GENTA INC DE/
Form 10-Q
May 14, 2012
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-19635

GENTA INCORPORATED
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	33-0326866 (I.R.S. Employer Identification Number)
200 Connell Drive Berkeley Heights, NJ (Address of principal executive offices)	07922 (Zip Code)

(908) 286-9800
(Registrant's telephone number, including area code)

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

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

As of May 11, 2012, the registrant had 2,453,148,185 shares of common stock outstanding.

Genta Incorporated

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GENTA INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value data) ASSETS	March 31, 2012 (unaudited)	December 31, 2011
Current assets:		
Cash and cash equivalents	$2,552	$2,116
Receivable on sale of New Jersey tax losses	-	1,202
Inventory (Note 3)	24	24
Prepaid expenses and other current assets	644	859
Total current assets	3,220	4,201
Property and equipment, net	238	288
Deferred financing costs (Note 6)	1,102	1,538
Restricted cash account (Note 4)	9	8,470
Total assets	$4,569	$14,497
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$9,800	$10,246
Notes payable for financing insurance policies	209	384
Convertible notes due March 9, 2013, $26,228 outstanding, net of debt discount of ($18,637) at March 31, 2012 and $25,385 outstanding, net of debt discount of ($24,466) at December 31, 2011 (Note 6)	7,591	919
Convertible notes due September 9, 2013, $2,239 outstanding, net of debt discount of ($1,788) at March 31, 2012 and $2,153 outstanding, net of debt discount of ($2,099) at December 31, 2011 (Note 6)	451	54
Convertible notes due September 9, 2021, $7,037 outstanding, net of debt discount of ($6,854) at March 31, 2012 and $14,778 outstanding, net of debt discount of ($14,718) at December 31, 2011 (Note 6)	183	60
Convertible notes due March 30, 2022, $2,250 outstanding, net of debt discount of ($2,248) at March 31, 2012 (Note 6)	2	
Total current liabilities	18,236	11,663
Long-term liabilities:		
Office lease settlement obligation (Note 5)	1,773	1,795
Convertible June 2008 notes due September 9, 2013, $112 outstanding, net of debt discount of ($108) at March 31, 2012 and $2,030 outstanding, net of debt discount of ($1,980) at December 31, 2011 (Note 6)	4	50
Warrant liability (Note 6)	14,727	40,235
Total long-term liabilities	16,504	42,080
Commitments and contingencies (Note 9)		

Stockholders' deficit:		
Preferred stock, 5,000 shares authorized:		
Series A convertible preferred stock, $.001 par value; 8 shares issued and outstanding, liquidation value of $385 at March 31, 2012 and December 31, 2011, respectively	-	-
Series G participating cumulative preferred stock, $.001 par value; 0 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	-	-
Common stock, $.001 par value; 100,000,000 shares authorized, 2,090,397 and 1,344,292 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	2,090	1,344
Additional paid-in capital	1,229,651	1,226,556
Accumulated deficit	(1,261,912)	(1,267,146)
Total stockholders' deficit	(30,171)	(39,246)
Total liabilities and stockholders' deficit	$4,569	$14,497

See accompanying notes to condensed consolidated financial statements.

GENTA INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)	Three Months Ended March 31, 2012	2011
Product sales - net	$4	$53
Cost of goods sold	-	6
Gross margin	4	47
Operating expenses:		
Research and development	1,963	2,348
Selling, general and administrative	1,535	1,629
Total operating expenses	3,498	3,977
Other income/(expense):		
Interest and other income, net	1	5
Interest expense	(1,163)	(862)
Amortization of deferred financing costs and debt discount (Note 6)	(7,564)	(7,381)
Fair value - warrant liability (Note 6)	25,508	12,681
Loss on redemption of debt (Note 6)	(8,214)	-
Gain on exchange of debt (Note 6)	160	-
Total other income/(expense), net	8,728	4,443
Net income	$5,234	$513
Net income per basic share (Note 1), (Note 8)	$0.00	$0.03
Net income per diluted share (Note 1), (Note 8)	$0.00	$0.00
Shares used in computing net income per basic share (Note 1), (Note 8)	1,842,016	16,401
Shares used in computing net income per diluted share (Note 1), (Note 8)	48,739,691	3,292,227

See accompanying notes to condensed consolidated financial statements.

