Vulcan Materials CO
Form 11-K
June 28, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2011

Commission File Number: 001-33841

VULCAN MATERIALS COMPANY

401(k) AND PROFIT SHARING RETIREMENT PLAN

(Full title of the Plan)

VULCAN MATERIALS COMPANY
(Name of issuer of the securities held pursuant to the Plan)

1200 Urban Center Drive
Birmingham, Alabama 35242

(205) 298-3000
(Address of issuer's principal executive offices and address of the Plan)

Vulcan Materials Company

401(k) and Profit Sharing Retirement Plan

Financial Statements as of December 31, 2011 and 2010

for the Year Ended December 31, 2011,

Supplemental Schedule as of December 31, 2011,

and Report of Independent Registered Public Accounting Firm

VULCAN MATERIALS COMPANY 401(k) AND PROFIT SHARING RETIREMENT PLAN

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NOTE: All other schedules required by Section 2520.103–10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted due to the absence of conditions under which they are required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of

Vulcan Materials Company 401(k) and Profit

Sharing Retirement Plan

We have audited the accompanying statements of net assets available for benefits of Vulcan Materials Company 401(k) and Profit Sharing Retirement Plan (the "Plan") as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2011, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2011 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Birmingham, Alabama

June 27, 2012

VULCAN MATERIALS COMPANY 401(k) AND PROFIT SHARING

RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

AS OF DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS:		
Interest in Vulcan Materials Company Retirement Savings Trust — at fair value	$260,705,830	$193,135,747
Receivables:		
Employer contributions receivable	4,696,754	4,128,987
Notes receivable from participants	13,389,848	12,869,430
Net assets available for benefits — at fair value	278,792,432	210,134,164
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(668,696)	(341,338)
NET ASSETS AVAILABLE FOR BENEFITS	$278,123,736	$209,792,826

See notes to financial statements.

VULCAN MATERIALS COMPANY 401(k) AND PROFIT SHARING

RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2011

ADDITIONS TO NET ASSETS:	
Income from notes receivable from participants	$624,583
Contributions:	
Participants	10,632,337
Employer	10,123,690
Total contributions	20,756,027
Total additions to net assets	21,380,610
DEDUCTIONS FROM NET ASSETS:	
Investment loss from interest in Vulcan Materials Company Retirement Savings Trust	5,279,221
Withdrawals by participants	30,892,197
Total deductions from net assets	36,171,418
DECREASE IN NET ASSETS BEFORE PLAN TRANSFERS	(14,790,808)
NET TRANSFERS OF PARTICIPANTS' INVESTMENT FROM OTHER VULCAN MATERIALS COMPANY PLANS	83,121,718
NET INCREASE	68,330,910
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	209,792,826
End of year	$278,123,736

See notes to financial statements.

Vulcan Materials Company 401(k) and Profit Sharing
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NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2011 AND 2010, AND FOR THE YEAR ENDED DECEMBER 31, 2011

1. DESCRIPTION OF THE PLAN

General — The Vulcan Materials Company 401(k) and Profit Sharing Retirement Plan (the "Plan"), a defined contribution employee benefit plan established effective July 15, 2007, and most recently restated effective January 1, 2012, provides for accumulation of savings, including ownership of common stock of Vulcan Materials Company (the "Company"), for all qualified employees of the Company hired on or after July 15, 2007.

The Company has designated a portion of the Plan consisting of the Company's common stock fund as an Employee Stock Ownership Plan (ESOP). The ESOP fund allows a participant to elect to have the dividends on Vulcan Materials Company common stock reinvested in the Company's common stock or paid to the participant in cash.

A participant may transfer between the Company's defined contribution employee benefit plans. In these instances, the net assets of the participant's account will be transferred between the other defined contribution employee benefit plans that participate in the Vulcan Materials Company Retirement Savings Trust (the "Master Trust"). Effective January 1, 2011, each year, certain higher-paid employees in the Thrift Plan for Salaried Employees ("Thrift Plan") with greater than 10 years of service will cease participation in the Thrift Plan and will commence participation in the 401(k) and Profit Sharing Retirement Plan. This change is required to comply with certain non-discrimination regulations that govern qualified retirement plans such as the 401(k) and Profit Sharing Retirement Plan. For the year ended December 31, 2011, the transfer of participants' investment from the Thrift Plan to the 401(k) and Profit Sharing Retirement Plan totaled $81,875,534.

All assets of the Plan are held by The Northern Trust Company of Chicago, Illinois (the "Trustee"). Hewitt Associates, LLC (the "Recordkeeper") is the recordkeeper for the Plan.

Participation and Vesting — Generally, all qualified employees participate on the first day of employment. Participants are fully vested in all contributions at all times.

Contributions — The Plan is funded through contributions by participants and the Company. The Plan provides for two types of employee contributions to the Plan: pay conversion contributions (pretax) and after-tax contributions. An employee may designate multiples of 1%, ranging from 1% to 35%, of earnings as either pay conversion contributions, after-tax contributions, or any combination of the two. Pay conversion contributions, which are subject to annual increases pursuant to federal regulations, are limited to a maximum dollar amount of $16,500 in 2011. Certain additional limits may be imposed on the amount of contributions by or on behalf of certain higher-paid employees. For participants over the age of 50, additional contributions may be made in the amount of $5,500 for the year ended December 31, 2011. Participants may also contribute amounts representing distributions from other qualified plans.

The Company expects to make matching contributions out of accumulated earnings and profits to match a portion of an employee's contribution equal to 100% of that contribution, not to exceed 4% of the employee's earnings. In addition to the contributions described above, the Company may make an additional discretionary bonus match not to exceed 2% of the employee's earnings and a profit sharing contribution with a minimum equal to 3% of the employee's earnings for the portion of the Plan year in which the employee was an eligible participant. These discretionary profit sharing contributions totaled approximately $4,697,000 for the year ended December 31, 2011.

Investment Options — Participants' contributions are invested in 16 separate investment funds of the Plan in proportions elected by the participant. The Company's matching contributions are invested in the Company stock fund, which invests primarily in the Company's common stock and are available for immediate reallocation by the participants. The Company's profit sharing contributions are invested as selected by the participant. In the event that no contribution investment election is made by the participant, the profit sharing contribution is invested into a target fund based on the participant's year of birth.

Participant Accounts — Separate accounts are maintained for each investment option, before-tax contributions, rollovers, transfers, and Company contributions and accumulated earnings thereon. Earnings (losses) are allocated daily to each participant's account in the ratio of the participant's account balance to total participants' account balances. Distributions and withdrawals are charged to participant accounts.

Distributions and Withdrawals — A participant's total account is distributed upon retirement, disability, death, or termination of employment, unless the account value is greater than $1,000, in which case the participant may defer distribution until age 70-1/2. Distributions are made in cash, except that the portion invested in common stock of the Company may be distributed in whole shares of such stock, if requested by the participant or beneficiary.

Prior to a termination of employment, a participant may withdraw any amount up to the value of his or her entire account provided, however, that (1) no portion of an actively employed participant's pay conversion contribution account may be distributed to him or her before age 59-1/2, unless the administrative committee approves a "hardship" withdrawal (as defined in the Plan) and (2) the preceding 24 months of matching contributions may not be withdrawn by an actively employed participant who has not been a participant in the Plan for at least 60 months.

Participant Loans — A participant may apply for a loan at any time provided that the participant is receiving compensation from which payroll deductions may be made. The amount of the loan cannot exceed the lesser of 50% of the participant's total account, less the outstanding balance of all existing loans, or $50,000, reduced by the highest outstanding balance of existing loans during the 12 months preceding the effective date of such loan.

A loan is considered a note receivable of the Plan. The participant's investment accounts will be reduced by the amount of the loan. Any repayment made will be allocated to the participant's investment accounts in accordance with his or her current investment direction. Loans must be repaid in monthly installments through payroll deductions within 60 months. The interest rate of the loan is determined by the administrative committee, which consists of at least three members appointed by the Chief Executive Officer of the Company, at the time the application for the loan is made and may not exceed the maximum rate for such loans permitted by law. The average rate of interest on loans approximated 4.8% and 5.3% as of December 31, 2011 and 2010, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements of the Plan have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

Recent Accounting Pronouncements — In January 2010, the Financial Accounting Standards Board (FASB) issued new guidance related to fair value measurement and disclosure. The guidance added a new disclosure requirement to provide Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which was effective for fiscal years beginning after December 15, 2010. See Note 5 for related disclosures.

In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which amends ASC 820. ASU 2011-04 provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The ASU requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The new guidance is effective for reporting periods beginning after December 15, 2011. The adoption will not have a material effect on the statement of net assets available for benefits and statement of changes in net assets available for benefits.

Valuation of Investments and Income Recognition — The Plan’s investment in the Master Trust established by the Company and administered by the Trustee is presented at fair value, which has been determined based on the fair values of the underlying investments of the Master Trust.

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in securities traded on national and over-the-counter exchanges are valued at the closing bid price of the security as of the last trading day of the year. Money Market funds are stated at amortized cost, which approximates fair value. Investments in common/collective-trust funds are stated at estimated fair value as determined by the issuer of the funds based on the underlying investments. The stable value fund is stated at fair value and then adjusted to contract value as described below. Fair value of the stable value fund is the fair value of its underlying investments, and contract value is principal plus accrued interest.

In accordance with Accounting Standards Codification (ASC) Topic 962-325, *Plan Accounting — Defined Contribution Pension Plans — Investments — Others*, the stable value fund is included at fair value in participant-directed investments in the statement of net assets available for benefits, and an additional line is presented representing the adjustment from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

The average cost of securities sold or distributed is used to determine net investment gains or losses realized. Security transactions are recorded on the trade date. Distributions of common stock, if any, to participants are recorded at the market value of such stock at the time of distribution. Interest income is recorded on the accrual basis. Net appreciation includes the Plan’s gains and losses on investments bought and sold as well as held during the year. Dividends are recorded on the ex-dividend date. Investment manager fees are netted against Plan investment income and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments. Expenses incurred in connection with the transfer of securities, such as brokerage commissions and transfer taxes, are added to the cost of such securities or deducted from the proceeds thereof.

Valuation of Investments (Securities with no Quoted Market Prices) — Amounts for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that fair value. In general, however, corporate debt instruments are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain other equity instruments are valued at the quoted market price of the issuer's unrestricted common stock, less an appropriate discount. If a quoted market price for unrestricted common stock of the issuer is not available, restricted common stocks are valued at a multiple of current earnings. The multiple chosen is consistent with multiples of similar companies based on current market prices. The fair value of venture capital and partnership investments has been estimated by management in the absence of readily determinable fair values. Management's estimates are based upon information provided by the general partners. The methods employed by the general partners include consideration of, among other things, reference to third-party transactions, valuations of comparable companies operating within the same or similar industry, current economic and competitive environment, creditworthiness of the corporate issuer, as well as market prices for instruments with similar quality rate, maturity, term, and conditions.

Use of Estimates and Risks and Uncertainties — The preparation of financial statements in conformity with generally accepted accounting principles requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The Master Trust invests in various securities including government securities, corporate debt instruments, a stable value fund, other equities, common/collective-trusts, interest-bearing cash, commingled funds holding principally venture capital and partnership investments, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Notes Receivable from Participants — Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest.

Excess Contributions Payable — The Plan is required to return contributions received during the Plan year in excess of the Internal Revenue Code ("IRC") limits.

Payment of Benefits — Benefits are recorded when paid.

Administrative Expenses — The Company pays the administrative costs of the Plan, including the Trustee's fees and charges.

3. STABLE VALUE FUND — SYNTHETIC GUARANTEED INVESTMENT CONtRACT

The Plan provides participants a self-managed stable value investment option ("Fund" or "Synthetic Guaranteed Investment Contract") that simulates the performance of a guaranteed investment contract ("GIC"), whereby participants execute plan transactions at contract value. Contract value represents contributions made to the fund, plus earnings, less participant withdrawals. The self-managed stable value fund is comprised of a portfolio of bonds and other fixed income securities owned by the Plan and an investment contract issued by an insurance company or other financial institution, designed to provide a contract value "wrapper" around the fixed income portfolio to guarantee a specific interest rate which is reset quarterly and that cannot be less than zero. The wrapper contract provides that realized and unrealized gains and losses on the underlying fixed income portfolio are not reflected immediately in the net assets of the fund, but rather are amortized over the duration of the underlying assets through adjustments to the future interest crediting rate. Primary variables impacting future crediting rates of the Fund include the current yield, duration, and existing difference between market and contract value of the underlying assets within the wrapper contract.

Limitations on the Ability of the Synthetic Guaranteed Investment Contract to Transact at Contract Value — Certain events may limit the ability of the Plan to transact at contract value or may allow for the termination of the wrapper contract at less than contract value. The following employer-initiated events may limit the ability of the Fund to transact at contract value:

a. A failure of the Plan or its trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA;

b. Any communication given to Plan participants designed to influence a participant not to invest in the Fund or to transfer assets out of the Fund;

c. Any transfer of assets from the Fund directly into a competing investment option;

d. The establishment of a defined contribution plan that competes with the Plan for employee contributions; and

e. Complete or partial termination of the Plan or its merger with another plan.

The wrapper contract contains provisions that limit the ability of the Fund to transact at contract value upon the occurrence of certain events. These events include any substantive modification of the Fund or the administration of the Fund that is not consented to by the wrapper issuer, any change in law, regulation, or administrative ruling applicable to a plan that could have a material adverse effect on the Fund's cash flow and employer-initiated transactions as described above.

In the event that the wrapper contract fails to perform as intended, the Fund's net asset value may decline if the market value of its assets declines. The Fund's ability to receive amounts due pursuant to the wrapper contract is dependent on the third-party issuer's ability to meet its financial obligations. The wrapper issuer's ability to meet its contractual obligations under the wrapper contract may be affected by future economic and regulatory developments.

The Fund is unlikely to maintain a stable net asset value if, for any reason, it cannot obtain or maintain wrapper contracts covering all of its underlying assets. This could result from the Fund's inability to promptly find a replacement wrapper contract following termination of a wrapper contract. Wrapper contracts are not transferable and have no trading market. There are a limited number of wrapper issuers. The Fund may lose the benefit of wrapper contracts on any portion of its assets in default in excess of a certain percentage of portfolio assets.

Plan management believes that the occurrence of events that may limit the ability of the Plan to transact at contract value is not probable.

Average Yields —

	2011	**2010**
Average yields:		
Based on annualized earnings[(1)]	3.14%	2.87%
Based on interest rate credited to participants[(2)]	3.45	3.45

(1) Computed by dividing the annualized one-day actual earnings of the contract on the last day of the Plan year by the fair value of the investments on the same date.

(2) Computed by dividing the annualized one-day earnings credited to the participants on the last day of the Plan year by the fair value of the investments on the same date.

4. INTEREST IN MASTER TRUST

The Plan's investment assets are held in a trust account by the Trustee. Use of the Master Trust permits the commingling of investment assets of a number of employee benefit plans of the Company. Each participating plan has an undivided interest in the Master Trust. Although assets of the plans are commingled in the Master Trust, the Recordkeeper maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans.

The fair value of investments of the Master Trust at December 31, 2011 and 2010, is summarized as follows:

	2011	2010
Vulcan Materials Company common stock*	$190,982,429	$209,376,382
Stable value fund	37,315,361	37,024,101
Corporate debt investments	80,585,025	86,374,603
Government securities	62,699,946	33,698,865
Other equities**		
Asset backed securities	7,151,873	5,741,689
Commodity funds	26,497,998	28,665,572
Domestic equities	349,088,448	363,722,734
Mutual funds	10,983,870	7,375,368
Other	2,623	2,601
Interest-bearing cash	77,561,148	97,342,370
Value of interest in common/collective-trusts	277,331,356	297,580,315
Commingled funds holding principally venture capital and partnership investments	106,770,651	96,262,332
Total assets	1,226,970,728	1,263,166,932
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(3,147,110)	(2,232,453)
	$1,223,823,618	$1,260,934,479
Percentage of Plan's investments in the Master Trust's investments	21.3 %	15.3 %

*The Master Trust's investment in the Company's common stock is held solely by participants in the Company's defined contribution plans.

**The Master Trust had assets invested at Westridge Capital Management, Inc. (WCM), with a fair value of approximately $11,227,000 included in the Other equities asset category above at December 31, 2010. Due to allegations of fraud, Master Trust assets with WCM were frozen and WCM was placed in receivership. In April 2011, the court appointed receiver released a payment of $22,041,000 to the Master Trust in settlement of the investments at WCM. This recovery resulted in the recognition of a $10,814,000 return on plan assets (net of the $11,227,000 remaining WCM investment).

The total investment income of the Master Trust for the year ended December 31, 2011, is summarized as follows:

Interest	$7,523,390

Dividends	5,982,528
Other income	8,982,944
Net investment gain	1,200,060
Total	$23,688,922

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5. FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan classifies its investments into a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1 — Quoted prices in active markets for identical assets or liabilities;

Level 2 — Inputs that are derived principally from or corroborated by observable market data;

Level 3 — Inputs that are unobservable and significant to the overall fair value measurement.

The Plan's investments are measured at fair value on a recurring basis in the accompanying Statements of Net Assets Available for Benefits. The following methods and assumptions were used to estimate the fair values:

Interest Bearing Cash and Vulcan Materials Company Common Stock — These investments consist of various publicly-traded money market funds and common stock. The fair values are based on quoted market prices.

Stable Value Fund — The fair value of the stable value fund is calculated by valuing the underlying assets using quoted prices for similar assets or liabilities in active markets, quotes prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally or corroborated by observable market data.

Corporate Debt Investments — The fair values of corporate debt securities are based on current market rates and credit spreads for debt securities with similar maturities.

Government Securities — These investments consist of U.S. government, foreign government and government agency debt investments. The fair values of these securities are based on current market rates and credit spreads for debt securities with similar maturities.

Other Equities — These investments include common stock, preferred stock, asset-backed securities, mutual funds, and other equity investments. For investments publicly traded on a national securities exchange, the fair value is based on quoted market prices. For investment funds not traded on an exchange, the total fair value of the underlying securities is used to determine the net asset value for each unit of the fund held by the pension fund. The estimated fair values of the underlying securities are generally based on quoted market prices. For securities without quoted market prices, other observable market inputs are utilized to determine the fair value.

Interest in Common/Collective-Trusts — The fair value for these investments is calculated by utilizing quoted market prices, most recent bid prices in the principal market in which the securities are normally traded, pricing services and dealer quotes. The Plan’s fair value is based on the Plan’s proportionate ownership of the underlying investments.

