these applications were published 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, 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. In March 2009, we completed accrual of 315 patients into AGENDA. In May 2009, an analysis by an independent Data Monitoring Committee for both safety and futility indicated that the study passed an evaluation for futility and safety. Accordingly, the Committee recommended that the study should continue to completion. We expect results on the primary assessment of PFS in the fourth quarter of 2009. If those data are positive, we currently expect to submit regulatory applications based upon confirmation that the addition of Genasense® to chemotherapy results in a statistically significant improvement in PFS. Approval by FDA and EMA will allow Genasense® to be commercialized by us, alone or with a partner, in the U.S. and EU. Genasense® in melanoma has been designated an Orphan Drug in Australia and the U.S., and the drug has received Fast Track designation in the U.S.

We are conducting other trials of Genasense® in melanoma, including a Phase 2 trial of Genasense® plus chemotherapy consisting of Abraxane® (paclitaxel protein-bound particles for injectable suspension) (albumin bound) 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 1-hour IV infusions.

## CLL

As noted above, our NDA for the use of Genasense® plus chemotherapy in patients with relapsed or refractory in CLL was not approved. 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).

Several 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. 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 that indicated additional confirmatory evidence would be required to support approval of Genasense® in CLL, either from a new clinical trial or from collection of additional information regarding the progression of disease in patients from the completed trial.

In June 2008, we announced results from 5 years of follow-up on patients who had been accrued to our completed Phase 3 trial. These data showed that patients treated with Genasense® plus chemotherapy who achieved either a complete response (CR) or a partial response (PR) also achieved a statistically significant increase in survival compared with patients treated 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.

These data were again submitted to FDA in the second quarter of 2008, and the application was again denied in December 2008. Genta re-appealed the denial, and in March 2009, CDER decided that available data were still insufficient to support approval of Genasense® in CLL, and the Agency recommended conducting another clinical trial. We have made no decision whether to conduct this study.

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

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

In March 2008, we obtained an exclusive worldwide license for tesetaxel from Daiichi Sankyo Company Ltd. Tesetaxel is 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 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. In January 2009, we announced initiation of a new clinical trial with tesetaxel to examine the clinical pharmacology of the drug over a narrow dosing range around the established Phase 2 dose.

We have also submitted applications to FDA for designation of tesetaxel as an Orphan Drug for treatment of patients with advanced gastric cancer and for patients with advanced melanoma. Both of these designations were granted. Our initial priority for clinical testing of tesetaxel includes the evaluation of safety and efficacy in patients with advanced gastric cancer. Maintenance of the license from Daiichi Sankyo requires certain payments that include amortization of

licensing fees and milestones. If such payments are not made, Daiichi Sankyo may elect to terminate the license; however, a portion of the licensing fees are due even in the event of termination.

Oral Gallium-Containing Compounds (G4544)

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)”, the results of which were presented in the second quarter of 2008. We are currently contemplating a second study using a modified formulation, known as “G4544(b)”, in order to test whether this formulation will prove more clinically acceptable.

If we are able to identify a clinically and commercially acceptable formulation of G4544 or another oral gallium-containing compound, we currently intend to pursue a 505(b)(2) strategy to establish bioequivalence to our marketed product, Ganite®, for its initial regulatory approval. We believe a drug of this type may also be broadly 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.

#### Ganite®

We are currently marketing Ganite® in the U.S., which is an intravenous formulation of gallium, for treatment of cancer-related hypercalcemia that is resistant to hydration. We have announced our intention to seek a buyer for Ganite®, but we have not yet found an acceptable transaction.

#### 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](http://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.