GENTA INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended March 31, 2012	2011
Operating activities:		
Net income	$5,234	$513
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	50	46
Amortization of deferred financing costs and debt discount (Note 6)	7,564	7,382
Share-based compensation (Note 7)	41	197
Proceeds from sale of New Jersey tax losses received in 2012	1,202	-
Loss on redemption of debt (Note 6)	8,214	-
Gain on exchange of debt (Note 6)	(160)	-
Change in fair value - warrant liability (Note 6)	(25,508)	(12,681)
Changes in operating assets and liabilities:		
Inventory	-	6
Prepaid expenses and other current assets	266	271
Accounts payable and accrued expenses	1,763	536
Net cash and cash equivalents used in operating activities	(1,334)	(3,730)
Investing activities:		
Purchase of property and equipment	-	(32)
Release of restricted cash deposits (Note 4)	8,465	-
Interest on restricted cash	(4)	-
Net cash and cash equivalents provided by (used by) investing activities	8,461	(32)
Financing activities:		
Repayments of note payable for financing insurance policies	(176)	(180)
Sale of March 2012 I Notes (Note 6)	1,950	-
Redemption of certain September 2011 H Notes (Note 6)	(8,465)	-
Net cash and cash equivalents used by financing activities	(6,691)	(180)
Increase/(decrease) in cash and cash equivalents	436	(3,942)
Cash and cash equivalents at beginning of period	2,116	12,835
Cash and cash equivalents at end of period	$2,552	$8,893

See accompanying notes to condensed consolidated financial statements.

GENTA INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012
(Unaudited)

1. Organization and Liquidity

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 that are chiefly intended for the treatment of cancer and related diseases.

The Company has had recurring annual operating losses and negative cash flows from operations since its inception. The Company expects that such losses will continue at least until one or more of its product candidates are approved by one or more regulatory authorities for commercial sale in one or more indications. For the three-month period ended March 31, 2012, the Company had net income of $5.2 million and a net cash outflow from operations of $1.3 million. As of March 31, 2012, the Company had an accumulated deficit of $1,261.9 million. Cash and cash equivalents as of March 31, 2012 were $2.6 million. In recent years, the Company has financed its operations from the sale of convertible notes, shares of common stock and warrants.

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 operations 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.

In March 2012, the Company entered into an agreement with certain investors whereby the Company would issue up to $13.5 million of senior secured convertible notes and initially closed on a first transaction of $2.25 million of such notes.

In September 2011, the Company issued $12.7 million of units, consisting of $4.2 million of senior secured convertible notes and $8.5 million of senior secured cash collateralized convertible notes. In connection with the sale of the units, the Company also issued two types of debt warrants in an amount equal to the purchase price for each unit. The Company had direct access to $4.2 million of the proceeds, and the remaining $8.5 million of the proceeds were placed in a blocked account as collateral security for the $8.5 million senior secured cash collateralized convertible notes. As part of the March 2012 transaction, the amount in the blocked account was released and the amounts received as part of the September 2011 financing were used by the Company to redeem an equal amount of senior secured cash collateralized convertible notes.

Presently, with no further financing, the Company projects that it will run out of funds during June 2012. Investors in the March 2012 transaction have the right, at each investor's discretion, to purchase up to an additional $11.25 million of senior secured convertible notes having the same terms as the notes issued in the first transaction. The Company currently does not have any financing in place. If it is unable to raise additional funds, the Company could be required to reduce its spending plans, reduce its workforce, license one or more of its products or technologies that it would otherwise seek to commercialize itself, sell some or all of its assets, cease operations or even declare bankruptcy. There can be no assurance that the Company can obtain financing, if at all, or raise such additional funds, on terms acceptable to it.

The Company's historical operating results cannot be relied on to be an indicator of future performance, and management cannot predict whether the Company will obtain or sustain positive operating cash flow or generate net income in the future.

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2. Summary of Significant Accounting Policies

Accounting Standards Updates

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-04, “Fair ValueMeasurement (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S.GAAP and IFRSs”. This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRSs. Some of the requirements clarify the FASB's intent about the application of existing fair value measurement requirements while other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The Company adopted this update January 1, 2012 and determined that the update did not have a material impact on its condensed consolidated financial statements.

Basis of Presentation

The foregoing consolidated financial statements are unaudited and have been prepared from the books and records of the Company. In the Company’s opinion, all normal and recurring adjustments necessary for a fair presentation of the financial position of the Company as of March 31, 2012, the results of operations for the three-month periods ended March 31, 2012 and 2011 and the cash flows for the three-month periods ended March 31, 2012 and 2011 have been made in conformity with United States generally accepted accounting principles. The results of operations for the three-month period ended March 31, 2012 may not be indicative of expected results of operations for the year ended December 31, 2012, or any other period. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited Consolidated Financial Statements of the Company included in its Annual Report on Form 10-K for the year ended December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make certain estimates and assumptions that affect reported earnings, financial position and various disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid instruments with maturities of three months or less from the date acquired and are stated at cost that approximates their fair market value.