Venture Capital and Partnership Investments — The venture capital and partnerships asset category consists of various limited partnership funds, mezzanine debt funds and leveraged buy-out funds. The fair value of these investments has been estimated based on methods employed by the general partners, including consideration of, among other things, reference to third-party transactions, valuations of comparable companies operating within the same or similar industry, the current economic and competitive environment, creditworthiness of the corporate issuer, as well as market prices for instruments with similar maturity, term, conditions and quality ratings. The use of different assumptions, applying different judgment to inherently subjective matters and changes in future market conditions could result in significantly different estimates of fair value of these securities.

The methods described above may produce a fair value calculation that may not be indicative of net asset value or reflective of future fair value. Furthermore, while the Plan's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date.

The following tables set forth, by Level within the fair value hierarchy, the Master Trust investment assets at fair value:

	As of December 31, 2011			
	Total	**Level 1**	**Level 2**	**Level 3**
Vulcan Materials Company common stock	$190,982,429	$190,982,429	$-	$-
Stable value fund	37,315,361	-	37,315,361	-
Corporate debt investments	80,585,025	-	80,585,025	-
Government securities	62,699,946	-	62,699,946	-
Other equities:				
Asset backed securities	7,151,873	-	7,151,873	-
Commodity funds	26,497,998	-	26,497,998	-
Domestic equities	349,088,448	2,456,445	346,632,003	-
Mutual funds	10,983,870	-	10,983,870	-
Other	2,623	-	2,623	-
Total other equities	393,724,812	2,456,445	391,268,367	-
Interest-bearing cash	77,561,148	77,561,148	-	-
Value of interest in common/collective-trusts	277,331,356	-	277,331,356	-
Commingled funds holding principally venture capital and partnership investments	106,770,651	-	-	106,770,651
Total investment assets at fair value	$1,226,970,728	$271,000,022	$849,200,055	$106,770,651

	As of December 31, 2010			
	Total	**Level 1**	**Level 2**	**Level 3**
Vulcan Materials Company common stock	$209,376,382	$209,376,382	$-	$-
Stable value fund	37,024,101	-	37,024,101	-
Corporate debt investments	86,374,603	-	86,374,603	-
Government securities	33,698,865	-	33,698,865	-
Other equities:				
Asset backed securities	5,741,689	-	5,741,689	-
Commodity funds	28,665,572	-	28,665,572	-

Domestic equities	363,722,734	2,533,008	361,189,726	-
Mutual funds	7,375,368	-	7,375,368	-
Other	2,601	-	2,601	-
Total other equities	405,507,964	2,533,008	402,974,956	-
Interest-bearing cash	97,342,370	97,342,370	-	-
Value of interest in common/collective-trusts	297,580,315	-	297,580,315	-
Commingled funds holding principally venture capital and partnership investments	96,262,332	-	-	96,262,332
Total investment assets at fair value	$1,263,166,932	$309,251,760	$857,652,840	$96,262,332

For the years ended December 31, 2011 and 2010, there were no significant transfers in or out of Levels 1, 2, or 3.

The following tables set forth information related to fair value measurements of the Level 3 venture capital and partnership investments held by the Master Trust that calculate net asset value per share:

	As of December 31, 2011		
	Fair Value	**Unfunded Commitment**	**Remaining Life**
Venture capital funds	$48,276,828	$ 14,332,000	0–9 years
Secondary private equity funds	29,126,885	10,095,000	3–7 years
Mezzanine funds	20,734,275	3,068,000	0–8 years
Leveraged buyout and growth capital funds	8,134,614	933,000	0–5 years
Independent power funds	498,049	-	0 years
Total	$106,770,651	$ 28,428,000	

	As of December 31, 2010		
	Fair Value	**Unfunded Commitment**	**Remaining Life**
Venture capital funds	$38,665,090	$ 12,738,000	0–9 years
Secondary private equity funds	25,360,326	15,058,000	4–8 years
Mezzanine funds	21,610,364	3,846,000	0–9 years
Leveraged buyout and growth capital funds	10,124,736	1,526,000	0–6 years
Independent power funds	451,927	-	1 year
International equity funds	49,889	323,000	1 year
Total	$96,262,332	$ 33,491,000	

These investments cannot be redeemed during the life of the funds, although such investments may be liquidated through secondary markets, subject to negotiated terms. Distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets will be liquidated over the remaining life and any contractual extension of the investment agreements.

The venture capital funds invest in early-stage, high potential, growth companies. The secondary private equity funds acquire pre-existing commitments made by others to private equity and other alternative investment funds. The mezzanine funds invest in subordinated debt or preferred equity instruments of established firms. The leveraged buyout and growth capital funds invest in large privately negotiated equity instruments. The independent power funds invest in electricity generation and related assets. The international equity funds invest in mid-size international companies, with a focus on Asia.

Level 3 Gains and Losses — The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

	Total	Commingled Funds Holding Principally Venture Capital and Partnerships
Balance — December 31, 2009	$ 93,262,145	$ 93,262,145
Unrealized gains (losses), net	4,757,612	4,757,612
Purchases	11,661,011	11,661,011
Sales	(7,240,977)	(7,240,977)
Settlements	(6,177,459)	(6,177,459)
Balance — December 31, 2010	$ 96,262,332	$ 96,262,332
Unrealized gains (losses), net	13,648,979	13,648,979
Purchases	14,280,118	14,280,118
Sales	(1,364,612)	(1,364,612)
Settlements	(16,056,166)	(16,056,166)
Balance — December 31, 2011	$ 106,770,651	$ 106,770,651

6. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in the Employee Retirement Income Security Act.

7. FEDERAL INCOME TAX STATUS

The Plan has applied for a letter from the Internal Revenue Service determining and informing the Company that the Plan and related trust were designed in accordance with the applicable regulations of the IRC. However, the Plan has not received such letter. The Company and Plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the IRC and that the Plan and the related trust is tax-exempt. Therefore, no provision for income taxes has been included in the Plan’s financial statements. GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audits by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress. The Plan's management believes it is no longer subject to income tax examinations for years prior to 2008.

8. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

At December 31, 2011 and 2010, the Master Trust held 4,735,334 and 4,614,233 shares, respectively, of common stock of the Company with a cost basis of $220,264,522 and $227,122,985, respectively. During the year ended December 31, 2011, the Master Trust recorded dividend income of $3,623,165 attributable to its investment in the Company's common stock.

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SUPPLEMENTAL SCHEDULE

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VULCAN MATERIALS COMPANY 401(k) AND PROFIT SHARING RETIREMENT PLAN
Employer ID No: 63-0366371
Plan No: 041

FORM 5500, SCHEDULE H, PART IV, LINE 4i —
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2011

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value	(d) Cost	(e) Current Value
*	Various plan participants	Participant loans at interest rates of 4.3% to 9.1% maturing in 1 to 60 months	**	$13,389,848

* Party-in-interest.
** Cost information is not required for participant-directed investments and, therefore, is not included.

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

VULCAN MATERIALS COMPANY
401(K) AND PROFIT SHARING
RETIREMENT
PLAN

Date: June 28, 2012 By: /s/ Charles D. Lockhart
Charles D. Lockhart
Chairman of the Administrative Committee

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Value of
Plan
Shares or
Shares or
Unearned
Unearned
Awards:
Units of
Units of
Shares,
Shares,
Number of
Number of
Number of
Stock
Stock
Units or
Units or
Securities

Securities
Securities
That
That
Other
Other
Underlying
Underlying
Underlying
Have
Have
Rights
Rights
Unexercised
Unexercised
Unexercised
Option
Option
not
not
That Have
That Have
Options (#)
Options (#)
Unearned
Exercise
Expiration
Vested
Vested
not Vested
not Vested

Name
Exercisable Unexercisable Options (#) Price ($) Date (#) ($) (#) (#)

Dr. Warrell
529,251 16.01 10/27/09 132,313 16.01 02/14/10
50,000 47.81 01/01/11 50,000 82.20 01/25/12
50,000 47.17 01/28/13 166,667 59.28 0
12,500 61.92 01/04/14 18,750 6,250
01/28/15 132,313 16.01 10/28/15 18,750 18,75
12.30 01/23/16 55,560 111,106 12.96 03/31/16
4,167 12,500 2.74 01/12/07 441,000 1,959,000 1.39 09/20/17

Mr. Moran
20,000 7.26 09/15/15 833 834 12.30 01/23/16
5,001 1,666 2.74 01/12/17 20,000 8,000

Mr. Siegel
2,333 60.30 05/22/13 1,167 61.92 01/04/14
1,667 15.00 06/30/14 1,250 417 9.72 01/07/15

1,250 1,250 5.64 04/04/15 833 834 5.40 04/15/15
833 834 11.10 09/19/15 833 834 12.30
01/23/16 208 625 4.62 12/01/16 500 1,500
2.74 01/12/17 175,000 1.39 09/17/17
Dr. Itri
50,000 34.38 03/28/11 6,667 82.20 01/25/12
5,000 47.17 01/28/13 50,000 71.70 08/05/13
8,333 61.92 01/05/14 3,750 1,250 9.72 01/07/15
4,167 4,167 12.30 01/23/16 14,351 68,982 9.
07/27/16 2,084 6,250 2.74 01/12/17 500,000
1.42 09/21/17
Mr. Sanders
8,333 8,334 10.86 01/16/16 1,250 3,750 2.74 01/12/17
300,000 1.39 09/17/17

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* Stock options awarded in September 2007 as part of the retention program under the 2007 Plan, which is contingent upon stockholder approval. See the section labeled September 2007 Retention Stock Option Grants for an explanation of this award.

Option Exercises and Stock Vesting in Last Year

There were no exercises of options or vesting of stock by the named executive officers in the year ended December 31, 2007.

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Employment Agreements

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

Pursuant to an employment agreement dated as of January 1, 2006 between Genta and Dr. Warrell that was subsequently amended and restated and signed effective November 30, 2007, hereinafter referred to as the amended 2006 employment agreement, Dr. Warrell continues to serve as our Chairman and Chief Executive Officer. The amended 2006 employment agreement has an initial term of three years ending on December 31, 2010 and provides for automatic extensions for additional one-year periods. Under the amended 2006 employment agreement, Dr. Warrell s $480,000 annual base salary was reduced by 15% effective January 1, 2008; and he now receives a base salary of $408,000 per annum with annual percentage increases equal to at least the Consumer Price Index for the calendar year preceding the year of the increase. At the end of each calendar year, Dr. Warrell is eligible for a cash incentive bonus ranging from 0% to 60% of his annual base salary, subject to the achievement of agreed-upon goals and objectives.

Dr. Warrell received an initial option grant of 2,400,000 stock options under the 2007 Plan, subject to stockholder approval, that has not yet been received, on September 20, 2007 with an exercise price of $1.39, of which (a) 1,440,000 shares vest over a 40 month vesting schedule (360,000 shares on the date of grant, 1,053,000 shares in 40 equal monthly increments of 27,000 each commencing on October 1, 2007 and the final 27,000 shares on December 31, 2010) and (b) the remaining 960,000 shares vest upon our achievement of specified milestones relating to the Genasense® product or its substantial equivalent. These milestones include the following: (1) 480,000 shares will become exercisable on the date the Genasense® product receives approval for any first indication in the United States from the FDA or any first indication in Europe from the EMEA, (2) 480,000 shares will become exercisable on the date that the total fair market value of all common stock of the Company then outstanding first exceeds $350,000,000. Dr. Warrell is also entitled to receive annual stock options for the purchase of up to 225,000 shares of Common Stock, depending upon the achievement of agreed-upon goals and objectives. Such options will become fully exercisable upon a Trigger Event (i.e. the sale of Genasense® or our change in control). If a Trigger Event occurs during the term of the amended 2006 employment agreement or within 12 months thereafter, Dr. Warrell will be entitled to receive the stock option grants that he would have been entitled to receive in respect of the calendar year in which the Trigger Event occurs (assuming attainment of target levels of performance on all goals and objectives for the year), and such option will be fully vested and exercisable upon grant.

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

In the event Dr. Warrell s employment is terminated, he will be eligible for certain benefits whose value has been estimated herein, but only to the extent that the benefit is not otherwise provided to employees on a non-discriminatory basis. In the event Dr. Warrell s employment is terminated, he will be entitled to receive his accrued but unpaid base salary through his termination date, his accrued but unpaid expenses, a lump sum payment of his accrued vacation days (unless he is terminated by us for cause or he terminates his employment without good reason (both defined in the amended 2006 agreement)), his accrued but unpaid cash incentive bonus, a lump sum payment of his pro-rated cash incentive bonus for the year of his termination, valued up to $163,200, (unless he is terminated by us for cause or he terminates his employment without good reason), and any other benefits due him in accordance with applicable plans, programs or agreements. In addition to the benefits listed in the preceding sentence, in the event we terminate Dr. Warrell s employment without cause or Dr. Warrell terminates his employment for good reason and he executes a release, Dr. Warrell will be entitled to receive the base salary he would have received during the twelve-month period following the date of termination, valued at $408,000, for a total potential payment of $571,200. If we terminate Dr. Warrell s employment in anticipation of our change in control or, if either party terminates his employment upon a change in control or within thirteen months following a change in control, Dr. Warrell will instead receive a lump sum payment equal to two times his annual base salary, valued at $816,000 and two times his target bonus for the calendar year of termination, valued at $326,400, for a total potential payment of $1,142,000. Dr. Warrell will also receive immediate vesting of all stock options that vest solely as a result of his continued employment. Finally, if either party gives notice that they do not wish to extend the amended 2006 employment agreement, Dr. Warrell will be entitled to receive his accrued, but unpaid, base salary through his termination date; his accrued, but unpaid, expenses; a lump sum payment of his accrued vacation days; his accrued but unpaid cash incentive bonus; a lump sum payment of his pro-rated cash incentive bonus for the year of his termination, valued up to $163,200; and any other benefits due him in accordance with applicable plans, programs or agreements. If Dr. Warrell gives notice that he does not wish to extend his amended 2006 employment agreement, he will also receive immediate vesting of all stock options that would have vested during the 90 days following his termination date, if such stock options vest solely as a result of his continued employment. If we give notice that we do not wish to extend Dr. Warrell s amended 2006 employment agreement, he will receive immediate vesting of all stock options that vest solely as a result of his continued employment.

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

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

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

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Compensation of Directors

Our non-employee directors receive $15,000 per year for their services. In addition, under our Non-Employee Directors 1998 Stock Option Plan, non-employee directors currently receive a grant of 4,000 stock options upon their initial election to the Board and thereafter receive an annual grant of 3,333 stock options coinciding with their annual election to the Board. Non-employee directors receive an additional $1,500 for each Board meeting attended in person or $750 for each Board meeting attended telephonically. Non-employee directors attending committee meetings receive $1,000 for each in-person meeting or $750 for each meeting attended telephonically. Non-employee directors receive $2,500 per day for Board or committee activities outside of normal activities. The Lead Director and each non-employee Chairperson of a Committee of the Board receive annual cash compensation of $5,000 and a grant of 833 stock options coinciding with their annual election to the Board.

The following table sets forth certain information regarding compensation earned by the following non-employee directors of the Company during the year ended December 31, 2007:

Name	Fees Earned ($)(1)	Stock Awards ($)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation ($)	All Other Compensation ($)	Total ($)
Martin J. Driscoll	$ 45,500		$ 15,879				$ 61,379
Betsy McCaughey, PhD.(3)	$ 18,750		$ 4,933				$ 23,683
Christopher P. Parios	$ 42,000		$ 13,413				$ 53,413
Daniel D. Von Hoff, M.D.	$ 26,500		$ 4,933				$ 31,433
Douglas G. Watson	$ 47,000		$ 7,399				$ 54,399

(1) Reflects the dollar amount earned during 2007.

(2) Reflects the dollar amount recognized for financial statement purposes for the year ended December 31, 2007, in accordance with FAS 123(R) and thus, includes amounts from awards granted prior to 2007. There can be no assurance that the FAS 123(R) amounts will be realized. As of December 31, 2007, each Director has the following number of options outstanding: Martin J. Driscoll: 13,165; Betsy McCaughey: 26,220; Christopher P. Parios: 10,666; Daniel D. Von Hoff: 34,442; Douglas G. Watson: 27,330.

(3) Dr. McCaughey resigned from the Board, effective October 24, 2007.

Committees of the Board of Directors and Director Independence

The Board currently consists of five directors. They are Raymond P. Warrell, Jr., M.D., Martin J. Driscoll, Christopher P. Parios, Daniel D. Von Hoff, M.D., and Douglas G. Watson. The Board has determined that, except for

Dr. Warrell, all of the members of the Board are independent directors . Dr. Warrell is not considered independent, as he is an executive officer of the Company.

Compensation Committee

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

Nominating and Corporate Governance Committee

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

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Audit Committee

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

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee, Mr. Watson, Mr. Driscoll and Mr. Parios, had any interlock relationship to report during our year ended December 31, 2007.

PRINCIPAL STOCKHOLDERS

The following table sets forth, as of August 22, 2008, certain information with respect to the beneficial ownership of our Common Stock (the only voting class outstanding), (i) by each director, (ii) by each of the named executive officers and (iii) by all officers and directors as a group.

	Amount and Nature of Beneficial Ownership			
	Shares Beneficially Owner Prior to Offering(2)		Shares Beneficially Owned Immediately Following Offering	
Name and Address(1)	Number	Percentage	Number	Percentage
Raymond P. Warrell, Jr., M.D.	1,928,294(3)	4.999%	[ ](12)	4.999%
Loretta M. Itri, M.D.	1,932,518(4)	4.999%	[ ](13)	4.999%
Richard J. Moran	21,749(5)	*	21,749(5)	*
Gary Siegel	11,916(6)	*	11,916(6)	*
W. Lloyd Sanders	14,583(7)	*	14,583(7)	*
Martin J. Driscoll	14,332(8)	*	14,332(8)	*
Betsy McCaughey, PhD(9)	26,220(6)	*	26,220(6)	*
Christopher P. Parios	9,333(6)	*	9,333(6)	*
Daniel D. Von Hoff, M.D.	34,442(6)	*	34,442(6)	*
Douglas G. Watson	37,330(10)	*	37,330(10)	*
All Directors and Executive Officers as a group	4,030,717(11)	11.0%	[ ](14)	11.0%

* Less than one percent (1%).

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

(2) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of Common Stock subject to options exercisable within 60 days of August 22, 2008 or issuable on conversion of Senior Secured Convertible Promissory Notes due June 9, 2010 are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and

subject to community property laws where applicable, the person named in the table has sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

(3) Consists of 91,615 shares of Common Stock and 1,065,179 shares of Common Stock issuable upon exercise of currently exercisable stock options. Also includes 771,500 shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010. Excludes 100,000 shares of Common Stock beneficially owned by Dr. Warrell s wife, Dr. Itri. Dr. Warrell disclaims beneficial ownership of such shares.

