GENTA INCORPORATED /DE/
Form 10-Q
August 14, 2001

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

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended June 30, 2001

OR

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

Commission File Number 0-19635

GENTA INCORPORATED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CERTIFICATE OF INCORPORATION)

Delaware	33-0326866
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
Two Oak Way Berkeley Heights, New Jersey (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	07922 (ZIP CODE)

(908) 286-9800
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of August 7, 2001, the registrant had 54,523,330 shares of common stock outstanding.

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GENTA INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)	JUNE 30, 2001 (UNAUDITED)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 9,906
Short term investments	27,695
Accounts receivable	12
Notes receivable	200
Prepaid expenses	931
Total current assets	38,744
Property and equipment, net	1,023
Intangibles, net	2,524
Restricted cash relating to office lease	247
Deposits and other assets	--
Prepaid royalties	1,268
Total assets	$ 43,806
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	

Accounts payable	$ 3,594
Accrued compensation	150
Other accrued expenses	489
Liabilities of liquidated foreign subsidiary, net	575
Total current liabilities	4,808
Stockholders' equity:	
Preferred stock, Series A convertible preferred stock, $.001 par value; 5,000 shares authorized, 261 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively; liquidation value of $13,060	--
Common stock, $.001 par value; 95,000 shares authorized, 54,013 and 51,085 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	54
Additional paid-in capital	210,621
Accumulated deficit	(170,310)
Deferred compensation	(1,492)
Accumulated other comprehensive income	125
Total stockholders' equity	38,998
Total liabilities and stockholders' equity	$ 43,806

See accompanying notes to condensed consolidated financial statements.

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GENTA INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)	THREE MONTHS ENDED JUNE 30, 2001	2000	SIX MONTHS 2001
Revenues:			
License fees	$ --	$ --	$ 70
Royalty fees	12	--	12
	12	--	82
Costs and expenses:			
Research and development	9,318	2,048	14,974
General and administrative	1,811	977	3,184
Promega settlement	--	--	1,000
Compensation expense related to stock options	243	66	394
	11,372	3,091	19,552
Loss from operations	(11,360)	(3,091)	(19,470)
Equity in net income of joint venture	--	--	--
Other income, principally net interest income	457	152	1,108
Net loss	(10,903)	(2,939)	(18,362)

Preferred stock dividends	--	--	--
Net loss applicable to common shares	$(10,903)	$ (2,939)	$(18,362)
Net loss per common share	$ (0.21)	$ (0.09)	$ (0.35)
Shares used in computing net loss per common share	52,924	33,373	52,100

See accompanying notes to condensed consolidated financial statements.

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GENTA INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	SIX MONTHS ENDED JUNE 30 2001	2000
OPERATING ACTIVITIES		
Net loss	$(18,362)	$(11,676
Items reflected in net loss not requiring cash:		
Depreciation and amortization	518	166
Loss on disposal of fixed assets	9	--
Loss on Promega settlement	1,000	--
Compensation expense related to stock options	394	8,057
Changes in operating assets and liabilities	1,182	(100
Net cash used in operating activities	(15,259)	(3,553
INVESTING ACTIVITIES		
Purchase of available-for-sale short-term investments	(11,304)	(2,296
Maturities and sales of available-for-sale short-term investments	14,468	1,018
Purchase of property and equipment	(392)	(20
Principal payments received on notes receivable	--	80
Purchase of intangibles	--	(400
Net cash provided by (used in) investing activities	2,772	(1,618
FINANCING ACTIVITIES		
Issuance of common stock upon exercise of warrants and options	3,368	1,970
Net cash provided by financing activities	3,368	1,970
Decrease in cash and cash equivalents	(9,119)	(3,201
Cash and cash equivalents at beginning of period	19,025	10,101
Cash and cash equivalents at end of period	$ 9,906	$ 6,900
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ --	$ 5
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND		

FINANCING ACTIVITIES:		
Market value change of available-for-sale equity securities	(3)	--
Market value change of available-for-sale short-term investments	(33)	--
Common stock issued in payment of hiring bonus	50	--
Common stock issued in payment of dividends on preferred stock	--	953
Common stock issued in payment of patent portfolios	--	2,484
Preferred stock dividends accrued	--	3,443

See accompanying notes to condensed consolidated financial statements.

GENTA INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001
(UNAUDITED)

(1) BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements of Genta Incorporated, a Delaware corporation ("Genta" or the "Company"), presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and note disclosures required to be presented for complete financial statements. The accompanying financial statements reflect all adjustments (consisting only of normal recurring accruals), which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented.

The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the interim financial information have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 Form 10-K").

The Company has experienced significant quarterly fluctuations in operating results and it expects that these fluctuations will continue.

Net Loss Per Common Share

Basic and diluted loss per common share are identical for the three and six months ended June 30, 2000 and 2001 as potentially dilutive securities, including options, warrants and convertible preferred stock have been excluded in the calculation of the net loss per common share due to their anti-dilutive effect.

Recent Accounting Pronouncements

The Company implemented SFAS 133 "Accounting for Derivative Instruments and Hedging Activities," as amended, on January 1, 2001 and did not have any derivative instruments that resulted in a transition adjustment.

In June, 2001, the Financial Accounting Standards Board approved for issuance Statement of Financial Accounting Standards 141 (SFAS 141), "Business Combinations". This standard eliminated the pooling method of accounting for

business combinations initiated after June 30, 2001. The Company intends to adopt the provisions of SFAS 141 as of the effective date but does not expect SFAS 141 to have a material effect on the Company's financial position or results of operations.