## SUMMARY OF THE OFFERING

The securities	<p>We are offering:</p> <ul style="list-style-type: none"><li>• up to \$7.0 million in aggregate principal amount of units consisting of (i) 70% unsecured subordinated convertible notes (the “August 2009 Notes”) and (ii) 30% common stock, par value \$0.001 (the “August 2009 Shares”) (the “Units”);</li><li>• 49,000,000 shares of common stock issuable upon conversion of or otherwise in respect of the August 2009 Notes;</li><li>• \$832,308 in aggregate principal amount of August 2009 Notes issuable as payment of interest on the August 2009 Notes;</li><li>• 8,323,080 shares of common stock underlying the August 2009 Notes issuable as payment of interest on the August 2009 Notes;</li><li>• warrants to purchase 12,250,000 shares of common stock underlying the principal amount of the August 2009 Notes; and</li><li>• 12,250,000 shares of common stock issuable upon exercise of warrants.</li></ul>
The offering	<p>Commencing upon the effectiveness of the registration statement of which this prospectus forms a part, we will offer and sell Units in the aggregate principal amount of \$7.0 million consisting of August 2009 Notes and August 2009 Shares. Each purchaser of Units will also receive a 2-year warrant to purchase a number of shares of our common stock equal to 25% of the number of shares of our common stock underlying the August 2009 Notes purchased by such purchaser having the terms outlined in this prospectus. The offer and sale of the \$7.0 million in Units is expected to occur in a single closing as soon as practical following the effectiveness of the registration statement.</p>
Use of proceeds	<p>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.”</p>
Fees and expenses	<p>We estimate that the total fees and expenses of this offering will be approximately \$605,000.</p>
Material US federal income tax consequences	<p>For a discussion of material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Units, shares of common stock into which the August 2009 Notes are convertible, August 2009 Shares, additional August 2009 Notes issuable as payment of interest on the August 2009 Notes, warrants and shares of common stock into which the warrants are exercisable, see “Material U.S. federal income tax consequences.”</p>

Trading	Our common stock is traded on the OTC Bulletin Board under the symbol “GETA.” We do not intend to list the Units, August 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 Units and warrants.



The number of shares of our common stock that will be outstanding prior to this offering is 20,282,234 shares of common stock outstanding as of March 31, 2009 and 99,770,572 shares of common stock outstanding as of June 30, 2009 adjusted for the 1:50 reverse stock split that was implemented on July 13, 2009. This amount excludes:

- 37,573 shares and 34,261 shares of common stock issuable upon the exercise of stock options outstanding or the vesting of restricted stock units under our 1998 Stock Incentive Plan as of March 31, 2009 and June 30, 2009, respectively, at a weighted average exercise price of \$1,266.50 per share and \$1,293.06 per share, respectively, of which, options to purchase 26,820 shares and 25,890 shares, respectively, were exercisable;
- 2,045 shares of common stock issuable upon exercise of stock options outstanding under our 1998 Non-Employee Directors Stock Incentive Plan as of both March 31, 2009 and June 30, 2009 at a weighted average exercise price of \$1,130.47 per share, of which, options to purchase 2,045 shares were exercisable;
- 3,070 shares of common stock available for future grant under our 1998 Non-Employee Directors Stock Incentive Plan as of both March 31, 2009 and June 30, 2009;
- 800,000 shares of common stock issuable upon exercise of warrants outstanding as of both March 31, 2009 and June 30, 2009 at an exercise price of \$1.00 per share;
- 23,629 shares and 109,319 shares of common stock issuable upon the conversion of our Series A Convertible Preferred Stock as of March 31, 2009 and June 30, 2009, respectively;
- 21,306,902 shares and 28,294,633 shares of common stock issuable upon the conversion of our 15% Senior Secured Convertible Notes due 2010 as of March 31, 2009 and June 30, 2009, respectively;
- 59,500,000 shares of common stock issuable upon the conversion of our 8% Senior Secured Convertible Notes due 2012 as of June 30, 2009;
- 18,445,000 shares of common stock issuable upon exercise of warrants outstanding as of June 30, 2009 at an exercise price of \$0.50 per share;
- 59,500,000 shares of common stock issuable upon the conversion of our 8% Senior Secured Convertible Notes due April 2, 2012 issued pursuant to the Purchase Option (as defined in the Securities Purchase Agreement, dated April 2, 2009, by and between the Company and the investors set forth therein); and
- 83,190,764 shares of common stock issuable upon the conversion of our 8% Senior Secured Convertible Notes due April 2, 2012 issued pursuant to the Purchase Right (as defined in the Consent Agreement, dated April 2, 2009, by and between the Company and the holders set forth therein).

The share numbers above do not include the 49,000,000 shares of common stock issuable upon conversion of the notes we issued in the July 2009 financing or the 12,250,000 shares of common stock issuable upon exercise of the warrants issued in the July 2009 financing.

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 June 30, 2009.