(4) Consists of 16,666 shares of Common Stock and 94,352 shares of Common Stock issuable upon exercise of currently exercisable stock options. Also includes 1,821,500 shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010. Excludes 91,615 shares of

Common Stock, beneficially owned by Dr. Itri s husband, Dr. Warrell. Dr. Itri disclaims beneficial ownership of such shares.

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

(6) Consists of shares of Common Stock issuable upon the exercise of currently exercisable stock options.

(7) Consists of 5,000 shares of Common Stock and 9,583 shares of Common Stock issuable upon exercise of currently exercisable stock options.

(8) Consists of 2,500 shares of Common Stock and 11,832 shares of Common Stock issuable upon the exercise of currently exercisable stock options.

(9) Dr. McCaughey resigned from the Board, effective October 24, 2007.

(10) Consists of 10,000 shares of shares of Common Stock and 27,330 shares of Common Stock issuable upon the exercise of currently exercisable stock options.

(11) Consists of 127,530 shares of Common Stock and 1,310,187 shares of Common Stock issuable upon the exercise of currently exercisable stock options. Also includes 2,593,000 shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010.

(12) Consists of 91,615 shares of Common Stock and 1,065,179 shares of Common Stock issuable upon exercise of currently exercisable stock options. Also includes [ ] shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010. Excludes 100,000 shares of Common Stock beneficially owned by Dr. Warrell s wife, Dr. Itri. Dr. Warrell disclaims beneficial ownership of such shares.

(13) Consists of 16,666 shares of Common Stock and 94,352 shares of Common Stock issuable upon exercise of currently exercisable stock options. Also includes [ ] shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010. Excludes 91,615 shares of Common Stock, beneficially owned by Dr. Itri s husband, Dr. Warrell. Dr. Itri disclaims beneficial ownership of such shares.

(14) Consists of 127,530 shares of Common Stock and 1,310,187 shares of Common Stock issuable upon the exercise of currently exercisable stock options. Also includes [ ] shares of Common Stock issuable upon the conversion of Senior Secured Convertible Promissory Notes due June 9, 2010.

Although each of the investors in the June 2008 convertible note transaction may elect to convert their notes into shares of our common stock, no holder is deemed to be a beneficial holder of 5.00% or greater of our common stock due to the existence of a provision in the convertible notes restricting each noteholder from beneficially owning greater than 4.999% of our common stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Dr. Daniel Von Hoff, one of Genta s directors, holds the position of Senior Investigator and Director of Translational Research at the Translational Genomics Research Institute (TGen), which provides preclinical testing services under direction of and by contract to Genta. During 2007, TGen performed services for which it was compensated by Genta in the amount of approximately $223,430. We believe that the payment of these services was on terms no less favorable than would have otherwise been provided by an unrelated party. In the Board s opinion, Dr. Von Hoff s relationship with TGen will not interfere with Dr. Von Hoff s exercise of independent judgment in carrying out his responsibilities as a Director of Genta.

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

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

DESCRIPTION OF SECURITIES

General

Our authorized capital stock consists of 250,000,000 shares of common stock and 5,000,000 shares of preferred stock.

The following descriptions are summaries of the material terms of our restated certificate of incorporation and bylaws. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, the restated certificate of incorporation and bylaws and applicable law. Our restated certificate of incorporation, as amended and our amended and restated bylaws are incorporated by reference and copies are available upon request. See How to Get More Information in this prospectus.

Common Stock

Except as required by law or by the restated certificate of incorporation, holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Subject to preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of Genta, holders of the common stock and the preferred stock are entitled to share ratably on an as-converted basis in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding preferred stock. Holders of common stock have no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and non-assessable.

In September 2005, the Board of Directors adopted a Stockholder Rights Plan and declared a dividend of one preferred stock purchase right, or Right, for each outstanding share of our common stock, payable to holders of record as of the close of business on September 27, 2005. In addition, Rights shall be issued in respect of all shares of common stock issued after such date, including the shares issued hereunder, pursuant to the Plan. Generally, the rights become exercisable upon the earlier of the close of business on the tenth business day following the first public announcement that any person or group has become a beneficial owner of 15% or more of our common stock and the close of business on the tenth business day after the date of the commencement of a tender or exchange offer by any person which would, if consummated, result in such person becoming a beneficial owner of 15% or more of the our common stock. Each Right shall be exercisable to purchase, for $25.00, subject to adjustment, one one-hundredth of a newly registered share of Series G Participating Cumulative Preferred Stock, par value $0.001 per share of the Company. The terms and conditions of the Rights are set forth in a Rights Agreement dated September 20, 2005 between the Company and Mellon Investor Services, LLC, as Rights Agent.

Preferred Stock

The Board of Directors has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series or the designation of such series. The issuance of

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preferred stock could adversely affect the voting power of holders of common stock and could have the effect of delaying, deferring or preventing a change in control of Genta without further action by the stockholders and may adversely affect the voting and other rights of the holders of our common stock.

Series A Convertible Preferred Stock

We are authorized to issue 600,000 shares of Series A Convertible Preferred Stock. At August 22, 2008, we had 7,700 shares of Series A Convertible Preferred Stock issued and outstanding.

Each share of Series A Convertible Preferred Stock is immediately convertible, into shares of our common stock, at a rate determined by dividing the aggregate liquidation preference of the series A convertible preferred stock by the conversion price. The conversion price is subject to adjustment for antidilution.

In the event of a liquidation of Genta, the holders of Series A Convertible Preferred Stock are entitled to a liquidation preference equal to $50.00 per share.

Series G Participating Cumulative Preferred Stock

Two million shares of our Preferred Stock have been designated as Series G Participating Cumulative Preferred Stock, none of which are issued and outstanding. The Series G Participating Cumulative Preferred Stock are subject to the Stockholder Rights Plan described above.

15% Senior Secured Convertible Notes

On June 5, 2008, we entered into a securities purchase agreement with certain institutional and accredited investors, to place up to $40 million of senior secured convertible notes, referred to herein as the notes, with such investors. On June 9, 2008, we placed $20 million of such notes in the initial closing. The notes will bear interest at an annual rate of 15% payable at quarterly intervals in stock or cash at our option, and will be convertible into shares of our common stock at a conversion rate of 100,000 shares of common stock for every $1,000.00 of principal. Until June 9, 2009, the holders of the notes have the right, but not the obligation, to purchase in whole or in part up to an additional $20 million of notes. We have the right to force conversion of the notes in whole or in part if the closing bid price of our common stock exceeds $0.50 for a period of 20 consecutive trading days. Certain members of our senior management participated in the initial closing.

The issuance of common stock upon conversion of the convertible notes may adversely affect the voting power of remaining holders of common stock and could result in a change in control of Genta without further action by the stockholders.

Delaware Anti-Takeover Law

Under Section 203 of the Delaware General Corporation Law certain business combinations between a Delaware corporation, whose stock generally is publicly traded or held of record by more than 2,000 stockholders, and an interested stockholder are prohibited for a three-year period following the date that such stockholder became an interested stockholder, unless:

- the corporation has elected in its certificate of incorporation not to be governed by Section 203 (we have not made such an election);

either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors of the corporation before the other party to the business combination became an interested stockholder;

upon consummation of the transaction that made it an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the commencement of the transaction excluding voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer;

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on or subsequent to such date the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 662/3% of the outstanding voting stock which is not owned by the interested stockholder.

The three-year prohibition also does not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of certain extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation s directors. A business combination is defined to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. In general, an interested stockholder is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation s voting stock.

The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Advance Notice Requirements for Stockholder Proposals

Our amended and restated bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder s notice must be delivered to the secretary at our principal executive offices not less than 50 calendar days nor more than 75 calendar days prior to the meeting; provided, that if less than 65 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the 15th day following the day on which notice of the date of the annual meeting was mailed or such public disclosure was made. Our amended and restated bylaws also specify requirements as to the form and content of a stockholder s notice. These provisions may discourage stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Transfer Agent Information

Our transfer agent is BNY Mellon Securities LLC.

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UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom [ ] are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, the number of shares indicated below:

Name	Number of Shares
[ ]	[ ]
Total	[ ]

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of specified legal matters by their counsel and to other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $[ ] a share under the public offering price. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of [ ] additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter s name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table. If the underwriters option is exercised in full, the total price to the public would be $[ ], the total underwriters discounts and commissions would be [ ] and the total proceeds to us would be $[ ].

We and each of our directors and executive officers have agreed that, without the prior written consent of [ ] on behalf of the underwriters, we and they will not, during the period ending 90 days after the date of this prospectus:

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock,

whether any transaction described above is to be settled by delivery of our common stock or such other securities, in cash or otherwise.

These restrictions do not apply to:

- the sale of shares to the underwriters;

- the issuance by us of shares of our common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;

- the issuance by us of shares or options to purchase shares of our common stock pursuant to our stock incentive plans, provided that the recipient of the shares agrees to be subject to the restrictions described in the immediately preceding paragraph;

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transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares;

transfers of shares as a gift or charitable contribution, or by will or intestacy;

transfers of shares to any trust the sole beneficiaries of which are the transferee and/or its immediate family members; or

transfers to certain entities or persons affiliated with the stockholder;

provided that in the case of each of the last three transactions, each donee, distributee, transferee and recipient agrees to be subject to the restrictions described in the immediately preceding paragraph, no filing under Section 16 of the Exchange Act is required in connection with these transactions, other than a filing on a Form 5 made after the expiration of the 90-day period, and no transaction includes a disposition for value.

Notwithstanding the foregoing, if:

during the last 17 days of the 90-day period, we issue an earnings release; or

prior to the expiration of the 90-day period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period,

the above restrictions shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares of our common stock.

	Paid by Genta		Total	
	No Exercise	Full Exercise	No Exercise	Full Exercise
Per share	$	$	$	$
Total	$	$	$	$

In addition, we estimate that the expenses of this offering other than underwriting discounts and commissions payable by us will be $[ ].

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of our common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing our common stock in this offering, if the syndicate repurchases previously distributed common stock in transactions to cover syndicate short positions or to stabilize the price of our common stock. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Our common stock is listed on the OTC Bulletin Board under the symbol GNTA.OB .

In connection with this offering, some underwriters and any selling group members who are qualified market makers on the OTC Bulletin Board may engage in passive market making transactions in our common stock on the

OTC Bulletin Board in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934, as amended, during the business day before the pricing of this offering, before the commencement of offers or sales of the common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for the security; if all independent bids are lowered below the passive market maker s bid, however, the bid must then be lowered when purchase limits are exceeded.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the shares offered herein will be opined on for us by Morgan, Lewis & Bockius, LLP, which has acted as our outside legal counsel in relation to certain restricted tasks.

EXPERTS

The consolidated financial statements as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, included in this Prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the Registration Statement (which report expresses an unqualified opinion on the consolidated financial statements and includes explanatory paragraphs relating to Genta Incorporated s ability to continue to as a going concern and the adoption of Statement of Financial Accounting Standards No. 123 (Revised 2004), Shared-Based Payment, effective January 1, 2006, and Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109, effective January 1, 2007). Such consolidated financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

HOW TO GET MORE INFORMATION

We have filed with the SEC a Registration Statement on Form S-1 under the Securities Act with respect to the securities offered by this prospectus. This prospectus, which forms a part of the Registration Statement, does not contain all the information set forth in the Registration Statement, as permitted by the rules and regulations of the SEC. For further information with respect to us and the securities offered by this prospectus, reference is made to the Registration Statement. Statements contained in this prospectus as to the contents of any contract or other document that we have filed as an exhibit to the Registration Statement are qualified in their entirety by reference to the exhibits for a complete statement of their terms and conditions. The Registration Statement and other information may be read and copied at the SEC s Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

We will also send you copies of the material we file with the SEC, free of charge, upon your request. Please call or write our Investor Relations department at:

Genta Incorporated
Attention: Investor Relations
200 Connell Drive
Berkeley Heights, NJ 07922

(908) 286-9800

We make available free of charge on our internet website (http://www.genta.com) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the Registration Statement of which it forms a part.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Genta Incorporated:

We have audited the accompanying consolidated balance sheets of Genta Incorporated and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Genta Incorporated and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company s recurring losses from operations and negative cash flows from operations raise substantial doubt about its ability to continue as a going concern. Management s plans concerning these matters are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 3 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment*, effective January 1, 2006, and Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, effective January 1, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 17, 2008 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 17, 2008

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GENTA INCORPORATED

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2007 AND 2006

	December 31, 2007	December 31, 2006
	(In thousands, except par value data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,814	$ 9,554
Marketable securities (Note 4)	1,999	19,942
Accounts receivable net of allowances of $38 at December 31, 2007 and $42 at December 31, 2006, respectively	31	17
Inventory (Note 7)	225	308
Prepaid expenses and other current assets (Note 8)	19,170	19,997
Total current assets	27,239	49,818
Property and equipment, net (Note 9)	323	271
Other assets	1,731	1,689
Total assets	$ 29,293	$ 51,778
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses (Note 8 and Note 11)	$ 25,850	$ 36,494
Notes payable (Note 12)	512	642
Total current liabilities	26,362	37,136
Commitments and contingencies (Note 14 and Note 20)		
Stockholders equity (Note 15):		
Preferred stock, 5,000 shares authorized:		
Series A convertible preferred stock, $.001 par value; 8 shares issued and outstanding, liquidation value of $385 at December 31, 2007 and December 31, 2006, respectively		
Series G participating cumulative preferred stock, $.001 par value; 0 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively		
Common stock, $.001 par value; 250,000 shares authorized, 30,621 and 25,621 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively	31	26
Additional paid-in capital	441,159	429,553
Accumulated deficit	(438,288)	(414,968)
Accumulated other comprehensive income	29	31

Total stockholders equity	2,931	14,642
Total liabilities and stockholders equity	$ 29,293	$ 51,778

See accompanying notes to consolidated financial statements.

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GENTA INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Years Ended December 31,		
	2007	**2006**	**2005**
	(In thousands, except per share data)		
Revenues:			
License fees and royalties (Note 3 and Note 5)	$	$	$ 5,241
Development funding (Note 3 and Note 5)			20,988
Product sales net	580	708	356
Total revenues	580	708	26,585
Cost of goods sold	90	108	52
Operating expenses:			
Research and development	13,491	28,064	20,902
Selling, general and administrative	16,865	25,152	16,100
Provision for settlement of litigation, net (Note 8 and Note 20)	(4,240)	5,280	
Write-off of prepaid royalty (Note 10)		1,268	
Loss on disposition of equipment			4
Total operating expenses gross	26,116	59,764	37,006
sanofi-aventis reimbursement (Note 5)			(6,090)
Total operating expenses net	26,116	59,764	30,916
Other income/(expense), net:			
Gain on forgiveness of debt (Note 5)			1,297
Gain on maturity of marketable securities	159	310	63
Interest income, net	837	1,216	591
Interest expense	(160)	(72)	(152)
Total other income, net	836	1,454	1,799
Loss before income taxes	(24,790)	(57,710)	(2,584)
Income tax benefit (Note 13)	1,470	929	381
Net loss	$ (23,320)	$ (56,781)	$ (2,203)
Net loss per basic and diluted share	$ (0.79)	$ (2.52)	$ (0.13)
Shares used in computing net loss per basic and diluted share	29,621	22,553	17,147

See accompanying notes to consolidated financial statements.

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GENTA INCORPORATED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Deferred	Accumulated Other Comprehensive Income	Total Stockholders
	Shares	Amount	Shares	Amount	Capital	Deficit	Compensation	(Loss)	Equity
					(In thousands)				
Balance at January 1, 2005	10	$	15,893	$ 16	$ 357,793	$ (355,984)	$ (41)	$ (32)	$ 1,752
Net loss						(2,203)			(2,203)
Net change in value of marketable securities								92	92
Issuance of common stock, net of issuance costs of $1,521			3,177	3	16,012				16,015
Other conversions			22						
Compensation expense related to certain stock options issued in 1999 and 2000							41		41
Balance at December 31, 2005	10	$	19,092	$ 19	$ 373,805	$ (358,187)	$	$ 60	$ 15,697
Net loss						(56,781)			(56,781)
Net change in value of marketable securities								(29)	(29)
Issuance of common stock, net of issuance costs of $3,125			3,167	3	37,722				37,725
Issuance of common stock in connection with conversion of Series A preferred stock	(2)		3						

Issuance of common stock, net of issuance costs of $925			3,333	4	14,871				14,875
Issuance of common stock in connection with exercise of stock options			26		156				156
Stock-based compensation expense					2,999				2,999
Balance at December 31, 2006	8	$	25,621	$ 26	$ 429,553	$ (414,968)	$	$ 31	$ 14,642
Net loss						(23,320)			(23,320)
Net change in value of marketable securities								(2)	(2)
Issuance of common stock, net of issuance costs of $562			5,000	5	10,233				10,238
Stock-based compensation expense					1,373				1,373
Balance at December 31, 2007	8	$	30,621	$ 31	$ 441,159	$ (438,288)	$	$ 29	$ 2,931

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GENTA INCORPORATED

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

	Years Ended December 31,		
	2007	2006	2005
		(In thousands)	
Operating activities:			
Net loss	$ (23,320)	$ (56,781)	$ (2,203)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	170	942	2,074
Loss on disposition of equipment			4
Non-cash reimbursement of research & development expense (Note 5)			(6,090)
Amortization of deferred revenues (Note 5)			(26,228)
Share-based compensation (Note 16)	1,373	2,999	
Provision for sales returns	(133)	(300)	
Gain on maturity of marketable securities	(159)	(310)	(63)
Provision for settlement of litigation, net (Note 8)	(4,240)	5,280	
Write-off of prepaid royalty (Note 10)		1,268	
Provision for excess inventory			(21)
Gain on forgiveness of debt (Note 5)			(1,297)
Compensation expense related to certain stock options issued in 1999 and 2000			41
Changes in operating assets and liabilities:			
Accounts receivable	(14)	42	(59)
Inventory	83	88	(21)
Prepaid expenses and other current assets	627	(142)	255
Accounts payable and accrued expenses	(6,071)	2,264	(3,389)
Other assets	(42)	(40)	(29)
Net cash used in operating activities	(31,726)	(44,690)	(37,026)
Investing activities:			
Purchase of marketable securities (Note 4)	(13,900)	(56,784)	(21,839)
Maturities of marketable securities (Note 4)	32,000	49,091	15,784
Purchase of property and equipment	(222)	(136)	(56)
Proceeds from sale of equipment			34
Net cash provided by (used in) investing activities	17,878	(7,829)	(6,077)
Financing activities:			
Issuance of common stock, net (Note 15)	10,238	52,691	16,015
Borrowings under note payable (Note 12)	1,155	1,174	1,233
Repayments of note payable (Note 12)	(1,285)	(1,261)	(1,320)
Issuance of common stock upon exercise of stock options (Note 17)		155	

Net cash provided by financing activities	10,108	52,759	15,928
Increase (decrease) in cash and cash equivalents	(3,740)	240	(27,175)
Cash and cash equivalents at beginning of year	9,554	9,314	36,489
Cash and cash equivalents at end of year	$ 5,814	$ 9,554	$ 9,314

See accompanying notes to consolidated financial statements.