Also in June 2001, the Financial Accounting Standards Board issued SFAS 142, "Goodwill and Other Intangible Assets". SFAS 142 requires periodic evaluation of goodwill and indefinite lived intangible assets for impairment and discontinues amortization of such intangibles. SFAS 142 will be effective for fiscal years beginning after December 15, 2001 and the Company intends to adopt the provisions of SFAS 142 as of the effective date. The impact of this pronouncement on the Company's financial position and results of operations is currently being evaluated.

(2) DISCONTINUED OPERATIONS

On March 19, 1999, the Company entered into an agreement (the "JBL Agreement") with Promega Corporation ("Promega") whereby a wholly-owned subsidiary of Promega acquired substantially all of the assets and assumed certain liabilities of JBL Scientific, Inc. ("JBL"), a Genta wholly-owned subsidiary. Consideration for this transaction

consisted of approximately $4.8 million in cash, a 7% promissory note for $1.2 million, and certain pharmaceutical development services in support of the Company's development activities. The transaction was completed on May 10, 1999 and the Company recognized $1.6 million as gain on sale of discontinued operations.

During May 2000, Promega notified Genta regarding two claims against Genta and its wholly-owned subsidiary, Genko Scientific, Inc. (f/k/a JBL Scientific, Inc.) ("Genko"), for indemnifiable damages in the aggregate amount of $2.82 million under the JBL Agreement. Promega announced that it intended to offset against the principal amount due under its $1.2 million promissory note issued as partial consideration for the Genko assets, which note provided for payment of $.7 million on June 30, 2000. Promega further demanded an additional $1.62 million in settlement of this matter. Genta believed that Promega's claims were without merit and, accordingly, on October 16, 2000, Genta filed suit in the US District Court of California for nonpayment on the $1.2 million promissory note plus accrued interest. On November 6, 2000, Promega filed a counter suit against the Company in the US District Court of California for the indemnifiable damages discussed above. During the first quarter of 2001, the Company agreed to resolve the matter with Promega and, in connection therewith, agreed to restructure its $1.2 million promissory note receivable to provide for a $.2 million non-interest bearing note due upon final resolution of certain environmental issues related to JBL as more fully discussed in Note 6, and forgive all accrued interest. The transaction resulted in a non-recurring charge of $1.0 million for the quarter ended March 31, 2001.

In connection with the JBL Agreement, .25 million stock options to purchase Genta common stock (the "Options") were granted to the former employees of JBL pursuant to an ongoing service arrangement between Promega and the Company. The Options were accounted for pursuant to guidelines in Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," and EITF 96-18 using the Black-Scholes option pricing model, had an exercise price of $2.03 per share, a one-year vesting period and an expiration date two years after the date of grant. The estimated fair value of the Options was based on services provided and aggregated $1.7 million as of June 30, 2000. Fluctuations in the market price of the common stock underlying

the Options resulted in a charge of $.948 million to compensation expense related to stock options for the six months ended June 30, 2000. The Options were fully vested on May 9, 2000 and, accordingly, no additional compensation expense related to stock options has been recognized for the six months ended June 30, 2001.

(3) SHORT-TERM INVESTMENTS

All corporate debt securities at June 30, 2001, mature within one year or less. Information in the aggregate with respect to these investments is presented below (in thousands):

Amortized costs	Gross unrealized gains	Gross unrealized losses	Estimated fair value
$ 27,570	$ 163	$ 38	$ 27,695

(4) EQUITY IN NET INCOME OF JOINT VENTURE (GENTA JAGO)

Genta Jago Technologies B.V. ("Genta Jago") is a joint venture formed by Skyepharma PLC and Genta. On March 4, 1999, SkyePharma PLC (on behalf of itself and its affiliates) entered into an interim agreement with Genta (the "Interim JV Agreement") pursuant to which the parties to the joint venture released each other from all liability relating to unpaid development costs and funding obligations of Genta Jago. Under the terms of the Interim JV Agreement, SkyePharma PLC assumed responsibility for substantially all the obligations of the joint venture to third parties as well as further development of the product line. Pursuant to the terms of the agreement, earnings of the joint venture are to be allocated equally between the two parties. Accordingly, Genta recognized $.502 million as its equity in net income of the joint venture during the first quarter of 2000. Since the first quarter of 2000, there have been no earnings of the joint venture to be allocated between the two parties.

(5) COMPREHENSIVE LOSS

The following sets forth the calculation of comprehensive loss for the respective periods presented below:

(In thousands)	Three Months Ended June 30,		Six Months Ended June	
	2001	2000	2001	200
Net loss	(10,903)	(2,939)	(18,362)	(11,
Unrealized (loss) gain on market value change on available-for-sale short-term investments	(35)	--	91	
Total comprehensive loss	$(10,938)	$ (2,939)	$(18,271)	$(11,

(6) COMMITMENTS AND CONTINGENCIES

LITIGATION

In October 1996, JBL retained a chemical consulting firm to advise it with respect to an incident of soil and groundwater contamination (the "Spill"). Sampling conducted at the JBL facility revealed the presence of chloroform and perchloroethylenes ("PCEs") in the soil and groundwater at this site. A semi-annual groundwater-monitoring program is being conducted, under the supervision of the California Regional Water Quality Control Board ("the Board") for the purpose of determining whether the levels of chloroform and PCEs have decreased over time. The results of the latest sampling conducted by JBL shows that PCEs and chloroform have decreased in all but one of the monitoring sites. Accordingly, in April 2001, the Company requested closure of this matter from the Board as the current sampling results indicate that PCEs and chloroform have decreased in all of the monitoring sites. The Company has agreed to indemnify Promega with respect to this matter and, in the opinion of management, has adequately accrued to cover remedial expenses as of June 30, 2001. Management also believes that any residual expense stemming from further investigation or remediation of this matter will not have a material adverse effect on the business of the Company, although there can be no assurance thereof.