SUMMARY OF THE TERMS OF THE AUGUST 2009 NOTES

Issuer	Genta Incorporated.
Notes	Up to \$4.9 million aggregate principal amount of 8% Unsecured Subordinated Convertible Notes due 2011, which we refer to herein as the August 2009 Notes.
Maturity	The notes will mature on August [___], 2011, unless earlier converted.
Interest payment dates	<p>We will pay 8.00% interest per annum on the principal amount of the August 2009 Notes, payable semi-annually in arrears on January 1 and July 1 of each year, starting on January 1, 2010, to holders of record at the close of business on the preceding December 1 and June 1, respectively. Accrued but unpaid interest shall also be paid in the event of any conversion and at maturity of the August 2009 Notes. Interest will accrue on the August 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.</p> <p>Interest on the August 2009 Notes will be paid in cash or in additional August 2009 Notes, having a face value equal to the accrued but unpaid interest.</p>

Ranking	<p>The August 2009 Notes will be:</p> <ul style="list-style-type: none"><li>• unsecured;</li><li>• subordinated to the 2008 Notes and April 2009 Notes to the extent of the security for such notes, and senior in time and right of payment to certain other indebtedness of the Company; and</li><li>• pari passu in time and right of payment to the July 2009 Notes.</li></ul>
Collateral	<p>The August 2009 Notes are unsecured.</p> <p>For more details, see “Description of notes—Security.”</p>
Conversion rights	<p>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”, the August 2009 Notes will be convertible at any time into shares of our common stock, based on an initial conversion rate, subject to adjustment, of 10,000 shares per \$1,000 in principal amount of the August 2009 Notes (which represents an initial conversion price of \$0.10 per share).</p>
Mandatory conversion	<p>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 August 2009 Notes by providing five (5) 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 August 2009 Notes.</p> <p>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 \$0.50 (as appropriately adjusted for stock splits, stock dividends, reorganizations, recapitalizations, stock combinations and the like) for each of the ten (10) consecutive prior trading days ending on the trading day immediately prior to such date, and (ii) the Equity Conditions (as set forth in “Description of notes – Conversion rights – Mandatory conversion”) are satisfied and (iii) the common stock issuable upon the mandatory conversion shall have been immediately tradable, in each case, on each trading day during the period beginning on the first day of such ten (10) day period and ending on the date of the delivery of such shares of common stock pursuant to the mandatory conversion.</p> <p>See “Description of notes—Conversion rights—Mandatory conversion.”</p>
Provisional limitation on right to convert notes	<p>Each August 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 following the original issue date of such note, the total amount of such note that has been converted since the original issue</p>

date does not exceed the product of (A) 10% of the original principal amount of such note, and (B) the number of weeks since the date two weeks from the original issue date of the August 2009 Notes.

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 August 2009 Notes, whether voluntary or mandatory, and the holder (or beneficial holder) may not request a conversion of such August 2009 Notes, if such conversion would result in the beneficial holder and the beneficial holder’s affiliates owning more than 9.999% 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 August 2009 Notes has occurred and is continuing, (i) the principal amount of the August 2009 Notes plus any accrued and unpaid interest may become immediately due and payable and (ii) any holder may, in his sole discretion, or the trustee may on the holder’s behalf, (a) demand redemption of his August 2009 Notes at a price equal to the greater of the face amount of the note and the underlying value of the common stock issuable upon conversion of such note, (b) demand that the principal amount outstanding of his August 2009 Notes, plus all accrued and unpaid interest be converted into shares of common stock or (c) exercise any rights to which he is entitled under the law.

See “Description of notes—Events of default.”

DTC eligibility

The August 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 August 2009 Notes for certificated securities.

See “Description of notes—Form, denomination and registration of notes.”

Listing and trading

The August 2009 Notes are a new issue of securities, and there is currently no established trading market for the August 2009 Notes. An active or liquid market may not develop for the August 2009 Notes or, if developed, be maintained. We have not applied, and do not intend to apply, for the listing of the August 2009 Notes on any securities exchange. Our common stock is listed on the OTC Bulletin Board under the symbol “GETA.”

SUMMARY OF THE TERMS OF THE WARRANTS

Issuer	Genta Incorporated.
Warrants	Warrants to purchase an aggregate of up to 12,250,000 shares of our common stock underlying the principal amount of the August 2009 Notes.
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 two years from the date of their issuance.
Exercise Price	The exercise price of the warrants is \$1.00 per share of common stock.
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. For more details, see "Description of the warrants."
Permanent limitation on right to exercise or convert warrants	The warrants cannot be exercised if such exercise would result in the holder (and the holder's affiliates and any other person or entity acting as a group together with such holder or any of such holder's affiliates) owning more than 4.999% of our outstanding common stock after such exercise.
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 "GETA."