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

1. Reverse Stock Split

At the Annual Meeting of the Company on July 11, 2007, the Company s stockholders authorized its Board of Directors to effect a reverse stock split of all outstanding shares of common stock, and the Board of Directors subsequently approved the implementation of a reverse stock split at a ratio of one for six shares, which became effective on July 13, 2007. All share and per share data in these consolidated financial statements and related notes hereto have been retroactively adjusted to account for the effect of the reverse stock split for all periods presented.

2. Organization and Business

Genta is a biopharmaceutical company engaged in pharmaceutical (drug) research and development, its sole reportable segment. The Company is dedicated to the identification, development and commercialization of novel drugs for the treatment of cancer and related diseases.

The Company has had recurring annual operating losses since its inception. Management expects that such losses will continue at least until its lead product, Genasense® (oblimersen sodium) Injection, receives approval for commercial sale in one or more indications. Achievement of profitability for the Company is currently dependent on the timing of Genasense® regulatory approval. Any adverse events with respect to approvals by the U.S. Food and Drug Administration (FDA) and/or European Medicines Agency (EMEA) could negatively impact the Company s ability to obtain additional funding or identify potential partners.

The Company had $7.8 million of cash, cash equivalents and marketable securities on hand at December 31, 2007. In March 2007, the Company sold 5.0 million shares of its common stock at a price of $2.16 per share, raising net proceeds of $10.2 million. Net cash used in operating activities during 2007 was $31.7 million, which represents an average monthly outflow of $2.6 million.

The Company has prepared its financial statements under the assumption that it is a going concern. The Company s recurring losses and negative cash flows from operation raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company will require additional cash in order to maximize its commercial opportunities and continue its clinical development opportunities. The Company has had discussions with other companies regarding partnerships for the further development and global commercialization of Genasense®. Additional alternatives available to the Company to subsequently sustain its operations include financing arrangements with potential corporate partners, debt financing, asset-based loans, royalty-based financings, equity financing and other sources. However, there can be no assurance that any such collaborative agreements or other sources of funding will be available on favorable terms, if at all.

If the Company is unable to raise additional funds, it will need to do one or more of the following:

- delay, scale back or eliminate some or all of the Company s research and product development programs and sales and marketing activity;

license third parties to develop and commercialize products or technologies that the Company would otherwise seek to develop and commercialize themselves;

attempt to sell the Company;

cease operations; or

declare bankruptcy.

The Company will continue to maintain an appropriate level of spending over the upcoming fiscal year, given the uncertainties inherent in our business and our current liquidity position. Presently, with no further financing,

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Management projects that it will run out of funds in the first quarter of 2009. The Company currently does not have any additional financing in place. If the Company is unable to raise additional financing, it could be required to reduce its spending plans, reduce its workforce, license to others products or technologies it would otherwise seek to commercialize itself and sell certain assets. There can be no assurance that the Company can obtain financing, if at all, on terms acceptable to it.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented on the basis of accounting principles generally accepted in the United States of America. Such financial statements include the accounts of the Company and all majority-owned subsidiaries. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect reported earnings, financial position and various disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue from product sales when title to product and associated risk of loss has passed to the customer and the Company is reasonably assured of collecting payment for the sale. All revenue from product sales are recorded net of applicable allowances for returns, rebates and other applicable discounts and allowances. The Company allows return of its product for up to twelve months after product expiration.

Under the Company s Supply and Distribution Agreement with IDIS, the Company will supply Ganite® and Genasense® to IDIS on a consignment basis. The Company recognizes revenue when IDIS reports that it has delivered product to customers, which is the point in time that title to the product and risk of loss has passed. The first sales under this program of $60 thousand occurred during 2007.

In April 2002, the Company entered into a development and commercialization agreement (Collaborative Agreement) with Aventis, a member of the sanofi-aventis group (Aventis). In November 2004, Aventis gave notice to Genta that it was terminating its Collaborative Agreement with the Company. Under the terms of the agreement, Aventis continued to fund ongoing development activities for a six-month period. The Company follows the provisions of the Securities and Exchange Commission s Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition and Emerging Issues Task Force (EITF) No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables.

In accordance with EITF No. 00-21 the Company analyzes its multiple element arrangements to determine whether the elements can be separated and accounted for individually as separate units of accounting. The Company recognizes license payments as revenue if the license has stand-alone value and the fair value of the undelivered items can be determined. If the license is considered to have stand-alone value but the fair value on any of the undelivered items cannot be determined, the license payments are recognized as revenue over the period of performance for such undelivered items or services. The Company s estimate of the period of performance involves management judgment. Amounts received for milestones are recognized upon achievement of the milestone, as long as the milestone is deemed to be substantive and the Company has no other performance obligations.

The Company determined that, due to the nature of the ongoing development work related to its Collaborative Agreement with Aventis, the end of the development phase and the fair value of the undelivered elements were not determinable. Accordingly, the Company deferred recognition of the initial licensing fee and up-front development funding received from Aventis and recognized these payments on a straight-line basis over the original estimated useful life of the related first-to-expire patent of 115 months. As a result of the notice of termination of the agreement with Aventis, the remaining deferred revenue was recognized over the six-month termination notice period from November 2004 to May 2005.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Research and Development

Research and development costs are expensed as incurred, including raw material costs required to manufacture products for clinical trials. Reimbursements for applicable Genasense®-related costs under the Collaborative Agreement, which terminated in May 2005, were recorded as a reduction to expenses in the Consolidated Statements of Operations.

In 2006, the Company entered into an exclusive, worldwide licensing agreement with Emisphere Technologies, Inc., (Emisphere), to develop an oral formulation of a gallium-containing compound. Under the terms of the agreement, Genta will pay Emisphere up to $24.0 million only upon the achievement of certain milestones during the course of product development and royalties based upon sales. To date, no milestone payments have been made.

Cash, Cash Equivalents and Marketable Securities

The carrying amounts of cash, cash equivalents and marketable securities approximate fair value due to the short-term nature of these instruments. Marketable securities primarily consist of government securities, all of which are classified as available-for-sale. Management determines the appropriate classification of securities at the time of purchase and reassesses the classification at each reporting date.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements incurred in the renovation of the Company s corporate offices are being amortized over the remaining life of the leases. The Company s policy is to evaluate the appropriateness of the carrying value of the undepreciated value of long-lived assets. If such evaluation were to indicate an impairment of assets, such impairment would be recognized by a write-down of the applicable assets.

Inventories

Inventories are stated at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) method.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws.

Management records valuation allowances against net deferred tax assets, if based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and when temporary differences become deductible. The Company considers, among other available information, uncertainties surrounding the recoverability of deferred tax assets, scheduled reversals of deferred tax liabilities, projected future taxable income and other matters in making this assessment. The Company reviewed its deferred tax assets and at both December 31, 2007 and

December 31, 2006, recorded a valuation allowance to reduce these assets to zero to reflect that, more likely than not, they will not be realized.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. The Company adopted the provisions of FIN 48 as of January 1, 2007 and has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions.

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. In addition, the Company did not record a cumulative effect adjustment related to the adoption of FIN 48. If such adjustment was recorded, it would have been fully offset by a change in a valuation allowance.

The Company s policy for recording interest and penalties associated with audits is that penalties and interest expense are recorded in interest expense in the Company s Consolidated Statements of Operations.

Stock Options

Effective January 1, 2006, Genta adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (SFAS 123R), using the modified prospective transition method and therefore has not restated results for prior periods. Under the new standard, all share-based payments including grants of employee stock options are recognized in the Consolidated Statement of Operations based on their fair values, as pro-forma disclosure is no longer an alternative. The amount of compensation cost is measured based on the grant-date fair value of the equity instrument issued. The Company utilizes a Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. See Note 16 to our Consolidated Financial Statements for a further discussion on share-based compensation.

Net Loss Per Common Share

Net loss per common share for the year ended December 31, 2007, 2006 and 2005, respectively, are based on the weighted average number of shares of common stock outstanding during the periods. Basic and diluted loss per share are identical for all periods presented as potentially dilutive securities have been excluded from the calculation of the diluted net loss per common share because the inclusion of such securities would be antidilutive. The potentially dilutive securities include 2.3 million 2.1 million and 1.8 million shares in 2007, 2006 and 2005, respectively, reserved for the conversion of convertible preferred stock and the exercise of outstanding options and warrants.

Recent Accounting Pronouncements

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

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company does not expect that adoption of this standard will have a material impact on its financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In December 2007, the FASB issued EITF Issue No. 07-1, Accounting for Collaborative Arrangements, which is effective for calendar year companies on January 1, 2009. The Task Force clarified the manner in which costs, revenues and sharing payments made to, or received by a partner in a collaborative arrangement should be presented in the income statement and set forth certain disclosures that should be required in the partners financial statements. The Company is currently assessing the potential impacts of implementing this standard.

In June 2007, the FASB issued EITF Issue No. 07-3, Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities, which is effective for calendar year companies on January 1, 2008. The Task Force concluded that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the services are performed, or when the goods or services are no longer expected to be provided. The Company is currently assessing the potential impacts of implementing this standard.

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

In September 2006, the FASB issued SFAS 157, Fair Value Measurements . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this pronouncement does not require any new fair value measurements. The Company is required to adopt SFAS 157 beginning January 1, 2008. The Company does not expect that adoption of this standard will have a material impact on its financial statements.

4. Marketable Securities

The carrying amounts of the Company s marketable securities, which are primarily securities of government-backed agencies, approximate fair value due to the short-term nature of these instruments. The fair value of available-for-sale marketable securities is as follows ($ thousands):

	December 31, 2007	December 31, 2006
Cost	$ 1,970	$ 19,911
Gross unrealized gains	29	31
Gross unrealized losses		
Fair value	$ 1,999	$ 19,942

The fair value of each marketable security has been compared to its cost and therefore, unrealized gains of approximately $29 thousand and $31 thousand have been recognized in accumulated other comprehensive income in the Company s Consolidated Balance Sheets at December 31, 2007 and December 31, 2006, respectively.

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Collaborative Agreement

In April 2002, we entered into a series of agreements with Aventis regarding the development and commercialization of Genasense®. In November 2004, the Company received from Aventis notice of termination of the agreements between Genta and Aventis. In May 2005, the Company announced that Genta and Aventis had signed an agreement to finalize the termination of their development and commercialization collaboration for Genasense®. The termination agreement provided for no future financial obligations by either party and the retirement of the Line of Credit established by Aventis to Genta. Pursuant to the terms of the Collaborative Agreement, $2.8 million of reimbursable costs accrued and owed to the Company by Aventis were applied against the Line of Credit and the remaining balance of $1.3 million was forgiven.

Also, as of December 31, 2004, the Company had recorded $26.2 million, net of amortization, in deferred revenues relating to the initial $10.0 million licensing fee and $40.0 million development funding received from Aventis under the Collaborative Agreement. As a result of the notice of termination of the agreements with Aventis, the Company determined that the period over which the remaining deferred revenue should be recognized was through May 2005.

Aventis returned its current inventory of Genasense® drug supply to Genta. In addition, Genta assumed responsibility for the randomized clinical trial of Genasense® in combination with docetaxel (Taxotere®; sanofi-aventis) in patients with hormone-refractory prostate cancer. Among other provisions, the Standstill and Voting Agreement and Registration Rights Agreement that were established pursuant to the Aventis investment in Genta common stock in 2002 did not terminate at that time.

Under the Collaborative Agreement Aventis paid 75% of the U.S. NDA-directed development costs incurred by either Genta or Aventis and 100% of all other development, marketing, and sales costs incurred within the U.S. and elsewhere through May 10, 2005. An analysis of expenses reimbursed during 2005 under the Collaborative Agreement follows ($ thousands):

	Twelve Months Ended December 31, 2005
Research and development expenses, gross	$ 20,902
Less expense reimbursement	(6,090)
Research and development expenses, net	$ 14,812

None of the research and development expenses incurred by the Company after May 10, 2005 were reimbursable.

6. Workforce reduction

In December 2006, due to FDA s non-approval of the Company s NDA for CLL, the Company initiated a series of steps that are designed to conserve cash in order to focus on its oncology development operations. The Company reduced its workforce by 34 positions, or approximately 35%, including the elimination of 18 positions classified as research and development, 9 in sales and marketing and 7 in administration. Severance costs of $0.7 million were recognized in operating expenses in December 2006, including $0.3 million in research and development expenses and $0.4 million in selling, general and administrative expenses in the Company s Consolidated Statements of Operations. Payment of the severance began in January 2007 and was completed by June 30, 2007.

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventory

Inventories are stated at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) method. Inventories consisted of the following ($ thousands):

	December 31, 2007	December 31, 2006
Raw materials	$ 24	$ 24
Work in process		94
Finished goods	201	190
	$ 225	$ 308

The Company has substantial quantities of Genasense® drug supply which are recorded at zero cost. Such inventory would be available for the commercial launch of this product, should Genasense® be approved.

8. Reduction in Liability for Legal Settlement

The Company reached an agreement to settle a class action litigation in consideration for issuance of 2.0 million shares of common stock of the Company (adjusted for any subsequent event that results in a change in the number of shares outstanding as of January 31, 2007) and $18.0 million in cash for the benefit of plaintiffs and the stockholder class, (see Note 20 to the Consolidated Financial Statements). The cash portion of the proposed settlement will be covered by the Company s insurance carriers. Effective June 25, 2007, the Company and plaintiffs executed a written Stipulation and Agreement of Settlement, which was filed with the Court on August 13, 2007, seeking preliminary approval. The unopposed Motion for Preliminary Approval of Settlement was granted on October 30, 2007, and the Court issued final approval of the Settlement at the Settlement Fairness Hearing on March 3, 2008. The Company has also entered into release and settlement agreements with its insurance carriers, pursuant to which insurance will cover the settlement fee and various costs incurred in connection with the action. Under FASB Statement No. 5, Accounting for Contingencies and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss, an interpretation of FASB Statement No. 5, the Company recorded an expense of $5.3 million, comprised of 2.0 million shares of the Company s common stock valued at a market price of $2.64 on December 31, 2006. At December 31, 2007, the revised estimated value of the common shares portion of the litigation settlement is $1.0 million, based on a closing price of Genta s common stock of $0.52 per share as of December 31, 2007, resulting in a reduction in the provision of $4.2 million recognized in the year ended December 31, 2007. The amount of the liability will continue to be adjusted based on the market price of the Company s stock until final approval of the settlement by the Court, at which time the value of the shares to be issued will be fixed. The liability for the settlement of litigation, originally recorded at $23.2 million at December 31, 2006, is measured at $19.0 million at December 31, 2007 and is included in accounts payable and accrued expenses in the Company s Consolidated Balance Sheets. An insurance receivable of $18.0 million is included in prepaid expenses and other current assets in the Company s Consolidated Balance Sheets.

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Property and Equipment, Net

Property and equipment is comprised of the following ($ thousands):

	Estimated Useful Lives	December 31, 2007	December 31, 2006
Computer equipment	3	$ 2,855	$ 2,950
Software	3	3,211	3,406
Furniture and fixtures	5	936	936
Leasehold improvements	Life of lease	420	410
Equipment	5	182	182
		7,604	7,884
Less accumulated depreciation and amortization		(7,281)	(7,613)
		$ 323	$ 271

10. Write-off of Prepaid Royalty

In December 2000, the Company recorded $1.3 million as the fair value for its commitment to issue shares of common stock to a major university as consideration for an amendment to a license agreement initially executed on August 1, 1991 related to antisense technology licensed from the university. The amendment provided for a reduction in the royalty percentage rate to be paid to the university based on the volume of sales of the Company s products containing the antisense technology licensed from such university. These shares were issued in 2001. The Company planned to amortize the prepaid royalties upon the commercialization of Genasense®. On December 15, 2006, the Company received a non-approvable notice from the FDA for its NDA for the use of Genasense® plus chemotherapy in patients with CLL. As a result, in December 2006, the Company accounted for the impairment of these prepaid royalties by recording a write-off of this asset.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses is comprised of the following ($ thousands):

	December 31, 2007	December 31, 2006
Accounts payable	$ 2,519	$ 5,493
Accrued severance		747
Accrued compensation	488	2,323
Reserve for settlement of litigation obligation	19,040	23,480

Other accrued expenses	3,803	4,451
	$ 25,850	$ 36,494

The carrying amount of accounts payable approximates fair value due to the short-term nature of these instruments.

12. Notes Payable

During 2007, the Company issued notes payable to finance premiums for its corporate insurance policies of $1.1 million at interest rates running from 5.2% to 5.9% and during 2006, $1.2 million at 5.4% to 5.6%. Payments were scheduled for seven or ten equal monthly installments for the notes initiated in 2007 and over seven equal monthly installments for the notes initiated in 2006. The notes payable balance at December 31, 2007 and

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2006 was $0.5 million and $0.6 million, respectively. The carrying amount of notes payable approximates fair value due to the short-term nature of these instruments.

13. Income Taxes

Significant components of the Company s deferred tax assets as of December 31, 2007 and 2006 and related valuation reserves are presented below ($ thousands):

	December 31, 2007	December 31, 2006
Deferred tax assets:		
Deferred compensation	$ 772	$ 772
Net operating loss carryforwards	130,111	122,514
Research and development credit and Orphan Drug credit carryforwards	41,484	38,586
Purchased technology and license fees	4,850	4,850
Depreciation and amortization, net	261	342
Share-based compensation expense	892	648
Provision for settlement of litigation, net	458	2,323
Write-off of prepaid royalties	558	558
New Jersey Alternative Minimum Assessment (AMA) Tax	730	730
New Jersey research and development credits	5,612	5,306
Provision for excess inventory	714	714
Reserve for product returns	2	92
Accrued liabilities	355	2,142
Other, net	323	236
Total deferred tax assets	187,122	179,813
Valuation allowance for deferred tax assets	(187,122)	(179,813)
Net deferred tax assets	$	$
Deferred tax liabilities:		
Net deferred tax liabilities	$	$

A full valuation allowance has been provided at December 31, 2007 and 2006, respectively, to reserve for deferred tax assets, as it appears more likely than not that net deferred tax assets will not be realized.