JBL received notice on October 16, 1998 from Region IX of the Environmental Protection Agency (the "EPA") that it had been identified as a potentially responsible party ("PRP") at the Casmalia Disposal Site located in Santa Barbara, California. The EPA has designated JBL as a de minimis PRP and the Company expects to receive a revised settlement proposal from the EPA later this year. While the terms of the EPA settlement have not been finalized, management believes that such terms shall provide for standard contribution protection and release provisions. The Company has agreed to indemnify Promega with respect to this matter and management believes that any residual expense stemming from further investigation or remediation of this matter will not have a material adverse effect on the business of the Company, although there can be no assurance thereof.

During 1995, Genta Pharmaceuticals Europe S.A. ("Genta Europe"), a wholly-owned subsidiary of the Company, received funding in the form of a loan from L'Agence Nationale de Valorisayion de la Recherche ("ANVAR"), a French government agency, in the amount of FF5.4 million (or $.7 million at June 30, 2001) with a scheduled maturity of December 31, 2002. The utilization of the proceeds was intended to fund research and development activities pursuant to an agreement between ANVAR, Genta Europe and Genta (the "ANVAR Agreement"). In October 1996, in connection with a restructuring of the Company's operations, Genta terminated all scientific personnel of Genta Europe. ANVAR asserted in February 1998 that Genta Europe was not in compliance with the ANVAR Agreement, and that ANVAR might request immediate repayment of the loan. In July 1998, ANVAR notified Genta Europe of its demand for accelerated repayment of the loan in the amount of FF4.2 million (or $.54 million at June 30, 2001) and subsequently notified the Company that it was liable as a guarantor on the note. The Company does not believe that ANVAR is entitled to accelerated repayment under the terms of the ANVAR Agreement and it is currently negotiating with ANVAR to achieve a mutually satisfactory resolution, although there can be no assurance thereof.

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On June 30, 1998, Marseille Amenagement, a company affiliated with the city of Marseilles, France, filed suit in France to evict Genta Europe from its facilities in Marseilles and to demand payment of alleged back rent due and of a lease guarantee for nine years' rent. Following the filing of this claim and in consideration of the request for repayment of the loan from ANVAR, Genta

Europe's Board of Directors directed the management to declare a "Cessation of Payment." Under this procedure, Genta Europe ceased any operations and terminated its only employee. A liquidator was appointed by the Court to take control of any assets of Genta Europe and to make payment to creditors. In December 1998, the Court in Marseilles dismissed the case against Genta Europe and indicated that it had no jurisdiction against Genta Incorporated. In August 1999, Marseille Amenagement instituted legal proceedings against the Company in the Commercial Court of Marseilles, alleging back rent and early termination receivables aggregating FF2.5 million or $.3 million at June 30, 2001. A court hearing took place on June 11, 2001 but no ruling is expected prior to September 2001. As of June 30, 2001, the Company has accrued a net liability of approximately $.58 million related to the liquidated subsidiary. Management believes that this contingency is adequately reserved, although there can be no assurance thereof.

PURCHASE COMMITMENTS

During 2001 the Company entered into various commitments with respect to the development and manufacture of certain Gallium-containing compounds and as a result incurred R&D expense of $.34 million related to these commitments through June 30, 2001. The Company has remaining commitments under these agreements aggregating $.89 million as of June 30, 2001.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Since its inception in February 1988, the Company has devoted its principal efforts toward drug discovery and research and development. The Company has been unprofitable to date and expects to incur substantial operating losses for the next several years due to continued requirements for ongoing research and development activities, preclinical and clinical testing activities, regulatory activities, possible establishment of manufacturing activities and a sales and marketing organization. From the period since its inception to June 30, 2001, the Company has incurred a cumulative net loss of approximately $170.3 million. The Company has experienced significant quarterly fluctuations in operating results and it expects that these fluctuations in revenues, expenses and losses will continue.

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the expectations, beliefs, intentions or strategies regarding the future. Without limiting the foregoing, the words "anticipates," "believes," "expects," "intends," "may" and "plans" and similar expressions are intended to identify forward-looking statements. The Company intends that all forward-looking statements be subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the Company's views as of the date they are made with respect to future events, but are subject to many risks and uncertainties, which could cause the actual results of the Company to differ materially from any future results expressed or implied by such forward-looking statements. For example, the results obtained in pre-clinical or clinical studies may not be indicative of results that will be obtained in future clinical trials, and delays in the initiation or completion of clinical trials may occur as a result of many factors. Further examples of such risks and uncertainties also include, but are

not limited to: the obtaining of sufficient financing to maintain the Company's planned operations; timely development, receipt of necessary regulatory approvals, and acceptance of new products; the successful application of the Company's technology to produce new products; the obtaining of proprietary protection for any such technology and products; the impact of competitive products and pricing and reimbursement policies; and changing market conditions. Additional risks and uncertainties are set forth under "Certain Trends and Uncertainties". The Company does not undertake to update forward- looking statements. Although the Company believes that the forward-looking statements contained herein are reasonable, it can give no assurances that the Company's expectations are correct.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2001 AND 2000

REVENUES. Royalty fees associated with worldwide non-exclusive license agreements entered into during 2000 and 2001 were recognized in the second quarter of 2001. No such agreements were in place during the first quarter of 2000.