## 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 notes, common stock and warrants to purchase shares of our common stock in this offering, at an assumed public offering price for the shares of common stock to be issued as part of the Units offered hereby of \$0.10 per share, after deducting placement agent discounts and commissions and estimated offering expenses.

	Three months ended March 31, (unaudited)		Year ended December 31,	
	2009	2008	2007	2006
Consolidated Statements of Operations Data (in thousands except per share amounts):				
Product sales — net	\$ 62	\$ 363	\$ 580	\$ 708
Total revenues	62	363	580	708
Costs of goods sold	-	102	90	108
Operating expenses	4,470	33,410	26,116	59,764
Amortization of deferred financing costs	(6,287)	(11,229)	—	—
Fair value — conversion feature liability	-	(460,000)	—	—
Fair value — warrant liability	-	(2,000)	—	—
All other (expense)/income -net	(372)	(1,435)	836	1,454
Loss before income taxes	(11,067)	(507,813)	(24,790)	(57,710)
Income tax benefit	-	1,975	1,470	929
Net loss	\$ (11,067)	\$ (505,838)	\$ (23,320)	\$ (56,781)
Net loss per basic and diluted common share *	\$ (0.61)	\$ (455.09)	\$ (39.36)	\$ (125.88)
Common shares used in computing net loss per basic and diluted share *	17,999	1,112	592	451

\* all figures have been retroactively adjusted to reflect a 1-for-50 reverse stock split effected in June 2009

	March 31, 2009 as adjusted for April 2009 financing and this financing (unaudited)		March 31, 2009 as adjusted for April 2009 financing and this financing (unaudited)		March 31, 2009 as adjusted for the April 2009 financing (unaudited)		March 31, 2009 as adjusted for the April 2009 financing (unaudited)		December 31, 2008 as adjusted for the April 2009 financing (unaudited)	
Balance Sheet Data (in thousands except per share amounts):										
Cash and cash equivalents	\$ 15,043	\$ 8,648	\$ 6,148	\$ 598	\$ 4,908	\$ 4,908	\$ 4,908	\$ 4,908	\$ 4,908	\$ 4,908



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Working capital (deficiency)	4,935	(1,460)	(3,960)	(9,510)	(5,220)
Total assets	21,582	15,187	12,687	7,137	12,693
Total stockholders' equity/(deficit)	464	(1,636)	(4,635)	(10,585)	(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. 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 additional funds.

On June 9, 2008, we placed \$20 million of senior secured convertible notes, or the 2008 Notes, with certain institutional and accredited investors. The 2008 Notes bear interest at an annual rate of 15% payable at quarterly intervals in other senior secured convertible promissory notes to the holder, and are presently convertible into shares of Genta common stock at a conversion rate of 10,000 shares of common stock for every \$1,000.00 of principal. Certain members of our senior management participated in this offering. The 2008 Notes are secured by a first lien on all of our assets.

On April 2, 2009, we entered into a securities purchase agreement with certain accredited institutional investors to place up to \$12 million of senior secured convertible notes, or the April 2009 Notes, and corresponding warrants to purchase common stock. We closed on approximately \$6 million of such notes and warrants on April 2, 2009. The April 2009 Notes bear interest at an annual rate of 8% payable semi-annually in other senior secured convertible promissory notes to the holder, and will be convertible into shares of our common stock at a conversion rate of 10,000 shares of common stock for every \$1,000.00 of principal amount outstanding.

On July 7, 2009, we entered into a securities purchase agreement with certain accredited institutional investors to place up to \$10 million in aggregate principal amount of units consisting of (i) 70% unsecured subordinated convertible notes, or the July 2009 Notes, and (ii) 30% common stock, or the July 2009 financing. In connection with the sale of the units, we also issued to the investors two-year warrants to purchase common stock in an amount equal to 25% of the number of shares of common stock issuable upon conversion of the July 2009 Notes purchased by each investor. We closed on approximately \$3 million of such July 2009 Notes, common stock and warrants on July 7, 2009.

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.

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;

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- cease operations; or
- declare bankruptcy.

Presently, with no further financing, management projects that we will run out of funds in August 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.

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 NDA for Genasense® plus chemotherapy in patients with relapsed or refractory CLL was also unsuccessful.

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 outcomes 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 U.S. 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.

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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.

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 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 March 31, 2009, we have incurred a cumulative net deficit of \$955.2 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 in the event of approval the product is commercially unsuccessful, then 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.