Effective January 1, 2007 the company adopted FIN 48. As of January 1, 2007 and December 31, 2007, the Company recorded a liability for $712 thousand and $776 thousand, respectively, of unrecognized tax benefits (UTB s), of which $776 thousand is included in accounts payable and accrued expenses on the Company s Consolidated Balance Sheets. In addition, as of January 1, 2007 and December 31, 2007, the Company reduced its deferred tax assets by $854 thousand and $1,033 thousand, respectively. However, the Company recorded a full valuation allowance on its net deferred tax assets and reduced its valuation allowance on these respective amounts. The amount of UTB s that would have an impact on the effective tax rate, if recognized, is $533 thousand.

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of the total amount of unrecognized tax benefits (UTB s) is as follows:

	($ in thousands)	
Unrecognized tax benefits: January 1, 2007	$	1,388
Gross increases: Tax positions taken in prior periods		
Gross decreases: Tax positions taken in prior periods		
Gross Increases- Current period tax positions	$	179
Lapse of Statute of Limitations		
Unrecognized tax benefits: December 31, 2007	$	1,567

The Company files corporate tax returns at the federal level and in the State of New Jersey. The open tax years that are subject to examination for these jurisdictions are 2004 through 2007 for federal returns and 2002 through 2007 for tax returns for the State of New Jersey.

New Jersey has enacted legislation permitting certain corporations located in the state to sell state tax loss carryforwards and state research and development credits. The Company sold portions of its New Jersey net operating losses and received a payment of $1.5 million in 2007 and received a payment of $0.9 million in 2006, recognized as income tax benefit.

If still available under New Jersey law, the Company will attempt to sell its tax loss carryforwards in 2008. We cannot be assured that the New Jersey program will continue in 2008, nor can we estimate what percentage of our saleable tax benefits New Jersey will permit us to sell, how much money will be received in connection with the sale, or if the Company will be able to find a buyer for its tax benefits.

The Company s Federal tax returns have never been audited. In January 2006, the State of New Jersey concluded its fieldwork with respect to a tax audit for the years 2000 through 2004. The State of New Jersey took the position that amounts reimbursed to Genta by Aventis Pharmaceutical Inc. for co-development expenditures during the audit period were subject to Alternative Minimum Assessment (AMA), resulting in a liability at that time of approximately $533 thousand. Although the Company and its outside tax advisors believe the State s position on the AMA liability is unjustified, there is little case law on the matter and it is probable that the Company will be required to ultimately pay the liability. In March 2007, the Company received a formal assessment from the State of New Jersey for $712 thousand. As of December 31, 2007, the Company had accrued a tax liability of $533 thousand, penalties of $27 thousand and interest of $216 thousand related to this assessment. The Company appealed this decision to the State and on February 13, 2008, the State notified the Company that its appeal had not been granted. The Company believes the State s position is unjustified and is considering the option of taking this matter before the Tax Court.

The Company recorded $139 thousand, $66 thousand and $11 thousand in interest expense related to the State of New Jersey assessment during 2007, 2006 and 2005, respectively.

At December 31, 2007, the Company has federal and state net operating loss carryforwards of approximately $310.8 million and $234.9 million, respectively. The federal tax loss carryforward began expiring in 2003. The Company also has Research and Development credit and Orphan Drug credit carryforwards totaling $41.8 million, which began expiring in 2003.

14. Operating Leases

At both December 31, 2007 and December 31, 2006, the Company maintained $1.7 million in restricted cash balances with financial institutions related to lease obligations on its corporate facilities. These amounts are included in other assets in the Company s Consolidated Balance Sheets. Such restricted cash balances collateralize letters of credit issued by the financial institutions in favor of the Company s landlord with respect to corporate facilities.

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future minimum obligations under operating leases at December 31, 2007 are as follows ($ thousands):

2008	$ 2,634
2009	2,591
2010	429
2011	
2012	
Thereafter	
	$ 5,654

Annual rent expense incurred by the Company in 2007, 2006 and 2005 was $2.6 million, $2.5 million and $2.4 million, respectively.

15. Stockholders Equity

Common Stock

At the Company s Annual Meeting of Stockholders on July 11, 2007, the Company s stockholders authorized its Board of Directors to effect a reverse stock split of all outstanding shares of common stock, and the Board of Directors subsequently approved the implementation of a reverse stock split at a ratio of one for six shares.

In March 2007, the Company sold 5.0 million shares of the Company s common stock at a price of $2.16 per share, raising $10.2 million, net of fees and expenses.

In September 2006, the Company sold 3.3 million shares of its common stock at a price of $4.74 per share, raising $14.9 million, net of fees and expenses.

In March 2006, the Company issued 3.2 million shares of its common stock at a price of $12.90 per share, raising $37.7 million, net of fees and expenses.

In March 2006, the Board of Directors approved an amendment to increase the number of shares of authorized common stock to 250.0 million shares from 150.0 million shares. In June 2006, the Company s stockholders approved this amendment at the Company s Annual Meeting of Stockholders.

Preferred Stock Purchase Right

In 2005 the Board of Directors adopted a Stockholder Rights Plan and declared a dividend of one preferred stock purchase right (a Right) for each outstanding share of common stock of the Company, payable to holders of record as of the close of business on September 27, 2005. Generally, the rights become exercisable upon the earlier of the close of business on the tenth business day following the first public announcement that any person or group has become a beneficial owner of 15% or more of the Company s common stock and the close of business on the tenth business day after the date of the commencement of a tender or exchange offer by any person which would, if consummated, result in such person becoming a beneficial owner of 15% or more of the Company s common stock. Each Right shall be exercisable to purchase, for $25.00, subject to adjustment, one one-hundredth of a newly registered share of Series G Participating Cumulative Preferred Stock, par value $0.001 per share of the Company.

Series A Preferred Stock

Each share of Series A Preferred Stock is immediately convertible into shares of the Company s common stock, at a rate determined by dividing the aggregate liquidation preference of the Series A Preferred Stock by the conversion price. The conversion price is subject to adjustment for antidilution. As of December 30, 2007 and December 31, 2006, each share of Series A Preferred Stock was convertible into 2.3469 and 1.9969 shares of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

common stock, respectively. At December 31, 2007 and December 31, 2006, the Company had 7,700 shares of Series A Convertible Preferred Stock issued and outstanding.

In the event of a liquidation of the Company, the holders of the Series A Preferred Stock are entitled to a liquidation preference equal to $50 per share, or $0.4 million at December 31, 2007.

Series G Preferred Stock

The Company has 5.0 million shares of preferred stock authorized, of which 2.0 million shares has been designated Series G Participating Cumulative Preferred.

Warrants

The Company does not have any outstanding common stock warrants at December 31, 2007.

Common Stock Reserved

At December 31, 2007, the Company had 30.6 million shares of common stock outstanding, 2.3 million additional shares reserved for the conversion of convertible preferred stock and the exercise of outstanding options and 0.6 million additional shares of common stock authorized for issuance and remaining to be granted under the Company s Non-Employee Directors 1998 Stock Option Plan, as amended and restated and 1998 Stock Incentive Plan, as amended and restated. In addition, the Company has reserved 8.5 million shares and granted 5.4 million options under the 2007 Stock Option Plan, subject to stockholder approval, (see Note 17 to the Consolidated Financial Statements).

16. Share-Based Compensation

Effective January 1, 2006, the Company adopted SFAS 123R, which requires the Company to measure the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. SFAS 123R superseded Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), and Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). The Company adopted SFAS 123R using the modified prospective transition method, which required the Company to record compensation cost related to unvested stock awards as of December 31, 2005 by recognizing the unamortized grant date fair value of these awards over the remaining requisite service periods of those awards, with no change in historical reported earnings. Awards granted after December 31, 2005 are valued at fair value in accordance with the provisions of SFAS 123R and are recognized on a straight-line basis over the requisite service periods of each award. The standard also requires the Company to estimate forfeiture rates for all unvested awards, which it has done for 2007 based on its historical experience.

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company estimates the fair value of each option award on the date of the grant using the Black-Scholes option valuation model. Expected volatilities are based on the historical volatility of the Company s common stock over a period commensurate with the options expected term. The expected term represents the period of time that options granted are expected to be outstanding and is calculated in accordance with the Securities and Exchange Commission (SEC) guidance provided in the SEC s Staff Accounting Bulletin 107 (SAB 107), using a simplified method. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company s stock options. The following table summarizes the weighted-average assumptions used in the Black-Scholes model for options granted during the years ended December 31 2007, 2006 and 2005, respectively:

	2007	2006	2005
Expected volatility	102%	97%	116%
Expected dividends			
Expected term (in years)	6.25	6.25	6.25
Risk-free rate	4.8%	4.6%	4.4%

Prior to 2006, the Company accounted for share-based compensation in accordance with APB 25 using the intrinsic value method, which did not require that compensation cost be recognized for the Company s stock options, provided the option exercise price was not less than the common stock s fair market value on the date of the grant. The Company provided pro-forma disclosure amounts in accordance with SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, as if the fair value method defined by SFAS No. 123 had been applied to its share-based compensation. The Company s net loss and net loss per share for the year ended December 31, 2005 would have been increased if compensation cost related to stock options had been recorded in the financial statements based on fair value at the grant dates.

The following table sets forth the pro-forma net loss as if the fair value method had been applied to all awards:

	Year Ended December 31, 2005 ($ thousands, except per share data)
Net loss applicable to common shares, as reported	$ (2,203)
Add: Equity related employee compensation expense related to certain stock options issued in 1999 and 2000 included in reported net loss, net of related tax effects	41
Deduct: Total share-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(6,206)
Pro forma net loss	$ (8,368)

Net loss per share attributable to common stockholders:

As reported: Basic and diluted	$	(0.13)
Pro forma: Basic and diluted	$	(0.49)

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The share-based compensation expense recognized for the years ended December 31, 2007 and December 31, 2006 follows:

	Year Ended December 31	
	2007	2006
	($ thousands, except per share data)	
Research and development expenses	$ 521	$ 997
Selling, general and administrative	852	2,002
Total share-based compensation expense	$ 1,373	$ 2,999
Share-based compensation expense, per basic and diluted common share	$ 0.05	$ 0.13

17. Stock Option Plans

As of December 31 2007, the Company has three share-based compensation plans, which are described below:

2007 Stock Incentive Plan

On September 17, 2007, the Company s Board of Directors approved the Company s 2007 Stock Incentive Plan (the 2007 Plan), pursuant to which 8.5 million shares of the Company s common stock will be authorized for issuance, subject to approval of the Company s stockholders. Awards may be made under the plan to officers, employees, directors and consultants in the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other stock-based awards. Awards granted under the plan prior to stockholder approval of the plan are subject to and conditioned upon receipt of such approval on or before September 17, 2008. Should such stockholder approval not be obtained on or before such date, the plan will terminate and any awards granted pursuant to the plan will terminate and cease to be outstanding.

On September 17, 2007 and September 20, 2007, the Board of Directors approved the issuance of a combined total of 5.4 million options under the 2007 Plan. Most of these awards vest over a three-year period in increments of 50%, 25% and 25%, beginning on the first anniversary of the date of the grant. The Company has not recognized compensation expense for these grants, because a grant date as defined in SFAS 123R has not occurred. This is because the grant of these options is contingent upon stockholder approval, which cannot be assured.

Acquisition Bonus Program

On September 17, 2007, the Board of Directors approved an Acquisition Bonus Program. Under the program, participants are eligible to share in a portion of the proceeds realized from a change in control of the Company that occurs prior to the earlier of (i) December 31, 2008 or (ii) the approval by the Company s stockholders of the 2007 Stock Incentive Plan.

Pursuant to the program, participants selected by the Board of Directors will be awarded a number of units with a designated base value. The amount of a participant s bonus award will be determined by multiplying (i) the difference between the unit value and the base value by (ii) the number of units awarded to such participant. The unit value for each unit will be determined by dividing the change in control proceeds (as defined in the award agreement) by the total number of shares of the Company s common stock outstanding at the time of the change in control. The units will be subject to a vesting schedule, if any, determined by the Board of Directors at the time the unit award is made. Bonus awards will generally be paid in cash within 30 days after the later of (i) the effective date of the change in control or (ii) the date the change in control proceeds are paid to the Company s stockholders. The maximum number of units that may be awarded under the Acquisition Bonus Program is 8.5 million units, which equals the number of shares of the Company s common stock that are authorized for issuance under the 2007 Plan. On September 27, 2007, 5.4 million acquisition bonus units were granted under the Acquisition Bonus Program.

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Any stock options granted to a participant under the 2007 Plan will terminate and cease to be outstanding in the event the participant becomes entitled to receive a payment under the Acquisition Bonus Program.

1998 Stock Incentive Plan

Pursuant to the Company s 1998 Stock Incentive Plan, as amended (the 1998 Plan), 3.4 million shares have been provided for the grant of stock options to employees, directors, consultants and advisors of the Company. In June 2006, the Company s stockholders approved an amendment to increase the total number of shares of common stock authorized for issuance under the 1998 Plan from 3.1 million to 3.4 million shares. Option awards must be granted with an exercise price at not less than the fair market price of the Company s common stock on the date of the grant; those option awards generally vest over a four-year period in equal increments of 25%, beginning on the first anniversary of the date of the grant. All options granted have contractual terms of ten years from the date of the grant.

The following table summarizes the option activity under the 1998 Plan as of December 31, 2007 and changes during the three years then ended:

Stock Options	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2004	1,666	$ 35.94		
Granted	247	8.16		
Exercised				
Forfeited or expired	(343)	42.00		
Outstanding at December 31, 2005	1,570	$ 30.24		
Granted	432	11.64		
Exercised				
Forfeited or expired	(66)	25.32		
Outstanding at December 31, 2006	1,936	$ 26.22		
Granted	316	1.40		
Exercised				
Forfeited or expired	(97)	16.38		
Outstanding at December 31, 2007	2,155	$ 23.05	5.1	$
Vested and expected to vest at December 31, 2007	1,293	$ 23.05	5.1	$

Exercisable at December 31, 2007	1,304	$	24.25	3.3	$

There is no intrinsic value to outstanding stock options as the exercise prices of all outstanding options are above the market price of the Company s stock at December 31, 2007. The weighted-average grant-date fair value of options granted during the year ended December 31, 2007 was $1.16.

As of December 31, 2007, there was approximately $0.9 million of total unrecognized compensation cost related to non-vested share-based compensation granted under the 1998 Plan, which is expected to be recognized over a weighted-average period of 1.4 years.

In September 2007, the Company granted 60,000 Restricted Stock Units (RSUs), which contain performance vesting criteria, to a member of senior management. RSUs entitle the holder to receive at the end of a vesting term, a

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

specified number of shares of Genta common stock and were accounted for at fair value at the date of the grant. This particular grant of 60,000 RSUs consists of three tranches of 20,000 shares each. The first two equal tranches of 20,000 shares each vest upon the completion of one or more financial transactions including, but not limited to, partnerships, asset sales or other transactions that raise working capital for the Company. At December 31, 2007, the performance condition for the 40,000 RSUs had not been met; accordingly, there is no amortization related to these RSUs reflected in the Company s financial statements. One tranche of 20,000 shares vests on July 1, 2008 upon satisfactory provision of certain other financial and accounting services. The fair value of the grant, $28 thousand, based on a grant date fair value per share of $1.42, is being amortized evenly over the vesting period.

1998 Non-Employee Directors Plan

Pursuant to the Company s 1998 Non-Employee Directors Plan as amended (the Directors Plan), 0.6 million shares have been provided for the grant of non-qualified stock options to the Company s non-employee members of the Board of Directors. Option awards must be granted with an exercise price at not less than the fair market price of the Company s common stock on the date of the grant. Initial option grants vest over a three-year period in equal increments, beginning on the first anniversary of the date of the grant. Subsequent grants, generally vest on the date of the grant. All options granted have contractual terms of ten years from the date of the grant.

The fair value of each option award is estimated on the date using the same valuation model used for options granted under the 1998 Plan.

The following table summarizes the option activity under the Directors Plan as of December 31, 2007 and changes during the three years then ended:

Stock Options	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2004	171	$ 43.02		
Granted	32	6.90		
Exercised				
Forfeited or expired	(10)	31.50		
Outstanding at December 31, 2005	193	$ 37.56		
Granted	23	12.42		
Exercised	(26)	6.00		
Forfeited or expired	(90)	40.98		
Outstanding at December 31, 2006	100	$ 37.02		

Granted	20		1.80			
Exercised						
Forfeited or expired	(7)		40.08			
Outstanding at December 31, 2007	113	$	30.61	6.4	$	
Vested and expected to vest at December 31, 2007	68	$	30.61	6.4	$	
Exercisable at December 31, 2007	111	$	31.18	6.3	$	

There is no intrinsic value to outstanding stock options as the exercise prices of all outstanding options are above the market price of the Company s stock at December 31, 2007. The weighted-average grant-date fair value of options granted during the year ended December 31, 2007 was $1.48.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock option grants for a combination of both the 1998 Plan and the 1998 Directors Plan were as follows:

Year	Options Granted (In thousands)	Weighted Average Grant Date per Share Fair Value
2007	336	$ 1.42
2006	455	11.70
2005	279	7.98

An analysis of all options outstanding as of December 31, 2007 is presented below, (option figures are in thousands):

Range of Prices	Options Outstanding	Weighted Average Remaining Life In Years	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price of Options Exercisable
$ 0.67 - $ 1.98	239	9.9	$ .88	20	$ 1.80
$ 2.73 - $ 9.54	270	8.3	6.39	81	7.36
$ 9.66 - $ 12.96	351	8.0	12.10	132	11.94
$14.58 - $ 19.02	823	2.0	15.98	823	15.98
$34.38 - $ 56.10	223	3.9	43.35	224	43.35
$59.28 - $109.50	362	5.2	66.60	135	74.06
	2,268	5.2	$ 23.43	1,415	$ 24.79

18. Employee Savings Plan

In 2001, the Company initiated sponsorship of the Genta Incorporated Savings and Retirement Plan, a defined contribution plan under Section 401(k) of the Internal Revenue Code. The Company s matching contribution to the Plan was $0.3 million, $0.4 million, and $0.4 million for 2007, 2006 and 2005, respectively.