COSTS AND EXPENSES. Costs and expenses for the second quarter of 2001 increased 268% to $11.372 million as compared to the second quarter of 2000. The increase in costs and expenses related mainly to increased drug supply costs, investigator and monitor fees for current on-going clinical studies, increased payroll costs associated with additional headcount along and increased marketing expenses.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses for the second quarter of 2001 increased 355% to $9.318 million as compared to the second quarter of 2000. The increase in research and development expenses is primarily attributable to drug supply costs, investigator and monitor fees for current on-going clinical studies, and increased payroll costs associated with additional headcount.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for the second quarter of 2001 increased 85% to $1.811 million as compared to the second quarter of 2000. The increase in general and administrative expenses is primarily related to payroll costs associated with additional headcount and increased marketing expenses.

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COMPENSATION EXPENSE RELATED TO STOCK OPTIONS. Compensation expense related to stock options for the second quarter of 2001 increased 268% to $.243 million as compared to the second quarter of 2000. The increase in compensation expense related to stock options is primarily due to the fluctuations in the market price of the common stock underlying the stock options for the quarters immediately preceding June 30, 2001 and June 20, 2000.

OTHER INCOME. Net interest income increased 201% to $.457 million for the quarter ended June 30, 2001 as compared to the comparable prior period, principally as a result of higher average balances of earning assets.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000

REVENUES. License and royalty fees associated with worldwide non-exclusive license agreements entered into during 2000 and 2001 were recognized in the first six months of 2001, including an upfront cash payment. There were no such agreements in effect during the first half of 2000.

COSTS AND EXPENSES. Costs and expenses for the first six months of 2001

increased 57% to $19.552 million as compared to the first six months of 2000. The increase in costs and expenses related mainly to increased drug supply costs, investigator and monitor fees for current on-going clinical studies, increased payroll costs associated with additional headcount and increased marketing expenses.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses for first six months of 2001 increased 486% to $14.974 million the first six months of 2000. The increase in research and development expenses is primarily attributable to drug supply costs, investigator and monitor fees for current on-going clinical studies, and increased payroll costs associated with additional headcount.

As a result of the initiation of Phase 3 clinical trials for melanoma, chronic lymphocytic leukemia (CLL) and multiple myeloma, it is anticipated that future research and development expenses will continue to escalate at an increasing rate as the development program for Genasense(TM) expands and more patients are enrolled in clinical trials. Furthermore, the Company is pursuing other opportunities for new product development candidates which pursuits, if successful, will require additional research and development expenses. There can be no assurance that the trials will proceed in this manner or that the Company will initiate new development programs. Ongoing Phase 3 clinical trials and related drug supply costs were minimal in the six months ended June 30, 2000.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for first six months of 2001 increased 74% to $3.184 million as compared to the first six months of 2000. The increase is primarily related to payroll costs associated with additional headcount and increased marketing expenses.

PROMEGA SETTLEMENT. During the first quarter of 2001, the Company agreed to resolve the matter more fully discussed in Note 2, and in connection therewith, the Company agreed to restructure its $1.2 million promissory note receivable to provide for a $.2 million non-interest bearing note due upon final resolution of certain environmental issues related to JBL as more fully discussed in Note 6, and forgiveness of all accrued interest. The transaction resulted in a non-recurring charge of $1.0 million for the quarter ended March 31, 2001.

COMPENSATION EXPENSE RELATED TO STOCK OPTIONS. Compensation expense related to stock options for first six months decreased 95% to $.394 million as compared to the first six months of 2000. The decrease in compensation expense related to stock options is primarily attributable to the acceleration of stock options for retiring Board members in the first quarter of 2000.

EQUITY IN NET INCOME OF JOINT VENTURE. Genta recognized approximately $.502 million as its equity in net income of the joint venture for the six months ended June 30, 2000, as more fully discussed in Note 4.

OTHER INCOME. Net interest income increased 321% to $1.108 million for the first six months of 2001 as compared to the comparable prior period, principally as a result of higher average balances of earning assets.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has financed its operations primarily from private and public offerings of its equity securities. Cumulative cash provided from these offerings totaled approximately $176 million through June 30, 2001, including net proceeds of $40.0 million received in 2000 and $10.4 million received in 1999. At June 30, 2001, the Company had cash, cash equivalents and

short-term investments totaling $37.6 million compared to approximately $50.2 million at December 31, 2000. Management believes the Company will have sufficient liquidity to maintain its present level of operations into the second quarter of 2002.

The Company's principal expenditures relate to its research and development activities, which includes the Company's current and on-going clinical trials. The Company expects this to continue at an increasing rate until its lead anti-cancer drug, Genasense(TM), is approved for commercialization.

Certain parties with whom the Company has agreements have claimed default and, should the Company be obligated to pay these claims or should the Company engage legal services to defend or negotiate its positions or both, its ability to continue operations could be significantly reduced or shortened. See "MD&A -- Certain Trends and Uncertainties -- Claims of Genta's Default Under Various Agreements."

The Company anticipates that significant additional sources of financing, including equity financing, will be required in order for the Company to continue its planned operations beyond the second quarter of 2002. The Company also anticipates seeking additional product development opportunities from external sources. Such acquisitions may consume cash reserves or require additional cash or equity. The Company's working capital and additional funding requirements will depend upon numerous factors, including: (i) the progress of the Company's research and development programs; (ii) the timing and results of preclinical testing and clinical trials; (iii) the level of resources that the Company devotes to sales and marketing capabilities; (iv) technological advances; (v) the activities of competitors; and (vi) the ability of the Company to establish and maintain collaborative arrangements with others to fund certain research and development efforts, to conduct clinical trials, to obtain regulatory approvals and, if such approvals are obtained, to manufacture and market products. See "MD&A -- Certain Trends and Uncertainties -- Our Business Will Suffer if We Fail to Obtain Timely Funding."