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

Genta's 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. 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;
- 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.

Between 2004 and 2007, we reported that randomized trials of Genasense® in patients with myeloma, acute myeloid leukemia, (AML), hormone-refractory prostate cancer, 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.

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:

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- 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 to 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 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® (if it obtains 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 and taxanes, 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.

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 to 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.

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.

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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.

#### Risks Related to Outstanding Litigation

The outcome of and costs relating to pending litigation are uncertain.

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.

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 alleged 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. We filed a motion to dismiss on December 29, 2008. On March 20, 2009, our motion to dismiss was granted, and on April 30, 2009, the plaintiffs filed a notice of appeal with the Appellate Division. On May 13, 2009, the plaintiffs filed a motion for relief from judgment based on a claim of new evidence, which was denied on June 12, 2009. The plaintiffs also asked the Appellate Division for a temporary remand to permit the Superior Court judge to resolve the issues of the new evidence plaintiffs sought to raise. By order dated June 25, 2009, and filed on July 6, 2009, the Appellate Division granted the motion for temporary remand, and directed the issues on remand to be resolved in 30 days. A hearing on the plaintiff's motion is scheduled for Friday, July 31, 2009.

#### 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.

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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 competitors, including litigation;
  - fluctuations in our operating results; and
- market conditions for biopharmaceutical stocks in general.

At March 31, 2009, our outstanding convertible notes were convertible into 106 million shares of common stock. On April 2, 2009 we sold additional notes and warrants, convertible into 78 million shares of common stock. On July 7, 2009, we sold approximately \$3 million of notes, common stock and warrants. 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 9, 2008, we placed \$20 million of senior secured convertible notes, or the 2008 Notes, with certain institutional and accredited investors. The 2008 Notes bear interest at an annual rate of 15% payable at quarterly intervals in other senior secured convertible promissory notes to the holder, and are presently convertible, after adjusting for the April 2009 note offering and the 1:50 reverse stock split, into shares of our common stock at a conversion rate of 10,000 shares of common stock for every \$1,000.00 of principal. Certain members of our senior management participated in this offering. The 2008 Notes are secured by a first lien on all of our assets. At June 30,

2009, our outstanding 2008 Notes were convertible into approximately 28.3 million shares of our common stock.

On April 2, 2009, we entered into a securities purchase agreement with certain accredited institutional investors to place up to \$12 million of senior secured convertible notes, or the April 2009 Notes, and corresponding warrants to purchase common stock. We closed on approximately \$6 million of such notes and warrants on April 2, 2009. The April 2009 Notes bear interest at an annual rate of 8% payable semi-annually in other senior secured convertible promissory notes to the holder, and will be convertible into shares of our common stock at a conversion rate of 10,000 shares of common stock for every \$1,000.00 of principal amount outstanding, adjusting for the 1:50 reverse stock split. The April 2009 Notes are secured by a first lien on all of our assets. At June 30, 2009, our outstanding April 2009 Notes were convertible into approximately 59.5 million shares of our common stock.

On July 7, 2009, we entered into a securities purchase agreement with certain accredited institutional investors to place up to \$10 million in aggregate principal amount of units consisting of (i) 70% unsecured subordinated convertible notes, or the July 2009 Notes, and (ii) 30% common stock. In connection with the sale of the units, we also issued to the investors two-year warrants to purchase common stock in an amount equal to 25% of the number of shares of common stock issuable upon conversion of the July 2009 Notes purchased by each investor. We closed on approximately \$3 million of such July 2009 Notes, common stock and warrants on July 7, 2009.

The conversion of some or all of our notes 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.

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 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 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 March 31, 2009, we had a face amount of debt outstanding of \$10.7 million, consisting solely of 2008 Notes. As adjusted to give effect to the \$6.0 million face value of our April 2009 Notes, our July 7, 2009 financing of \$2.1 million in convertible notes and this offering of \$4.9 million of convertible notes, the face value of our outstanding debt on March 31, 2009 would be approximately \$23.7 million. As of June 30, 2009, we had a face amount of debt outstanding of \$8.8 million, consisting of the face value of April 2009 Notes of \$6.0 million and the face value of 2008 Notes of \$2.8 million. As adjusted to give effect to the July 7, 2009 financing of \$2.1 million in convertible notes and this offering of \$4.9 million of convertible notes, we would have had approximately \$15.8 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 August 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;
- 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 and April 2009 Notes are secured by a first priority lien on our assets and the July 2009 Notes and August 2009 Notes are unsecured. 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 and warrants 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 August 2009 Notes, August 2009 Shares and warrants and a lack of liquidity in the market, if any, for the August 2009 Notes and August 2009 Shares. 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 August 2009 Notes

and assigns a rating that is below the expectations of investors, or lowers its or their rating(s) of the August 2009 Notes, the price of the notes would likely decline.