19. Comprehensive Loss

An analysis of comprehensive loss is presented below:

	Years Ended December 31, 2007	2006	2005
	($ in thousands)		
Net loss	$ (23,320)	$ (56,781)	$ (2,203)
Change in market value on available-for-sale marketable securities	29	31	60
Total comprehensive loss	$ (23,291)	$ (56,750)	$ (2,143)

20. Commitments and Contingencies

Litigation and Potential Claims

In 2004, numerous complaints were filed in the United States District Court for the District of New Jersey, or the Court, against Genta and certain of its principal officers on behalf of purported classes of the Company s

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

stockholders who purchased its securities during several class periods. The complaints were consolidated into a single action and alleged that the Company and certain of its principal officers violated the federal securities laws by issuing materially false and misleading statements regarding Genasense® for the treatment of malignant melanoma that had the effect of artificially inflating the market price of the Company s securities. The stockholder class action complaint sought monetary damages in an unspecified amount and recovery of plaintiffs costs and attorneys fees. The Company reached an agreement with plaintiffs to settle the class action litigation in consideration for the issuance of 2.0 million shares of common stock of the Company (adjusted for any subsequent event that results in a change in the number of shares outstanding as of January 31, 2007) and $18.0 million in cash for the benefit of plaintiffs and the stockholder class. The cash portion of the proposed settlement will be covered by the Company s insurance carriers. Effective June 25, 2007, the Company and plaintiffs executed a written Stipulation and Agreement of Settlement which was filed with the Court on August 13, 2007, seeking preliminary approval. The unopposed Motion for Preliminary Approval of Settlement was granted on October 30, 2007, and the Court issued final approval of the Settlement at the Settlement Fairness Hearing on March 3, 2008.

In addition, two separate stockholder derivative actions have been filed against the directors and certain officers of Genta in New Jersey State and Federal courts. The Federal stockholder derivative action was consolidated with the securities action.

Genta reached a final agreement with the Federal stockholder derivative plaintiffs to settle the Federal stockholder derivative action. On October 10, 2006, the United States District Court for the District of New Jersey gave preliminary approval to the parties settlement agreement. On May 7, 2007, the proposed settlement received final approval from the court. On October 31, 2006, Genta and the defendants entered into a Release and Settlement Agreement with the Company s insurance carrier, pursuant to which the Company s insurance covered the $200 thousand payment for plaintiffs attorney fees, the costs of notice to stockholders required by the Court s preliminary approval order and defense costs incurred in connection with the action, and this amount was paid by the Company s insurance carrier during the three months ended June 30, 2007.

The Company has continued to deny all of the allegations in all of these proceedings, and settlement and potential settlement do not constitute an admission of guilt or liability.

Based on facts substantially similar to those asserted in the stockholder class actions, the State derivative plaintiffs claimed that defendants had breached their fiduciary duties to the stockholders and committed other violations of New Jersey law. On February 9, 2006, the Superior Court of New Jersey dismissed the plaintiffs derivative complaint in the New Jersey State case based in part on plaintiffs failure to make a pre-suit demand on Genta s Board of Directors and in part based on plaintiffs failure to state a cause of action. Plaintiffs motion for reconsideration was denied and they filed a notice of appeal. On December 11, 2006, plaintiffs filed their appellate brief and on January 18, 2007, the Company filed its response. In view of the settlement of the Federal derivative action, on June 4, 2007, the Company filed a motion to dismiss plaintiffs appeal. That motion was granted on June 25, 2007.

In February 2007, a complaint against the Company was filed in the Superior Court of New Jersey by Howard H. Fingert, M.D., a former employee of the Company. The complaint alleges, among other things, breach of contract as to the Company s stock option plan and as to a consulting agreement allegedly entered into by the Company and Dr. Fingert subsequent to termination of Dr. Fingert s employment with the Company, breach of implied covenant of good faith and fair dealing with respect to the Company s stock option plan and the alleged consulting agreement, promissory estoppel with respect to the exercise of stock options and provision of consulting services after termination of employment, and fraud and negligent misrepresentation with respect to the exercise of stock options and provision of consulting services after termination of employment. The complaint seeks monetary damages, including punitive and consequential damages. The Company filed an answer to the complaint on May 29, 2007, and on August 8, 2007, filed a request for production of documents. On January 4, 2008, the Court dismissed the complaint without prejudice due to Dr. Fingert s failure to produce the requested discovery. Dr. Fingert has ninety days in which to move to vacate the order. The Company denies the allegations in the complaint and intends to vigorously defend this lawsuit.

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In November 2007, a complaint against the Company was filed in the United States District Court for the District of New Jersey by Ridge Clearing & Outsourcing Solutions, Inc. The complaint alleges, among other things, that the Company caused or contributed to losses suffered by a Company stockholder which have been incurred by Ridge. The Company filed its Answer and Affirmative Defenses on February 27, 2008 to respond to the complaint. The Company denies the allegations in the complaint and intends to vigorously defend this lawsuit.

21. Supplemental Disclosure of Cash Flows Information and Non-cash Investing and Financing Activities

As a result of the Aventis notice of termination in 2004, all payments otherwise due to Genta were contractually applied against the balance of the Line of Credit until the Line of Credit was repaid. During 2005, $6.0 million of reimbursement due to Genta was applied to the balance of the Line of Credit. In addition, in 2005, the Company recorded a gain on the forgiveness of debt of $1.3 million.

No interest was paid for the twelve months ended December 31, 2007, 2006, and 2005, respectively.

22. Selected Quarterly Financial Data (Unaudited)

	Quarter Ended			
2007	**Mar. 31**	**Jun. 30**	**Sep. 30**	**Dec. 31**
	($ thousands, except per share data)			
Revenues	$ 94	$ 105	$ 115	$ 266
Gross margin	72	79	95	244
Operating expenses-net	5,875	8,594	8,046	3,601
Net loss	(5,605)	(8,235)	(7,732)	(1,748)
Net loss per common share:				
Basic and diluted**	$ (0.21)	$ (0.27)	$ (0.25)	$ (0.06)

	Quarter Ended			
2006	**Mar. 31**	**Jun. 30**	**Sep. 30**	**Dec. 31**
	($ thousands, except per share data)			
Revenues	$ 67	$ 379	$ 145	$ 117
Gross margin	51	357	104	88
Operating expenses net	10,206	15,353	15,453	18,752
Net loss	(9,895)	(14,642)	(14,940)	(17,304)
Net loss per common share:				
Basic and diluted**	$ (0.50)	$ (0.66)	$ (0.66)	$ (0.68)

**

Net loss per common share is calculated independently for each quarter and the full year based upon respective average shares outstanding. Therefore, the sum of the quarterly amounts may not equal the annual amounts reported.

In December 2006, the Company reached an agreement to settle a class action litigation in consideration for issuance of 2.0 million shares of common stock of the Company (adjusted for any subsequent event that results in a change in the number of shares outstanding as of January 31, 2007) and $18.0 million in cash for the benefit of plaintiffs and the stockholder class, (see Note 20 to the Consolidated Financial Statements). The cash portion of the proposed settlement will be covered by the Company s insurance carriers. The Company recorded an expense of $5.3 million, comprised of 2.0 million shares of the Company s common stock valued at a market price of $2.64 on December 31, 2006.

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GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2007, the revised estimated value of the common shares portion of the litigation settlement is $1.0 million, based on a closing price of Genta s common stock of $0.52 per share as of December 31, 2007, resulting in a reduction in the provision of $4.2 million recognized in the year ended December 31, 2007. The amount of the liability will continue to be adjusted based on the market price of the Company s stock until final approval of the settlement by the Court, at which time the value of the shares to be issued will be fixed.

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

During the fourth quarter of 2007, the Company revised its estimate of certain accrued expenses in the amount of $4.7 million, since such amount is no longer deemed probable.

23. Subsequent Events

On February 13, 2008, the Company sold 6.1 million shares of the Company s common stock at a price of $0.50 per share, raising approximately $3.1 million, net of estimated fees and expenses.

On March 7, 2008, the Company entered into a License Agreement (the Agreement) with Daiichi Sankyo Company, Limited, a Japanese corporation based in Tokyo, Japan, whereby Genta obtained the exclusive license for tesetaxel. Pursuant to the agreement, Genta will pay Daiichi Sankyo $250,000 within 30 days from signing the agreement. The Company will also pay four equal installments of $562,000 per quarter beginning at the end of the second quarter 2008, and also at the end of each subsequent calendar quarter, until the end of the first quarter 2009, for a total of $2.25 million. The agreement also provides for payments by Genta upon achievement of certain clinical and regulatory milestones and royalties on net product sales. The Company will purchase Daiichi s current inventory of tesetaxel and will be responsible for all future development, commercialization, and manufacturing of the drug.

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GENTA INCORPORATED

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2008 AND DECEMBER 31, 2007

	June 30, 2008 (Unaudited)	December 31, 2007
	(In thousands, except par value data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,278	$ 5,814
Marketable securities		1,999
Accounts receivable net of allowances of $39 at June 30, 2008 and $38 at December 31, 2007	55	31
Inventory (Note 4)	171	225
Prepaid expenses and other current assets (Note 6)	18,726	19,170
Total current assets	35,230	27,239
Property and equipment, net	251	323
Deferred financing costs on convertible note financing (Note 7)	1,170	
Deferred financing costs warrant (Note 7)	7,378	
Other assets		1,731
Total assets	$ 44,029	$ 29,293
LIABILITIES AND STOCKHOLDERS (DEFICIT)/EQUITY		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	$ 30,603	$ 25,850
Notes payable		512
Conversion feature liability (Note 7)	740,000	
Warrant liability (Note 7)	14,800	
Total current liabilities	785,403	26,362
Long-term liabilities:		
Convertible notes due June 9, 2010, issued for $20,000, net of beneficial conversion feature of ($19,417) (Note 7)	583	
Total long-term liabilities	583	
Commitments and contingencies (Note 12)		
Stockholders (deficit)/equity (Note 8):		
Preferred stock, 5,000 shares authorized:		
Series A convertible preferred stock, $.001 par value; 8 shares issued and outstanding, liquidation value of $385 at June 30, 2008 and December 31, 2007,		

respectively				
Series G participating cumulative preferred stock, $.001 par value; 0 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively				
Common stock, $.001 par value; 250,000 shares authorized, 36,741 and 30,621 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively		37		31
Additional paid-in capital		444,315		441,159
Accumulated deficit		(1,186,309)		(438,288)
Accumulated other comprehensive income				29
Total stockholders (deficit)/equity		(741,957)		2,931
Total liabilities and stockholders (deficit)/equity	$	44,029	$	29,293

See accompanying notes to consolidated financial statements.

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GENTA INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(Unaudited) (In thousands, except par value data)			
Product sales net	$ 131	$ 105	$ 248	$ 199
Cost of goods sold	29	26	54	48
Gross margin	102	79	194	151
Operating expenses:				
Research and development	4,454	4,099	10,891	7,481
Selling, general and administrative	2,587	4,735	6,225	8,787
Settlement of office lease obligation (Note 5)	3,307		3,307	
Reduction in liability for settlement of litigation, net (Note 6)	(80)	(240)	(340)	(1,800)
Total operating expenses	10,268	8,594	20,083	14,468
Other income/(expense):				
Gain on maturity of marketable securities		36	31	44
Interest income and other income, net	40	269	100	543
Interest expense	(198)	(25)	(223)	(109)
Amortization of deferred financing costs (Note 7)	(840)		(840)	
Fair value conversion feature liability (Note 7)	(720,000)		(720,000)	
Fair value warrant liability (Note 7)	(7,200)		(7,200)	
Total other income/(expense)	(728,198)	280	(728,132)	478
Net loss	$ (738,364)	$ (8,235)	$ (748,021)	$ (13,839)
Net loss per basic and diluted share	$ (20.10)	$ (0.27)	$ (21.21)	$ (0.48)
Shares used in computing net loss per basic and diluted share	36,741	30,621	35,261	28,604

See accompanying notes to consolidated financial statements.

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GENTA INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

	Six Months Ended June 30,	
	2008	2007
	(Unaudited) (In thousands)	
Operating activities:		
Net loss	$ (748,021)	$ (13,839)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	83	93
Amortization of deferred financing costs	840	
Share-based compensation (Note 9)	305	928
Gain on maturity of marketable securities	(31)	(44)
Reduction in liability for settlement of litigation, net (Note 6)	(340)	(1,800)
Change in fair value conversion feature liability (Note 7)	720,000	
Change in fair value warrant liability (Note 7)	7,200	
Changes in operating assets and liabilities:		
Accounts receivable	(24)	12
Inventory	54	49
Prepaid expenses and other current assets	444	558
Accounts payable and accrued expenses	5,094	(2,740)
Other assets		(21)
Net cash used in operating activities	(14,396)	(16,804)
Investing activities:		
Purchase of marketable securities		(13,900)
Maturities of marketable securitie	2,000	16,000
Elimination of restricted cash deposits (Note 5)	1,731	
Purchase of property and equipment	(11)	(10)
Net cash provided by investing activities	3,720	2,090
Financing activities:		
Repayments of note payable	(512)	(642)
Issuance of note payable		236
Issuance of convertible notes net of financing cost of $1,205 (Note 7)	18,795	
Issuance of common stock, net (Note 8)	2,857	10,090
Net cash provided by financing activities	21,140	9,684
Increase/(decrease) in cash and cash equivalents	10,464	(5,030)
Cash and cash equivalents at beginning of period	5,814	9,554

Cash and cash equivalents at end of period	$ 16,278	$ 4,524

See accompanying notes to consolidated financial statements.

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007

1. Reverse Stock Split

At the Annual Meeting of Genta Incorporated (Genta or the Company) on July 11, 2007, the Company s stockholders authorized its Board of Directors to effect a reverse stock split of all outstanding shares of common stock, and the Board of Directors subsequently approved the implementation of a reverse stock split at a ratio of one for six shares, which became effective on July 13, 2007. All share and per share data in these consolidated financial statements and related notes hereto have been retroactively adjusted to account for the effect of the reverse stock split for the three and six month periods ended June 30, 2007, respectively.

2. Organization and Business

Genta is a biopharmaceutical company engaged in pharmaceutical (drug) research and development, its sole reportable segment. The Company is dedicated to the identification, development and commercialization of novel drugs for the treatment of cancer and related diseases.

The Company has had recurring annual operating losses since its inception. Management expects that such losses will continue at least until its lead product, Genasense® (oblimersen sodium) Injection, receives approval for commercial sale in one or more indications. Achievement of profitability for the Company is currently dependent on the timing of Genasense® regulatory approval. Any adverse events with respect to approvals by the U.S. Food and Drug Administration (FDA) and/or European Medicines Agency (EMEA) could negatively impact the Company s ability to obtain additional funding or identify potential partners.

The Company has prepared its financial statements under the assumption that it is a going concern. The Company s recurring losses and negative cash flows from operation raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Net cash used in operating activities during the six months ended June 30, 2008 was $14.4 million.

On June 5, 2008, the Company entered into a securities purchase agreement with certain institutional and accredited investors to place up to $40 million of senior secured convertible notes with such investors. On June 9, 2008, the Company placed $20 million of such notes in the initial closing.

The notes bear interest at an annual rate of 15% payable at quarterly intervals in stock or cash at the Company s option, and are convertible into shares of Genta common stock at a conversion rate of 100,000 shares of common stock for every $1,000.00 of principal. Holders of the notes have the right, but not the obligation, for the following 12 months following the initial closing date to purchase in whole or in part up to an additional $20 million of the notes. The Company shall have the right to force conversion of the notes in whole or in part if the closing bid price of the Company s common stock exceeds $0.50 for a period of 20 consecutive trading days. Certain members of senior management of Genta participated in this offering. The notes are secured by a first lien on all assets of Genta. The notes include certain events of default, including a requirement that the Company obtain stockholder approval within a specified period of time to amend its certificate of incorporation to authorize additional shares of common stock.

The Company will require additional cash in order to maximize its commercial opportunities and continue its clinical development opportunities. The Company has had discussions with other companies regarding partnerships for the further development and global commercialization of Genasense®. Additional alternatives available to the Company to subsequently sustain its operations include financing arrangements with potential corporate partners, debt financing, asset-based loans, royalty-based financings, equity financing and other sources. However, there can be no assurance that any such collaborative agreements or other sources of funding will be available on favorable terms, if at all.

The Company will continue to maintain an appropriate level of spending over the upcoming fiscal year, given the uncertainties inherent in its business and its current liquidity position. Presently, with no further financing, management projects that the Company will run out of funds in the first quarter of 2009. The Company currently

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

does not have any additional financing in place. There can be no assurance that the Company can obtain financing, if at all, on terms acceptable to it.

If the Company is unable to raise additional funds, it will need to do one or more of the following:

delay, scale back or eliminate some or all of the Company s research and product development programs and sales and marketing activity;

license third parties to develop and commercialize products or technologies that the Company would otherwise seek to develop and commercialize themselves;

attempt to sell the Company;

cease operations; or

declare bankruptcy.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented on the basis of accounting principles generally accepted in the United States of America. All professional accounting standards that are effective as of June 30, 2008 have been considered in preparing the consolidated financial statements. The accompanying consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted from this report, as is permitted by such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect reported earnings, financial position and various disclosures. Actual results could differ from those estimates. The unaudited 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 fiscal year ended December 31, 2007. Results for interim periods are not necessarily indicative of results for the full year. The Company has experienced significant quarterly fluctuations in operating results and it expects those fluctuations will continue.

Revenue Recognition

Genta recognizes revenue from product sales when title to product and associated risk of loss has passed to the customer and the Company is reasonably assured of collecting payment for the sale. All revenue from product sales are recorded net of applicable allowances for returns, rebates and other applicable discounts and allowances. The Company allows return of its product for up to twelve months after product expiration.

Research and Development

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

Cash, Cash Equivalents and Marketable Securities

The carrying amounts of cash, cash equivalents and marketable securities approximate fair value due to the short-term nature of these instruments. Marketable securities primarily consist of government securities, all of

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which are classified as available-for-sale. Management determines the appropriate classification of securities at the time of purchase and reassesses the classification at each reporting date.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws. Management records valuation allowances against net deferred tax assets, if based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company generated additional net operating losses during the three and six months ended June 30, 2008 and continues to maintain a full valuation allowance against its net deferred tax assets.

The Company s Federal tax returns have never been audited. In January 2006, the State of New Jersey concluded its fieldwork with respect to a tax audit for the years 2000 through 2004. The State of New Jersey took the position that amounts reimbursed to Genta by Aventis Pharmaceutical Inc. for co-development expenditures during the audit period were subject to Alternative Minimum Assessment (AMA), resulting in a liability at that time of approximately $533 thousand. Although the Company and its outside tax advisors believe the State s position on the AMA liability is unjustified, there is little case law on the matter and it is probable that the Company will be required to ultimately pay the liability. In March 2007, the Company received a formal assessment from the State of New Jersey for $712 thousand. As of June 30, 2008, the Company had accrued a tax liability of $533 thousand, penalties of $27 thousand and interest of $250 thousand related to this assessment. The Company appealed this decision to the State and on February 13, 2008, the State notified the Company that its appeal had not been granted. On April 25, 2008, the Company filed a complaint with the Tax Court of the State of New Jersey to appeal the assessment. A preliminary pretrial conference has been scheduled with an assigned judge for October 30, 2008. If the matter is not settled beforehand, it is anticipated that the trial will commence in the first half of 2009.

The Company recorded $34 thousand and $98 thousand in interest expense related to the State of New Jersey assessment during the six months ended June 30, 2008 and 2007, respectively.