Management believes that successful development of the Company's Gallium products franchise may yield substantial clinical and competitive advantages. Accordingly, during 2001 the Company entered into various commitments with respect to the development and manufacture of certain Gallium-containing compounds and as a result incurred R&D expense of $.34 million related to these commitments through June 30, 2001. The Company has remaining commitments under these agreements aggregating $.89 million as of June 30, 2001.

If the Company successfully secures sufficient levels of collaborative revenues and other sources of financing, it expects to use such financing to continue and expand its ongoing research and development activities, preclinical and clinical testing activities, the manufacturing and/or market introduction of potential products and expansion of its administrative activities.

CERTAIN TRENDS AND UNCERTAINTIES

In addition to the other information contained in this Quarterly Report on Form 10-Q, the following factors should be considered carefully.

The Company may be unsuccessful in our efforts to commercialize our pharmaceutical products, such as Ganite(TM) and Genasense(TM).

The commercialization of our pharmaceutical products involves a number of significant challenges. In particular, our ability to commercialize products, such as Ganite(TM) and Genasense(TM), depends, in large part, on the success of our clinical development programs, and our sales and marketing efforts to physicians, patients and third-party

payors. A number of factors could impact these efforts, including our ability to demonstrate clinically that our products have utility beyond current indications, delays by regulatory authorities in granting marketing approvals, our limited financial resources and sales and marketing experience relative to our competitors, perceived differences between our products and those of our competitors, the availability and level of reimbursement of our products by third-party payors, incidents of adverse reactions, side effects or misuse of our products and the unfavorable publicity that could result, or the occurrence of manufacturing, supply or distribution disruptions. In particular, the Company has said that it intends to be a direct marketer of its products in the United States. Our inability to build a sales force capable of marketing our pharmaceutical products will adversely affect our sales and limit the commercial success of our products.

Ultimately, our efforts may not prove to be as effective as the efforts of our competitors. In the United States and elsewhere, our products face significant competition in the marketplace. The conditions that our products treat, 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, 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 related health care benefits to the patient. Even if we are able to increase sales over the next several years, we cannot be sure that such sales and other revenue will reach a level at which we will attain profitability.

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

Our Company's operations to date have consumed substantial amounts of cash. Based on our current operating plan, we believe that our available resources, including the proceeds from two private offerings in September and November 2000, will be adequate to satisfy our capital needs into the second quarter of 2002. Our future capital requirements will depend on the results of our research and development activities, pre-clinical studies and bioequivalence and clinical trials, competitive and technological advances, and regulatory processes of the FDA and other regulatory authority. In order to commercialize our products, we will need to raise additional financing. We may seek additional financing through public and private resources, including debt or equity financing, or through collaborative or other arrangements with research institutions and corporate partners. We may not be able to obtain adequate funds for our operations from these sources when needed or on acceptable terms. If we raise additional capital by issuing equity, or securities convertible into equity, the ownership interest of existing Genta stockholders will be subject to further dilution and share prices may decline. If we are unable to raise additional financing, we will need to do the following:

- delay, scale back or eliminate some or all of our research and product development programs;
- license third parties to commercialize products or technologies that we would otherwise seek to develop ourselves;
- sell Genta to a third party;
- to cease operations; or
- declare bankruptcy.

Many of our products are in an early stage of development.

Most of our resources have been dedicated to applying molecular biology and medicinal chemistry to the research and development of potential antisense pharmaceutical products based upon oligonucleotide technology. While we have demonstrated the activity of antisense oligonucleotide technology in model systems in vitro in animals, only one of these potential antisense oligonucleotide products, Genasense(TM), has been tested in humans. 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.

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Clinical trials are costly and time consuming and are subject to delays.

Clinical trials are very costly and time-consuming. How quickly we are able to complete a clinical study depends upon several factors, including the size of the patient population, how easily patients can get to the site of the clinical study, and the criteria for determining which patients are eligible to join the study. Delays in patient enrollment could delay completion of a clinical study and increase its costs, and could also delay the commercial sale of the drug that is the subject of the clinical trial.

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

- inability to obtain sufficient quantities of materials used for 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.

We cannot market and sell our products in the United States or in other countries if we fail to obtain the necessary regulatory approvals.

The United States Food and Drug Administration and comparable agencies in foreign countries impose substantial premarket approval requirements on the introduction of pharmaceutical products through lengthy and detailed preclinical and clinical testing procedures 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. While limited trials of our products have produced favorable results, we cannot apply for FDA approval to market any of our products under development until the product successfully completes its preclinical and clinical trials. 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. If

we are not able to obtain regulatory approvals for use of our products under development, or if the patient populations for which they are approved are not sufficiently broad, the commercial success of our products could be limited.

We may be unable to obtain or enforce patents and other proprietary rights to protect our business.

Our success will depend to a large extent on our ability to (1) obtain U.S. and foreign patent or other proprietary protection for our technologies, products and processes, (2) preserve trade secrets and (3) 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 such patents are still developing. There is no consistent policy regarding the breadth of claims allowed in biotechnology patents. As a result, our ability to obtain and enforce patents that protect our drugs is highly uncertain and involves complex legal and factual questions.

We have more than 74 U.S. and international patents to aspects of our technology, which includes novel compositions of matter, methods of large-scale synthesis and methods of controlling gene expression. We may not receive any issued patents based on pending or future applications. Our issued patents may not contain claims sufficiently broad to protect us against competitors with similar technology. Additionally, our patents, our partners' patents and patents for which we have license rights may be challenged, narrowed, invalidated or circumvented. Furthermore, rights granted under our patents may not cover commercially valuable drugs or processes and may not provide us with any competitive advantage.