Declines in the market price of our common stock may depress the trading price of the August 2009 Notes and warrants.

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 July 14, 2009, the trading price of our common stock on the OTC Bulletin Board has ranged from a low of \$0.13 per share to a high of \$37.45 per share. Because the August 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 August 2009 Notes and warrants. The risk of depressed prices of our common stock also applies to holders who receive shares of common stock upon conversion of their August 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 August 2009 Notes and warrants and the price of our common stock issued upon conversion of the August 2009 Notes and exercise of the warrants.

The conversion rate of the August 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 August 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 at a price above the current conversion price 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 August 2009 Notes, upon payment of interest in shares of our common stock or upon exercise of the warrants because the August 2009 Notes and warrants contain a cap on the shares we may issue to any holder.

You will not be entitled to convert the August 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 (in the case of the warrants) and more than 9.999% of the shares of our common stock outstanding at such time (in the case of the August 2009 Notes). 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 have the ability to pay principal or interest on the August 2009 Notes when due.

The August 2009 Notes mature on August [ ], 2011 and bear interest payable semi-annually at a rate of 8.00% 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 August 2009 Notes. If we fail to pay principal or interest on the August 2009 Notes when due, we will be in default under the indenture governing the August 2009 Notes.

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

The indenture for the August 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 August 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 August 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 August 2009 Notes and warrants 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 August 2009 Notes and warrants.

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

The August 2009 Notes and warrants are a new issue of securities for which there is currently no public market. We do not intend to list the August 2009 Notes and warrants on any national securities exchange. An active trading market is not expected to develop for the August 2009 Notes and warrants. Even if a trading market for the August

2009 Notes and warrants develops, the market may not be liquid. If an active trading market does not develop, you may be unable to resell your August 2009 Notes and warrants or may only be able to sell them at a substantial discount.

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Future issuances of common stock and hedging activities may depress the trading price of our common stock and the August 2009 Notes and warrants.

Any issuance of equity securities by us after this offering, including the issuance of shares upon conversion of the August 2009 Notes and warrants, could dilute the interests of our existing stockholders, including holders who have received shares upon conversion of their August 2009 Notes or exercise of the warrants, and could substantially decrease the trading price of our common stock and the August 2009 Notes and warrants. 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. 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 August 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 August 2009 Notes prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the August 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.

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

We do not intend to seek a rating of the August 2009 Notes. However, if a rating agency rates the August 2009 Notes, it may assign a rating that is lower than investors' expectations. Ratings agencies also may lower ratings on the August 2009 Notes in the future. If rating agencies assign a lower-than-expected rating to the August 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 August 2009 Notes could significantly decline, the liquidity of any market for the August 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 August 2009 Notes due to developments that are beyond our control. We cannot assure you that any ratings on the August 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 August 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 August 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 August 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 August 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.

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 August 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 August 2009 Notes.

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 fees and expenses will comprise approximately 12% 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 five million dollars, our fees and expenses will comprise approximately 10% of the aggregate offering proceeds. 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 March 31, 2009 adjusted for our April 2009 Notes and our July 7, 2009 financing, investors purchasing common stock in this offering will incur immediate dilution of \$(0.29) per share, based on the assumed offering price of \$0.10 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.



## 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 statements and 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 above. Before you invest in our common stock, you should be aware that the occurrence of any of the events described under "Risk Factors" 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.



## USE OF PROCEEDS

We estimate that the net proceeds to us from our sale of up to \$7.0 million of an aggregate principal amount of units, consisting of convertible notes in an aggregate principal amount of \$4.9 million, common stock in an aggregate principal amount of \$2.1 million and warrants to purchase 12,250,000 shares of our common stock in this offering will be approximately \$6.3 million, assuming a public offering price of our common stock of \$0.10 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 of our common stock sold as part of the Units offered hereby would increase or decrease, respectively, the net proceeds to us by approximately \$1.3 million, assuming the aggregate principal amount of convertible notes 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, tasetaxel 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.