Stock Options

Effective January 1, 2006, Genta adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (SFAS 123R), using the modified prospective transition method. Under the standard, all share-based payments, including grants of employee stock options, are recognized in the Consolidated Statement of Operations based on their fair values. The amount of compensation cost is measured based on the grant-date fair value of the equity instrument issued. The Company utilizes a Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. See Note 7 and Note 8 to the Consolidated Financial Statements for a further discussion on share-based compensation.

Deferred Financing Costs

Deferred financing costs recorded in connection with the issuance of convertible notes, including for a financing fee and for the issuance of a warrant to the Company s private placement agent will be amortized over the two-year term of the convertible notes.

Net Loss Per Common Share

Net loss per common share for the three and six months ended June 30, 2008 and 2007, respectively, are based on the weighted average number of shares of common stock outstanding during the periods. Basic and diluted loss per share are identical for all periods presented as potentially dilutive securities have been excluded from the calculation of the diluted net loss per common share because the inclusion of such securities would be antidilutive. The potentially dilutive securities include 42.3 million and 2.1 million shares on June 30, 2008 and 2007,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

respectively, reserved for the conversion of convertible preferred stock and the exercise of outstanding options and warrants. In addition, the Convertible Notes are convertible into 2.0 billion shares of common stock, subject to stockholders approval of an increase in the number of the Company s authorized shares.

Recent Accounting Pronouncements

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

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company does not expect that adoption of this standard will have a material impact on its financial statements.

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

In December 2007, the FASB issued EITF Issue No. 07-1, Accounting for Collaborative Arrangements, which is effective for calendar year companies on January 1, 2009. The Task Force clarified the manner in which costs, revenues and sharing payments made to, or received by, a partner in a collaborative arrangement should be presented in the income statement and set forth certain disclosures that should be required in the partners financial statements. The Company is currently assessing the potential impacts of implementing this standard.

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

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses on items for which the fair value

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

option has been elected in earnings at each subsequent reporting date and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS 157, Fair Value Measurements . The impact of this standard on the consolidated financial statements did not have a material effect.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements . SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this pronouncement does not require any new fair value measurements. The Company was required to adopt SFAS 157 beginning January 1, 2008. The impact of this standard on the consolidated financial statements did not have a material effect.

4. Inventory

Inventories are stated at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) method. Inventories consisted of the following ($ thousands):

	June 30, 2008	December 31, 2007
Raw materials	$ 24	$ 24
Finished goods	147	201
	$ 171	$ 225

The Company has substantial quantities of Genasense® drug supply which are recorded at zero cost. Such inventory would be available for the commercial launch of this product, should Genasense® be approved.

5. Settlement of Office Lease Obligation

In May 2008, the Company entered into an amendment of its Lease Agreement with The Connell Company, (Connell), whereby the lease for one floor of office space in Berkeley Heights, New Jersey was terminated. Connell received a termination payment of $1.3 million, comprised of the Company s security deposits and will receive a future payment from the Company of $2.0 million upon the earlier of July 1, 2009 or the receipt of at least $5.0 million in upfront cash from a business development deal.

6. Reduction in Liability for Legal Settlement

The Company reached an agreement to settle a class action litigation in consideration for issuance of 2.0 million shares of common stock of the Company (adjusted for any subsequent event that results in a change in the number of shares outstanding as of January 31, 2007) and $18.0 million in cash for the benefit of plaintiffs and the stockholder class, (see Note 10 to the Consolidated Financial Statements). The cash portion of the proposed settlement will be covered by the Company s insurance carriers. Effective June 25, 2007, the Company and plaintiffs executed a written Stipulation and Agreement of Settlement, which was filed with the Court on August 13, 2007, seeking preliminary approval. The unopposed Motion for Preliminary Approval of Settlement was granted on October 30, 2007, and the Court held a hearing on plaintiffs unopposed motion for final approval of the settlement on March 3, 2008. An order approving the settlement was issued on May 27, 2008 and the settlement became final on June 27, 2008. The Company has also entered into release and settlement agreements with its insurance carriers, pursuant to which insurance will cover the settlement fee and various costs incurred in connection with the action. Under FASB Statement No. 5, Accounting for Contingencies and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss, an interpretation of FASB Statement No. 5, the Company recorded an expense of $5.3 million, comprised of 2.0 million shares of the Company s common stock valued at a market price of $2.64 on December 31, 2006. At December 31, 2007, the revised estimated value of the common shares portion of the litigation settlement was $1.0 million, based on a closing price of Genta s common stock of $0.52 per share. At June 27, 2008, the date that the settlement became

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

final, the revised value of the common stock portion of the litigation settlement was $0.7 million, based on a closing price of Genta s common stock of $0.35 per share, resulting in a reduction in the provision of $0.3 million for the six months ended June 30, 2008. The liability for the settlement of litigation, originally recorded at $23.2 million at December 31, 2006, is measured at $18.7 million at June 30, 2008 and is included in accounts payable and accrued expenses in the Company s Consolidated Balance Sheets. An insurance receivable of $18.0 million is included in prepaid expenses and other current assets in the Company s Consolidated Balance Sheets.

7. Convertible Notes and Warrant

On June 5, 2008, the Company entered into a securities purchase agreement with certain institutional and accredited investors to place up to $40.0 million of senior secured convertible notes with such investors. On June 9, 2008, the Company placed $20.0 million of such notes in the initial closing. The notes bear interest at an annual rate of 15% payable at quarterly intervals in stock or cash at the Company s option, and are convertible into shares of Genta common stock at a conversion rate of 100,000 shares of common stock for every $1,000.00 of principal. The notes include certain events of default, including a requirement that the Company obtain stockholder approval within a specified period of time to amend its certificate of incorporation to authorize additional shares of common stock. In addition, the notes prohibit any additional financing without the approval of holders of more than two-thirds of the principal amount of the notes.

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

In addition, in connection with the placement of the senior secured convertible notes, the Company issued a warrant to its private placement agent to purchase 40,000,000 shares of common stock at an exercise price of $0.02 per share and incurred a financing fee of $1.2 million. The deferred financing costs including for a financing fee and for the issuance of the warrant will be amortized over the two-year term of the convertible notes.

The Company concluded that it should initially account for conversion options embedded in convertible notes in accordance with SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS 133) and EITF 00-19 Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock (EITF 00-19). SFAS 133 generally requires companies to bifurcate conversion options embedded in convertible notes from their host instruments and to account for them as free standing derivative financial instruments in accordance with EITF 00-19. EITF 00-19 states that if the conversion option requires net cash settlement in the event of circumstances that are not solely within the Company s control, that the notes should be classified as a liability measured at fair value on the balance sheet. In this case, if the Company is not successful in obtaining approval of its stockholders to increase the number of authorized shares to accommodate the potential number of shares that the notes convert into, the Company will be required to cash settle the conversion option.

Upon the issuance date, there were an insufficient number of authorized shares of common stock in order to permit exercise of all of the issued convertible notes. In accordance with EITF 00-19, when there are insufficient authorized shares, the conversion obligation for the notes should be classified as a liability measured at fair value on the balance sheet. Accordingly, at June 9, 2008, in connection with the $20.0 million initial closing, the convertible features of the notes were recorded as derivative liabilities of $380.0 million.

At the recording of the initial closing, the fair value of the conversion feature, $380.0 million, exceeded the proceeds of $20.0 million. The difference of $360.0 million was charged to expense as the change in the fair market value of conversion liability. Accordingly, the Company recorded an initial discount of $20.0 million equal to the face value of the notes, which will be amortized over the two-year term, using the effective-interest method.

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At June 30, 2008, the Company accounted for the conversion options using the fair value method, with the resultant loss recognition recorded against earnings. At June 30, 2008, the fair value of the conversion feature liability was $740.0 million, comprised of the $380.0 million recorded at the initial closing and $360.0 million recorded to mark the liability to market at June 30. The conversion option was valued at June 9, 2008 and June 30, 2008 using the Black-Scholes valuation model using the following assumptions:

	June 30, 2008	June 9, 2008
Volatility	127.7%	125.6%
Risk-free interest rate	2.63%	2.73%
Remaining contractual lives	1.94	2.00

The conversion feature liability will be accounted for using mark-to-market accounting at each reporting date until all the criteria for permanent equity have been met.

As there were an insufficient number of authorized shares of common stock in order to fulfill all existing obligations, as required by EITF 00-19, the Company classified the warrant obligation as a liability to be measured at fair value on the balance sheet. Accordingly, at June 9, 2008, the Company recorded the warrant liabilities at a fair value of $7.6 million based upon the Black-Scholes valuation model. The warrant liabilities will be accounted for using mark-to-market accounting and charged to expense in a manner similar to the conversion feature at each reporting date until all the criteria for permanent equity have been met.

At June 30, 2008 the Company accounted for the warrant liabilities using the fair value method, with the resultant loss recognition recorded against earnings. At June 30, 2008, the fair value of the warrant liability was $14.8 million, comprised of the $7.6 million recorded at the initial closing and $7.2 million recorded to mark the liability to market at June 30, 2008. The warrant liability was valued at June 9, 2008 and June 30, 2008 using the Black-Scholes valuation model using the following assumptions:

	June 30, 2008	June 9, 2008
Volatility	115.5%	115.0%
Risk-free interest rate	3.34%	3.41%
Remaining contractual lives	4.94	5.00

The Company is planning to have an Annual Meeting of Stockholders later this year and its Board of Directors has recommended that stockholders approve a charter amendment to increase the amount of the Company s authorized shares. Once stockholders approve an increase in the amount of authorized shares, the marked-to-market liabilities for the conversion feature and the warrant will be transferred to Stockholders Equity.

8. Stockholders Equity

Common Stock

On February 13, 2008, the Company sold 6.1 million shares of the Company s common stock at a price of $0.50 per share, raising approximately $3.1 million, before estimated fees and expenses of approximately $203 thousand.

Series A Preferred Stock

Each share of Series A Preferred Stock is immediately convertible into shares of the Company s common stock, at a rate determined by dividing the aggregate liquidation preference of the Series A Preferred Stock by the conversion price. The conversion price is subject to adjustment for antidilution. As of June 30, 2008 and December 31, 2007, each share of Series A Preferred Stock was convertible into 153.4393 and 2.3469 shares

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of common stock, respectively. At June 30, 2008 and December 31, 2007, the Company had 7,700 shares of Series A Convertible Preferred Stock issued and outstanding.

Warrant

In connection with the June 2008 convertible note financing, the Company issued a common stock purchase warrant to its private placement agent. The warrant is exercisable into 40,000,000 shares of common stock at an exercise price of $0.02 per share.

9. Share-Based Compensation

The Company estimates the fair value of each option award on the date of the grant using the Black-Scholes option valuation model. Expected volatilities are based on the historical volatility of the Company s common stock over a period commensurate with the options expected term. The expected term represents the period of time that options granted are expected to be outstanding and is calculated in accordance with the Securities and Exchange Commission (SEC) guidance provided in the SEC s Staff Accounting Bulletin 107, (SAB 107) and Staff Accounting Bulletin 110 (SAB 110), using a simplified method. The Company will continue to use the simplified method as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate an expected term. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company s stock options. There were no grants of stock options during the six months ended June 30, 2008. The following table summarizes the weighted-average assumptions used in the Black-Scholes model for options granted during the six months ended June 30, 2007:

	Six Months Ended June 30, 2007
Expected volatility	102%
Expected dividends	
Expected term (in years)	6.25
Risk-free rate	4.6%

Share-based compensation expense recognized for the three and six months ended June 30, 2008 and 2007, respectively, was comprised as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
	($ thousands, except per share data)			
Research and development expenses	$ 52	$ 144	$ 96	$ 351
Selling, general and administrative	108	214	209	577

Total share-based compensation expense	$ 160	$ 358	$ 305	$ 928
Share-based compensation expense, per basic and diluted common share	$ 0.00	$ 0.01	$ 0.01	$ 0.03

10. Stock Option Plans

As of June 30, 2008, the Company has three share-based compensation plans, which are described below:

2007 Stock Incentive Plan

On September 17, 2007, the Company s Board of Directors approved the Company s 2007 Stock Incentive Plan (the 2007 Plan), pursuant to which 8.5 million shares of the Company s common stock will be authorized for issuance, subject to approval of the Company s stockholders. Awards may be made under the plan to officers,

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employees, directors and consultants in the form of incentive stock options, non-qualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other stock-based awards. Awards granted under the plan prior to stockholder approval of the plan are subject to and conditioned upon receipt of such approval on or before September 17, 2008. Should such stockholder approval not be obtained on or before such date, the plan will terminate and any awards granted pursuant to the plan will terminate and cease to be outstanding.

On September 17, 2007 and September 20, 2007, the Board of Directors approved the issuance of a combined total of 5.4 million options under the 2007 Plan. As of June 30, 2008, there are 4.2 million options outstanding under the 2007 Plan. Most of these awards vest over a three-year period in increments of 50%, 25% and 25%, beginning on the first anniversary of the date of the grant. The Company has not recognized compensation expense for these grants, because a grant date as defined in SFAS 123R has not occurred. This is because the grant of these options is contingent upon stockholder approval, which cannot be assured.

Acquisition Bonus Program

On September 17, 2007, the Board of Directors approved an Acquisition Bonus Program. Under the program, participants are eligible to share in a portion of the proceeds realized from a change in control of the Company that occurs prior to the earlier of (i) December 31, 2008 or (ii) the approval by the Company s stockholders of the 2007 Stock Incentive Plan.

Pursuant to the program, participants selected by the Board of Directors will be awarded a number of units with a designated base value. The amount of a participant s bonus award will be determined by multiplying (i) the difference between the unit value and the base value by (ii) the number of units awarded to such participant. The unit value for each unit will be determined by dividing the change in control proceeds (as defined in the award agreement) by the total number of shares of the Company s common stock outstanding at the time of the change in control. The units will be subject to a vesting schedule, if any, determined by the Board of Directors at the time the unit award is made. Bonus awards will generally be paid in cash within 30 days after the later of (i) the effective date of the change in control or (ii) the date the change in control proceeds are paid to the Company s stockholders. The maximum number of units that may be awarded under the Acquisition Bonus Program is 8.5 million units, which equals the number of shares of the Company s common stock that are authorized for issuance under the 2007 Plan. On September 27, 2007, 5.4 million acquisition bonus units were granted under the Acquisition Bonus Program, and as of June 30, 2008, 4.2 million acquisition bonus units are outstanding.

Any stock options granted to a participant under the 2007 Plan will terminate and cease to be outstanding in the event the participant becomes entitled to receive a payment under the Acquisition Bonus Program.

1998 Stock Incentive Plan

Pursuant to the Company s 1998 Stock Incentive Plan, as amended, (the 1998 Plan), 3.4 million shares have been provided for the grant of stock options to employees, directors, consultants and advisors of the Company. Option awards must be granted with an exercise price at not less than the fair market price of the Company s common stock on the date of the grant; those option awards generally vest over a four-year period in equal increments of 25%, beginning on the first anniversary of the date of the grant. All options granted have contractual terms of ten years from the date of the grant. As of May 27, 2008, the authorization to provide grants under the 1998 Plan expired.

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the option activity under the 1998 Plan as of June 30, 2008 and changes during the six months then ended:

Stock Options	**Number of Shares (In thousands)**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (In years)**	**Aggregate Intrinsic Value (In thousands)**
Outstanding at January 1, 2008	2,155	$ 23.05		
Granted				
Exercised				
Forfeited or expired	(137)	6.02		
Outstanding at June 30, 2008	2,018	$ 24.21	4.4	$
Vested and exercisable at June 30, 2008	1,371	$ 23.79	2.1	$

There is no intrinsic value to outstanding stock options as the exercise prices of all outstanding options are above the market price of the Company s stock at June 30, 2008. The amount of aggregate intrinsic value will change based on the market value of the Company s stock.

As of June 30, 2008, there was approximately $0.5 million of total unrecognized compensation cost related to non-vested share-based compensation granted resulting from stock options granted under the 1998 Plan, which is expected to be recognized over a weighted-average period of 1.1 years.

The following table summarizes the restricted stock unit (RSU) activity under the 1998 Plan as of June 30, 2008 and changes during the six months then ended:

Restricted Stock Units	**Number of Shares (In thousands)**	**Weighted Average Grant Date Fair Value per Share**
Outstanding nonvested RSUs at January 1, 2008	20	$ 1.42
Granted	488	$ 0.41
Forfeited or expired	(195)	$ 0.41

Outstanding nonvested RSUs at June 30, 2008	313	$	0.47

As of June 30, 2008, there was approximately $56 thousand of total unrecognized compensation cost related to non-vested share-based compensation resulting from RSUs granted under the 1998 Plan, which is expected to be recognized over the next year.

1998 Non-Employee Directors Plan

Pursuant to the Company s 1998 Non-Employee Directors Plan as amended (the Directors Plan), 0.6 million shares have been provided for the grant of non-qualified stock options to the Company s non-employee members of the Board of Directors. Option awards must be granted with an exercise price at not less than the fair market price of the Company s common stock on the date of the grant. Initial option grants vest over a three-year period in equal increments, beginning on the first anniversary of the date of the grant. Subsequent grants, generally vest on the date of the grant. All options granted have contractual terms of ten years from the date of the grant.

The fair value of each option award is estimated on the date using the same valuation model used for options granted under the 1998 Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the option activity under the Directors Plan as of June 30, 2008 and changes during the six months then ended:

Stock Options	Number of Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2008	113	$ 30.61		
Granted				
Exercised				
Forfeited or expired	(1)	39.00		
Outstanding at June, 2008	112	$ 30.49	5.9	$
Vested and exercisable at June 30, 2008	111	$ 31.06	5.9	$

There is no intrinsic value to outstanding stock options as the exercise prices of all outstanding options are above the market price of the Company s stock at June 30, 2008. The amount of aggregate intrinsic value will change based on the market value of the Company s stock.