We may have to initiate arbitration or litigation to enforce our patent and license rights. If our competitors file patent applications that claim technology also claimed by us, we may have to participate in interference or opposition proceedings to determine the priority of invention. An adverse outcome could subject us to significant liabilities to third parties and require us to cease using the technology or to license the disputed rights from third parties. We may not be able to obtain any required licenses on commercially acceptable terms or at all.

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

We rely on our contractual collaborative arrangements with research institutions and corporate partners for development and commercialization of our products.

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

these collaborative relationships could have a material adverse effect on our business.

Similarly, strategic alliances with corporate partners, primarily pharmaceutical and biotechnology companies, may 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 alternative partners. 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 in the future may not be scientifically or commercially successful. We may be unable to negotiate advantageous strategic alliances in the future. The absence of, or failure of, strategic alliances could harm our efforts to develop and commercialize our drugs.

The raw materials for our products are produced by a limited number of suppliers.

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

The successful commercialization of our products will depend on obtaining coverage and reimbursement for use of our products from third-party payors.

Our ability to commercialize drugs successfully will depend in part on the extent to which various third parties are willing to reimburse patients for the costs of our drugs and related treatments. These third parties 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 considered ways to change, and have changed, the manner in which health care 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 medical centers having fixed budgets, regardless of levels of patient treatment, and other

countries requiring application for, and approval of, government or third-party reimbursement. Even if we or our partners 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 commercially acceptable quantities at profitable prices.

We could become involved in time-consuming and expensive patent litigation and adverse decisions in patent litigation could cause us to incur additional

costs and experience delays in bringing new drugs to market.

The pharmaceutical and biotechnology industries have been characterized by time-consuming and extremely 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, or the enforceability, validity, or scope of protection offered by our patents. Such decisions could make us liable for substantial money damages, or could bar us from the manufacture, use, or sale of certain products, resulting in additional costs and delays in bringing drugs to market. We may not have sufficient resources to bring any such proceedings to a successful conclusion. It may be that entry into a licensing arrangement would allow us to avoid any such proceedings. We may not be able, however, to enter into any such licensing arrangement on terms acceptable to us, or at all.

We also may be required to participate in interference proceedings declared by the U.S. Patent and Trademark Office and in International Trade Commission proceedings aimed at preventing the importing of drugs that would compete unfairly with our drugs. Such proceedings could cause us to incur considerable costs.

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

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. 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 purchase sufficient insurance 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 our business.

If we cease doing business and liquidate our assets, we are required to distribute proceeds to holders of our preferred stock before we distribute proceeds to holders of our common stock.

In the event of a dissolution or liquidation of Genta, holders of Genta common stock will not receive any proceeds until holders of 261,200 outstanding shares of Genta Series A preferred stock are paid a $13.1 million dollar liquidation preference.

There currently exist certain interlocking relationships and potential conflicts of interest.

Certain of our affiliates, Aries Domestic Fund, LP, Aries Domestic Fund II, LP, and Aries Trust (together the "Aries Funds"), have the contractual right, which expires January 1, 2002, to appoint a majority of the members of the Board of Directors of the Company. Paramount Capital Asset Management, Inc. ("PCAM") is the investment manager of the Aries Funds. The Aries Funds have the right to convert and exercise their securities into a significant portion of the outstanding Common Stock. Dr. Lindsay A. Rosenwald, the Chairman and sole stockholder of PCAM, is also the Chairman of Paramount Capital, Inc. and of Paramount Capital Investments LLC ("PCI"), a New York-based merchant banking and venture capital firm specializing in biotechnology companies. PCAM, PCI and its affiliates collectively control approximately 40% of the Company's Common Stock when calculated on a fully diluted basis. In the regular course of its business,

PCI identifies, evaluates and pursues investment opportunities in biomedical and pharmaceutical products, technologies and companies. Generally, the law requires that any transactions between Genta and any of its affiliates be on terms that, when taken as a whole, are substantially as favorable to us as those then reasonably obtainable

from a person who is not an affiliate in an arms-length transaction. Nevertheless, our affiliates including PCAM and PCI are not obligated pursuant to any agreement or understanding with the Company to make any additional products or technologies available to the Company, nor can there be any assurance, and we do not expect and you should not expect, that any biomedical or pharmaceutical product or technology developed by any affiliate in the future will be made available to us. In addition, some of our officers and directors of the Company or certain of any officers or directors of the Company hereafter appointed may from time to time serve as officers or directors of other biopharmaceutical or biotechnology companies. We cannot assure you that these other companies will not have interests in conflict with ours.

Concentration of ownership of our stock could lead to a delay or prevent a change of control.

Our directors, executive officers and principal stockholders and their affiliates own a significant percentage of our outstanding common stock and preferred stock. They also have, through the exercise of options and warrants, the right to acquire even more common stock and preferred stock. As a result, these stockholders, if acting together, have the ability to influence the outcome of corporate actions requiring stockholder approval. This concentration of ownership may have the effect of delaying or preventing a change in control of Genta.

Anti-takeover provisions in our certificate of incorporation and Delaware law may prevent our stockholders from receiving a premium for their shares.

Our certificate of incorporation and by-laws include provisions that could discourage takeover attempts and impede stockholders ability to change management. The approval of 66-2/3% of our voting stock is required to approve certain transactions and to take certain stockholder actions, including the amendment of the by-laws and the amendment, if any, of the anti-takeover provisions contained in our certificate of incorporation.

We anticipate that we will incur additional losses.

The Company has not been profitable to date, incurring substantial operating losses associated with ongoing research and development activities, preclinical testing, clinical trials and manufacturing activities. From the period since its inception to June 30, 2001, the Company has incurred a cumulative net loss of $170.3 million. We expect to continue to incur losses until such time as product and other revenue exceed expenses of operating our business. While we seek to attain profitability, we cannot be sure that we will ever achieve product and other revenue sufficient for us to attain this objective.

Claims of Genta's Default Under Various Agreements.

During 1995, Genta Europe, a wholly-owned subsidiary of the Company, received funding in the form of a loan from ANVAR, a French government agency, in the amount of FF5.4 million (or $.7 million at June 30, 2001) with a scheduled maturity of December 31, 2002. The utilization of the proceeds was

intended to fund research and development activities pursuant to the ANVAR Agreement. In October 1996, in connection with a restructuring of the Company's operations, Genta terminated all scientific personnel of Genta Europe. ANVAR asserted in February 1998, that Genta Europe was not in compliance with the ANVAR Agreement, and that ANVAR might request immediate repayment of the loan. In July 1998, ANVAR notified Genta Europe of its demand for accelerated repayment of the loan in the amount of FF4.2 million (or $.54 million at June 30, 2001) and subsequently notified the Company that it was liable as a guarantor on the note. The Company does not believe that ANVAR is entitled to accelerated repayment under the terms of the ANVAR Agreement and it is currently negotiating with ANVAR to achieve a mutually satisfactory resolution, although there can be no assurance thereof.

On June 30, 1998, Marseille Amenagement, a company affiliated with the city of Marseilles, France, filed suit in France to evict Genta Europe from its facilities in Marseilles and to demand payment of alleged back rent due and of a lease guarantee for nine years' rent. Following the filing of this claim and in consideration of the request for repayment of the loan from ANVAR, Genta Europe's Board of Directors directed the management to declare a "Cessation of

Payment." Under this procedure, Genta Europe ceased any operations and terminated its only employee. A liquidator was appointed by the Court to take control of any assets of Genta Europe and to make payment to creditors. In December 1998, the Court in Marseilles dismissed the case against Genta Europe and indicated that it had no jurisdiction against Genta Incorporated. In August 1999, Marseille Amenagement instituted legal proceedings against the Company in the Commercial Court of Marseilles, alleging back rent and early termination receivables aggregating FF2.5 million or $.3 million at June 30, 2001. A court hearing took place on June 11, 2001 but no ruling is expected prior to September 2001. As of June 30, 2001, the Company has accrued a net liability of approximately $.58 million related to the liquidated subsidiary. Management believes that this contingency is adequately reserved, although there can be no assurance thereof.

Dividends.

The Company has never paid cash dividends on its common stock and does not anticipate paying any such dividends in the foreseeable future. As a result of the mandatory conversion of Series D Convertible Preferred Stock in June 2000, no dividends were required to be paid beyond January 29, 2000. The Company currently intends to retain its earnings, if any, for the development of its business.

The Company is dependent on key executives and scientists.

The Company's success is highly dependent on the hiring and retention of key personnel and scientific staff. The loss of key personnel or the failure to recruit necessary additional personnel or both is likely further to impede the achievement of development objectives. There is intense competition for qualified personnel in the areas of the Company's activities, and there can be no assurance that Genta will be able to attract and retain the qualified personnel necessary for the development of its business.

Volatility of Stock Price; Market Overhang from Outstanding Convertible Securities and Warrants.

The market price of the Company's common stock, like that of the common stock of many other biopharmaceutical companies, has been highly volatile and

may be so in the future. Factors such as, among other things, the results of pre-clinical studies and clinical trials by the Company or its competitors, other evidence of the safety or efficacy of products of the Company or its competitors, announcements of technological innovations or new therapeutic products by the Company or its competitors, governmental regulation, developments in patent or other proprietary rights of the Company or its respective competitors, including litigation, fluctuations in the Company's operating results, and market conditions for biopharmaceutical stocks in general could have a significant impact on the future price of the common stock. As of August 7, 2001, the Company had 54,523,330 shares of common stock outstanding. Future sales of shares of common stock by existing stockholders, holders of preferred stock who might convert such preferred stock into common stock, and option and warrant holders also could adversely affect the market price of the common stock.

No predictions can be made of the effect that future market sales of the shares of common stock underlying the convertible securities and warrants referred to under the caption "MD&A -- Certain Trends and Uncertainties -- If we cease doing business and liquidate our assets, we are required to distribute proceeds to holders of our preferred stock before we distribute proceeds to holders of our common stock," or the availability of such securities for sale, will have on the market price of the Common Stock prevailing from time to time.

Sales of substantial amounts of Common Stock, or the perception that such sales might occur, could adversely affect prevailing market prices.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In October 1996, JBL retained a chemical consulting firm to advise it with respect to an incident of soil and groundwater contamination (the "Spill"). Sampling conducted at the JBL facility revealed the presence of chloroform and perchloroethylenes ("PCEs") in the soil and groundwater at this site. A semi-annual groundwater-monitoring program is being conducted, under the supervision of the California Regional Water Quality Control Board ("the Board") for the purpose of determining whether the levels of chloroform and PCEs have decreased over time. The results of the latest sampling conducted by JBL shows that PCEs and chloroform have decreased in all but one of the monitoring sites. Accordingly, in April 2001, the Company requested closure of this matter from the Board as the current sampling results show that PCEs and chloroform have decreased in all of the monitoring sites and is currently awaiting its decision. The Company has agreed to indemnify Promega with respect to this matter and, in the opinion of management, has adequately accrued to cover remedial expenses as of June 30, 2001. Management also believes that any residual expense stemming from further investigation or remediation of this matter will not have a material adverse effect on the business of the Company, although there can be no assurance thereof.