11. Comprehensive Loss

An analysis of comprehensive loss is presented below:

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	($ in thousands)			
Net loss	$ (738,364)	$ (8,235)	$ (748,021)	$ (13,839)
Change in market value of available-for-sale marketable securities		(10)		(36)
Total comprehensive loss	$ (738,364)	$ (8,225)	$ (748,021)	$ (13,803)

12. Commitments and Contingencies

Litigation and Potential Claims

In 2004, numerous complaints were filed in the United States District Court for the District of New Jersey, or the Court, against Genta and certain of its principal officers on behalf of purported classes of the Company s stockholders who purchased its securities during several class periods. The complaints were consolidated into a single action and alleged that the Company and certain of its principal officers violated the federal securities laws by issuing materially false and misleading statements regarding Genasense® for the treatment of malignant melanoma that had the effect of artificially inflating the market price of the Company s securities. The stockholder class action complaint sought monetary damages in an unspecified amount and recovery of plaintiffs costs and attorneys fees. The Company reached an agreement with plaintiffs to settle the class action litigation in consideration for the issuance of 2.0 million shares of common stock of the Company (adjusted for any subsequent event that results in a change in the number of shares outstanding as of January 31, 2007) and $18.0 million in cash for the benefit of plaintiffs and the stockholder class. The cash portion of the proposed settlement will be covered by the Company s insurance carriers. Effective June 25, 2007, the Company and plaintiffs executed a written Stipulation and Agreement of Settlement which was filed with the Court on August 13, 2007, seeking preliminary approval. The unopposed Motion for Preliminary Approval of Settlement was granted on October 30, 2007, and the Court held a hearing on plaintiffs unopposed motion for final approval of the settlement on March 3, 2008. An order

GENTA INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

approving the settlement was issued on May 27, 2008 and the settlement became final on June 27, 2008. See Note 6 to the Consolidated Financial Statements for a discussion on the accounting for the liability for the legal settlement.

The settlement did not constitute an admission of guilt or liability.

In February 2007, a complaint against the Company was filed in the Superior Court of New Jersey by Howard H. Fingert, M.D., a former employee of the Company. The complaint alleges, among other things, breach of contract as to the Company s stock option plan and as to a consulting agreement allegedly entered into by the Company and Dr. Fingert subsequent to termination of Dr. Fingert s employment with the Company, breach of implied covenant of good faith and fair dealing with respect to the Company s stock option plan and the alleged consulting agreement, promissory estoppel with respect to the exercise of stock options and provision of consulting services after termination of employment, and fraud and negligent misrepresentation with respect to the exercise of stock options and provision of consulting services after termination of employment. The complaint seeks monetary damages, including punitive and consequential damages. The Company filed an answer to the complaint on May 29, 2007, and on August 8, 2007, filed a request for production of documents. On January 4, 2008, the Court dismissed the complaint without prejudice due to Dr. Fingert s failure to produce the requested discovery. Dr. Fingert filed a motion dated March 24, 2008 to reinstate the complaint, which was granted by the Court on April 11, 2008 at which time the Court adopted a discovery schedule that concludes in December 2008. The Company denies the allegations in the complaint and intends to vigorously defend this lawsuit.

In November 2007, a complaint against the Company was filed in the United States District Court for the District of New Jersey by Ridge Clearing & Outsourcing Solutions, Inc. The complaint alleges, among other things, that the Company caused or contributed to losses suffered by a Company stockholder which have been incurred by Ridge. The Company filed its Answer and Affirmative Defenses on February 27, 2008 to respond to the complaint. The Company denies the allegations in the complaint and intends to vigorously defend this lawsuit.

13. Supplemental Disclosure of Cash Flows Information and Non-cash Investing and Financing Activities

No interest or income taxes were paid for the six months ended June 30, 2008, and 2007, respectively.

14. Listing of Common Stock of Genta Incorporated

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

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[ ] Shares

GENTA INCORPORATED

Common Stock

PROSPECTUS

[UNDERWRITERS]

[ ], 2008

Dealer Prospectus Delivery Obligation

Through and including [ ], 2008 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. *OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION*

The following table sets forth estimated expenses expected to be incurred in connection with the issuance and distribution of the securities being registered. Genta will pay all expenses in connection with this offering.

SEC Registration Fee	$	905.00
Printing and Engraving Expenses	$	25,000.00
Accounting Fees and Expenses	$	50,000.00
Legal Fees and Expenses	$	100,000.00
Miscellaneous	$	9,095.00
TOTAL	**$**	**185,000.00**

All expenses, other than the SEC Registration Fee, are estimated.

ITEM 14. *INDEMNIFICATION OF DIRECTORS AND OFFICERS*

Our Certificate of Incorporation include an indemnification provision under which we have agreed to indemnify directors and officers of Genta from and against certain claims arising from or related to future acts or omissions as a director or officer of Genta. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Genta pursuant to the foregoing, or otherwise, Genta has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 15. *RECENT SALES OF UNREGISTERED SECURITIES*

During the three year period preceding the date of the filing of this registration statement, we have issued securities in the transaction described below without registration under the Securities Act of 1933. These securities were offered and sold by us in reliance upon exemptions from the registration requirements provided by Section 4(2) of the Securities Act of 1933 or Regulation D under the Securities Act as transactions by an issuer not involving a public offering.

On June 9, 2008, we placed $20 million of such senior secured convertible notes to certain institutional and accredited investors. The investors consisted of: Arcus Ventures Fund, Baker Biotech Fund I, L.P., Baker Biotech Fund I, L.P., 14159, L.P., Baker Brothers Life Sciences, L.P., Boxer Capital LLC, Bristol Investment Fund, Ltd., Carl Berg, Cat Trail Private Equity Fund LLC, Cranshire Capital LP, Enable Growth Partners LP, Eric Bannasch, Firebird Global Master Fund II, Ltd, Highbridge International LLC, Iroquois Master Fund Ltd., Loretta Itri, Perceptive Life Sciences Master Fund LTD, RA Capital Biotech Fund II, LP, RA Capital Biotech Fund, LP, Radcliffe SPC, Ltd, Raymond P. Warrell, Jr., Rockmore Investment Master Fund Ltd., Rodman & Renshaw LLC, RRC Biofund, Trustees of the Tang Family Trust, Noa Young Tang and Tang Capital Partners, LP. The notes are convertible into shares of our common stock at a conversion rate of 100,000 shares of common stock for every $1,000.00 of principal; however, no note may be converted into a number of shares equal to or greater than 4.999% of the total outstanding shares of common stock at the time of conversion.

All purchasers described above represented to us in connection with their purchase that they were accredited investors and were acquiring the securities for investment and not distribution, that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from such registration.

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ITEM 16. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

Exhibit Number	Description of Document
1.1	Underwriting Agreement (to be filed by amendment)
3.1.a	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).1 to the Company s Annual Report on Form 10-K for the year ended December 31, 1995, Commission File No. 0-19635)
3.1.b	Certificate of Designations of Series D Convertible Preferred Stock of the Company (incorporated by reference to Exhibit 3(i) to the Company s Current Report on Form 8-K filed on February 28, 1997, Commission File No. 0-19635)
3.1.c	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).3 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
3.1.d	Amended Certificate of Designations of Series D Convertible Preferred Stock of the Company (incorporated by reference to Exhibit 3(i).4 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
3.1.e	Certificate of Increase of Series D Convertible Preferred Stock of the Company (incorporated by reference to Exhibit 3(i).5 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
3.1.f	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).4 to the Company s Annual Report on Form 10-K for the year ended December 31, 1998, Commission File No. 0-19635)
3.1.g	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).3 to the Company s Annual Report on Form 10-K for the year ended December 31, 1998, Commission File No. 0-19635)
3.1.h	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i).8 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
3.1.i	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1.i to the Company s Registration Statement on Form S-1, Commission File No. 333-110238)
3.1.j	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1.j to the Company s Registration Statement on Form S-1, Commission File No. 333-110238)
3.1.k	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1.k to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, Commission File No. 0-19635)
3.1.l	Certificate of Designation of Series G Participating Cumulative Preferred Stock of the Company (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed on September 21, 2005, Commission File No. 0-19635)
3.1.m	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, Commission File No. 0-19635)
3.1.n	Certificate of Amendment of Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K, filed on July 13, 2007, Commission File No. 0-19635)

3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, Commission File No. 0-19635)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company s Registration Statement on Form S-1, Commission File No. 333-110238)

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Exhibit Number	Description of Document
4.2	Rights Agreement, dated September 20, 2005, between the Company and Mellon Investor Services LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K filed on September 21, 2005, Commission File No. 0-19635)
4.3	Form of Senior Secured Convertible Promissory Note (incorporated by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K filed on June 10, 2008, Commission File No. 0-19635)
4.4	Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.2 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, Commission File No. 0-19635)
5.1	Opinion of Morgan Lewis & Bockius LLP (filed herewith)
10.1	Non-Employee Directors 1998 Stock Option Plan, as amended and restated (incorporated by reference to Exhibit 99.B to the Company s Definitive Proxy Statement on Schedule 14A filed on April 30, 2004, Commission File No. 0-19635)
10.2	1998 Stock Incentive Plan, as amended and restated, effective March 19, 2004 (incorporated by reference to Exhibit 99.A to the Company s Definitive Proxy Statement on Schedule 14A filed on April 30, 2004, Commission File No. 0-19635)
10.3	Form of Indemnification Agreement entered into between the Company and its directors and officers (incorporated by reference to Exhibit 10.7 to the Company s Registration Statement on Form S-1, Commission File No. 0-19635)
10.4	Asset Purchase Agreement, dated as of March 19, 1999, among JBL Acquisition Corp., JBL Scientific Incorporated and the Company (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report filed on Form 10-Q for the quarter ended March 31, 1999, Commission File No. 0-19635)
10.5	Stock Option Agreement, dated as of October 28, 1999, between the Company and Raymond P. Warrell, Jr., M.D. (incorporated by reference to Exhibit 10.71 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
10.6	Letter Agreement, dated March 4, 1999, from SkyePharma Plc to the Company (incorporated by reference to Exhibit 10.72 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, Commission File No. 0-19635)
10.7	Subscription Agreement executed in connection with the November 26, 2001 sale of common stock to Franklin Small-Mid Cap Growth Fund, Franklin Biotechnology Discovery Fund, and SF Capital Partners Ltd., and the November 30, 2001 sale of common stock to SF Capital Partners Ltd. (incorporated by reference to Exhibit 10.73 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 0-19635)
10.8	Agreement of Lease dated June 28, 2000 between The Connell Company and the Company (incorporated by reference to Exhibit 10.76 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001, Commission File No. 0-19635)
10.8A	Amendment of Lease, dated June 19, 2002 between The Connell Company and the Company (incorporated by reference to Exhibit 10.10 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.9*	U.S. Commercialization Agreement dated April 26, 2002, by and between Genta Incorporated and Aventis Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June, 30, 2002, Commission File No. 0-19635)
10.9A*	Amendment No. 1 dated March 14, 2003 to the U.S. Commercialization Agreement between Genta Incorporated and Aventis Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, Commission File No. 0-19635).
10.10*	

	Ex-U.S. Commercialization Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June, 30, 2002, Commission File No. 0-19635)
10.11*	Global Supply Agreement, dated April 26, 2002, by and among Genta Incorporated, Aventis Pharmaceuticals Inc. and Garliston Limited (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)

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Exhibit Number	Description of Document
10.12*	Securities Purchase Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.13	Standstill and Voting Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.14	Registration Rights Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.6 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.15	Convertible Note Purchase Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.7 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.16*	5.63% Convertible Promissory Note, due April 26, 2009 (incorporated by reference to Exhibit 10.8 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.17*	Subordination Agreement, dated April 26, 2002, by and between Genta Incorporated and Garliston Limited (incorporated by reference to Exhibit 10.9 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Commission File No. 0-19635)
10.18*	Manufacture and Supply Agreement, dated December 20, 2002, between Genta Incorporated and Avecia Biotechnology Inc. (incorporated by reference to Exhibit 10.88 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002, Commission File No. 0-19635)
10.19*	License Agreement dated August 1, 1991, between Genta Incorporated and the Trustees of the University of Pennsylvania (incorporated by reference to Exhibit 99.1 to the Company s Current Report on Form 8-K filed on October 28, 2003, Commission File No. 0-19635)
10.19A*	Amendment to License Agreement, dated December 19, 2000, between Genta Incorporated and the Trustees of the University of Pennsylvania (incorporated by reference to Exhibit 99.2 to the Company s Current Report on Form 8-K filed on October 28, 2003, Commission File No. 0-19635)
10.19AA*	Second Amendment to License Agreement, dated October 22, 2003, between Genta Incorporated and the Trustees of the University of Pennsylvania (incorporated by reference to Exhibit 99.3 to the Company s Current Report on Form 8-K filed on October 28, 2003, Commission File No. 0-19635)
10.20	Settlement Agreement and Release, dated October 22, 2003, between Genta Incorporated and the Trustees of the University of Pennsylvania (incorporated by reference to Exhibit 99.4 to the Company s Current Report on Form 8-K filed on October 28, 2003, Commission File No. 0-19635)
10.21	Securities Purchase Agreement, dated December 14, 2004, among the Company, Riverview Group, LLC and Smithfield Fiduciary LLC (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on December 16, 2004, Commission File No. 0-19635)
10.22	Form of Subscription Agreement, dated August 5, 2005 among the Company and the purchasers of the Shares (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on August 8, 2005, Commission File No. 0-19635)
10.23	Placement Agency Agreement, dated August 5, 2005 between the Company and Piper Jaffray & Co. (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on August 8, 2005, Commission File No. 0-19635)
10.24	Form of Subscription Agreement, dated March 6, 2006 by and among the Company and the Purchasers (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on March 7, 2006, Commission File No. 0-19635)

10.25	Form of Placement Agent Agreement, dated March 6, 2006 by and among the Company, Cowen & Co., LLC and Rodman & Renshaw, LLC (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on March 7, 2006, Commission File No. 0-19635)
10.26	Form of Confirmation of Purchase, dated March 10, 2006 by and between the Company and certain Investors (incorporated by reference to Exhibit 10.34 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005, Commission File No. 0-19635)

Exhibit Number	Description of Document
10.27	Form of Amendment No. 1 to Placement Agent Agreement, dated as of March 10, 2006 by and among the Company, Cowen & Co., LLC and Rodman & Renshaw, LLC (incorporated by reference to Exhibit 10.35 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005, Commission File No. 0-19635)
10.28	Development and License Agreement, dated March 22, 2006 by and between the Company and Emisphere Technologies, Inc.* (incorporated by reference to Exhibit 10.5 to the company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Commission File No. 0-19635)
10.29	1998 Stock Incentive Plan, as amended and restated, effective April 5, 2006 (incorporated by reference to the company s Definitive Proxy statement on Schedule 14A filed on April 28, 2006, Commission File No. 0-19635)
10.30	Employment Agreement, dated as of March 28, 2006, between the Company and Loretta M. Itri, M.D. (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, Commission File No. 0-19635)
10.31	Form of Securities Purchase Agreement, dated September 19, 2006, between the Company and each Purchaser (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on September 20, 2006, Commission File No. 0-19635)
10.32	Form of Placement Agent Agreement, dated September 19, 2006, by and between the Company and Rodman & Renshaw LLC (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on September 20, 2006, Commission File No. 0-19635)
10.33	Supply and Distribution Agreement between the Company and IDIS Limited, dated March 6, 2007 (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q, filed on May 8, 2007, Commission File No. 0-19635)
10.34	Form of Purchase Agreement by and among the Company and the Purchasers, dated March 13, 2007 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on March 14, 2007, Commission File No. 0-19635)
10.35	Placement Agent Agreement, by and between the Company and Rodman & Renshaw, LLC, dated February 23, 2007 (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on March 14, 2007, Commission File No. 0-19635)
10.36	Form of Acquisition Bonus Program Agreement (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on September 21, 2007, Commission File No. 0-19635)
10.37*	Project Contract with ICON Clinical Research, L.P., dated November 19, 2007 (incorporated by reference to Exhibit 10.37 to the Company s Annual Report on Form 10-K for the year ended December 31, 2007, Commission File No. 0-19635)
10.38	Amended and Restated Employment Agreement, dated as of November 30, 2007, between the Company and Raymond P. Warrell, Jr. M.D. (incorporated by reference to Exhibit 10.38 to the Company s Annual Report on Form 10-K for the year ended December 31, 2007, Commission File No. 0-19635)
10.39	Form of Securities Purchase Agreement, dated February 8, 2008, by and between the Company each Purchaser (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on February 11, 2008, Commission File No. 0-19635)
10.40	Placement Agent Agreement, dated February 8, 2008, by and between the Company and Rodman & Renshaw, LLC (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on February 11, 2008, Commission File No. 0-19635)
10.41	License Agreement, dated March 7, 2008, between the Company and Daiichi Sankyo (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended

	March 31, 2008, Commission File No. 0-19635)
10.42	Securities Purchase Agreement, dated June 5, 2008, by and among the Company and certain accredited investors set forth therein (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on June 10, 2008, Commission File No. 0-19635)

Exhibit Number	Description of Document
10.43	General Security Agreement, dated June 9, 2008, by and among the Company, certain additional grantors as set forth therein and Tang Capital Partners, L.P. as agent (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, filed on June 10, 2008, Commission File No. 0-19635)
10.44	Amendment to the Lease Agreement, dated May 27, 2008, between the Company and The Connell Company (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, Commission File No. 0-19635)
10.45**	Supply Agreement, dated May 1, 2008, between the Company and Avecia Biotechnology (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, Commission File No. 0-19635)
16.1	Letter from Deloitte & Touche LLP, dated July 16, 2008, regarding change in certifying accountant (incorporated by reference to Exhibit 16.1 to the Company s Current Report on Form 8-K, filed on July 22, 2008, Commission File No. 0-19365)
21	Subsidiaries of the Registrant (filed herewith)
23.1	Consent of Deloitte & Touche LLP (filed herewith)
23.2	Consent of Morgan Lewis & Bockius LLP (included in Exhibit 5.1)
24.1	Power of Attorney (see page II-9) (filed herewith)

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* The Company has been granted confidential treatment of certain portions of this exhibit.

** The Company has requested confidential treatment of certain portions of this exhibit.

ITEM 17. ***UNDERTAKINGS.***

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

1. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of

prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

2. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

In accordance with the requirements of the Securities Act, the Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing of Form S-1 and authorized this Registration Statement to be signed on our behalf by the undersigned, on August 25, 2008.

GENTA INCORPORATED

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

Name: Raymond P. Warrell, Jr., M.D.

Title: Chairman and Chief Executive Officer

(principal executive officer)

Date: August 29, 2008

By: /s/ Gary Siegel

Name: Gary Siegel

Title: Vice President, Finance

(principal financial and accounting officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Raymond P. Warrell, Jr., M.D. and Gary Siegel, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Raymond P. Warrell, Jr., M.D. Raymond P. Warrell, Jr., M.D.	Chairman and Chief Executive Officer (principal executive officer)	August 29, 2008
/s/ Gary Siegel Gary Siegel	Vice President, Finance (principal financial and accounting officer)	August 29, 2008
/s/ Martin J. Driscoll Martin J. Driscoll	Director	August 29, 2008

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Signatures	Title	Date
/s/ Christopher J. Parios	Director	August 29, 2008
Christopher J. Parios		
/s/ Daniel D. Von Hoff, M.D.	Director	August 29, 2008
Daniel D. Von Hoff, M.D.		
/s/ Douglas G. Watson	Director	August 29, 2008
Douglas G. Watson		

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