JBL received notice on October 16, 1998 from Region IX of the Environmental Protection Agency (the "EPA") that it had been identified as a potentially responsible party ("PRP") at the Casmalia Disposal Site located in Santa Barbara, California. The EPA has designated JBL as a de minimis PRP and the Company expects to receive a revised settlement proposal from the EPA later this year. While the terms of the EPA settlement have not been finalized, management believes that such terms shall provide for standard contribution protection and release provisions. The Company has agreed to indemnify Promega with respect to this matter and management believes that any residual expense stemming from

further investigation or remediation of this matter will not have a material adverse effect on the business of the Company, although there can be no assurance thereof.

During 1995, Genta Europe, a wholly-owned subsidiary of the Company, received funding in the form of a loan from ANVAR, a French government agency, in the amount of FF5.4 million (or $.7 million at June 30, 2001). The utilization of the proceeds was intended to fund research and development activities pursuant to the ANVAR Agreement. In October 1996, in connection with a restructuring of the Company's operations, Genta terminated all scientific personnel of Genta Europe. ANVAR asserted, in February 1998, that Genta Europe was not in compliance with the ANVAR Agreement, and that ANVAR might request immediate repayment of the loan. In July 1998, ANVAR notified Genta Europe of its demand for immediate repayment of the loan in the amount of FF4.2 million (or $.54 million at June 30, 2001) and subsequently notified the Company that it was liable as a guarantor on the note. The Company does not believe that ANVAR is entitled to request early repayment under the terms of the ANVAR Agreement and it is currently negotiating with ANVAR to achieve a mutually satisfactory resolution, although there can be no assurance thereof.

On June 30, 1998, Marseille Amenagement, a company affiliated with the city of Marseilles, France, filed suit in France to evict Genta Europe from its facilities in Marseilles and to demand payment of alleged back rent due and of a lease guarantee for nine years' rent. Following the filing of this claim and in consideration of the request for repayment of the loan from ANVAR, Genta Europe's Board of Directors directed the management to declare a "Cessation of Payment." Under this procedure, Genta Europe ceased any operations and terminated its only employee. A liquidator was appointed by the Court to take control of any assets of Genta Europe and to make payment to creditors. In December 1998, the Court in Marseilles dismissed the case against Genta Europe and indicated that it had no jurisdiction against Genta Incorporated. In August 1999, Marseille Amenagement instituted legal proceedings against the Company in the Commercial Court of Marseilles, alleging back rent and early termination receivables aggregating FF2.5 million or $.3 million at June 30, 2001. A court hearing took place on June 11, 2001 but no ruling is expected prior to September 2001. As of June 30, 2001, the Company has accrued a net liability of approximately $.58 million related to the liquidated subsidiary. Management believes that this contingency is adequately reserved, although there can be no assurance thereof.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company held its Annual Meeting of Stockholders (the "Annual Meeting") on June 14, 2001.

(b) Proxies for the meeting were solicited pursuant to Regulation 14A of the Exchange Act. There was no solicitation in opposition to the Board of Directors' nominees for directors listed in the definitive proxy statement of the Company dated as of May 14, 2001. All of the Board of Directors' nominees were elected.

(c) Briefly described below is each matter voted upon at the Annual Meeting.

(i) Election of seven directors. Total combined voting power of the shares of Common Stock voted and withheld for the election of each director was as follows:

Directors	Votes For	Withheld
Raymond P. Warrell, Jr., M.D.	40,749,833	704,167
Mark C. Rogers, M.D.	41,234,817	219,183
Donald G. Drapkin	41,232,717	221,283
Ralph Snyderman, M.D.	41,235,417	218,583
Daniel D. Von Hoff, M.D.	41,236,217	217,783
Harlan J. Wakoff	41,235,117	218,883
Michael S. Weiss	41,218,793	235,207

(ii) Approval of an amendment to the Company's 1998 Stock Incentive Plan to increase the number of shares authorized for issuance thereunder, the result of the voting was as follows:

For:	38,779,695 votes
Against:	2,595,962 votes
Abstain:	78,343 votes

(iii) Approval of an amendment to the Company's Non-Employee Directors' 1998 Stock Option Plan to decrease the number of shares authorized for issuance thereunder, the result of the voting was as follows:

For:	39,190,890 votes
Against:	2,196,942 votes
Abstain:	66,168 votes

(iv) Approval of an amendment to the Company's Non-Employee Directors' 1998 Stock Option Plan to change the amount and the time when stock options are granted thereunder, the result of the voting was as follows:

For:	39,751,586 votes
Against:	1,622,523 votes
Abstain:	79,891 votes

(v) Ratification of the selection of Deloitte & Touche LLP as the Company's independent auditors, the result of voting was as follows:

For:	41,359,191 votes
Against:	37,793 votes
Abstain:	57,016 votes

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

SIGNATURES

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

GENTA INCORPORATED
(Registrant)

By: /s/ Raymond P. Warrell, Jr., M.D.

Name: Raymond P. Warrell, Jr., M.D.
Title: Chairman, President, Chief Executive Officer and Principal Executive Officer

By: /s/ Alfred J. Fernandez

Name: Alfred J. Fernandez
Title: Executive Vice President, Chief Financial Officer and Principal Accounting Officer

Date: August 14, 2001