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 12 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.

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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 continues to maintain a full valuation allowance against its net deferred tax assets. Utilization of the Company's net operating loss (NOL) and research and development (R&D) credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, as well as similar state provisions. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders or public groups.

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 Condensed Consolidated Statements of Operations.

Restricted Stock Units

Restricted stock units ("RSUs") are recognized in the Consolidated Statements 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 compensation cost of the RSUs is being recognized over the vesting period of the RSUs. Under the terms of virtually all of the Company's outstanding RSUs, the holders of the RSUs are entitled to anti-dilution protection in the form of additional shares of stock to be issued on the vesting dates of the underlying RSUs. The Company re-measures these RSUs to fair value, including the obligation to issue incremental shares under anti-dilution provisions, at each reporting period until the shares are issued. See Note 7 to the condensed consolidated financial statements for a further discussion on share-based compensation.

Deferred Financing Costs

In conjunction with the issuance of convertible notes issued in June 2008, April 2009, September 2009, March 2010, September 2011 and March 2012 (as described in Note 6 to the Condensed Consolidated Financial Statements), the Company incurred certain financing costs, including, for several of the financings, the issuance of warrants to purchase the Company's common stock. This additional consideration is being amortized over the term of the notes through their respective maturity dates. If the maturity of the notes is accelerated because of conversions or defaults, then the amortization is accelerated. The fair value of the warrants issued as placement fees in connection with these financings are calculated utilizing the Black-Scholes option-pricing model.

Net Income Per Common Share

Net income per common share for the three–month periods ended March 31, 2012 and March 31, 2011 are based on the weighted average number of shares of common stock outstanding during the periods.

3. 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 ($ in thousands):

	March 31, 2012	December 31, 2011
Raw materials	$24	$24
Finished goods	-	-
	$24	$24

4. Restricted Cash

Restricted cash at December 31, 2011 represents funds received from the September 2011 Financing, (as defined in Note 6 to the condensed consolidated financial statements) that were placed in a blocked account as collateral security for the September 2011 H Notes (also defined in Note 6). As part of the March 2012 Financing, (also defined in Note 6), the funds in the blocked account were released and amounts received as part of the September 2011 Financing were used to redeem an equivalent amount of September 2011 H Notes. The balance at March 31, 2012, $9 thousand, which represents interest earned on the funds in the blocked account, was moved to the Company's cash account in April 2012.

5. Office Lease Settlement Obligation

In March 2010, the Company entered into an amendment of its lease for office space with its landlord, whereby the lease for its office space in Berkeley Heights, New Jersey was extended until August 2015. In addition, as part of the amendment, the Company is due to pay an office settlement lease obligation over the life of the lease with a final payment of $1.6 million due in August 2015.

6. Convertible Notes and Warrants

On March 28, 2012, the Company entered into a securities purchase agreement with certain investors, pursuant to which it agreed to issue up to $13.5 million of 6.0% senior secured convertible promissory notes due March 30, 2022, (the "March 2012 I Notes"), convertible into shares of common stock, at an initial conversion rate of 100,000 shares of common stock for every $100 of principal and accrued interest due under the notes. The issuance of the March 2012 I Notes is referred to herein as the "March 2012 Financing."

The Company closed on $2.0 million of March 2012 I Notes on March 30, 2012. In addition, the Company and certain holders of the June 2008 Notes (described below) agreed to exchange approximately $2.0 million of June 2008 Notes for $250 thousand of March 2012 I Notes. The receipt of the remaining $11.25 million of gross proceeds is subject to the purchasers exercising their option, at each purchaser's discretion, to purchase up to each purchaser's pro rata portion of an additional $11.25 million principal amount of March 2012 I Notes, which such option is exercisable for a period of five years from the closing.

The March 2012 I Notes bear interest at a rate of 6% per annum, payable semi-annually in additional March 2012 I Notes, and may not be prepaid by the Company. The March 2012 I Notes have a ten-year term; however, the holder of each March 2012 I Note has the right to require the Company to repay 100% of the outstanding principal and accrued interest on each note on or after March 30, 2013. The March 2012 I Notes are classified as a short-term liability due to this right of redemption. The March 2012 I Notes are convertible into shares of the Company's common stock at a conversion rate of 100,000 shares of common stock for every $100.00 of principal and interest being converted. The March 2012 I Notes are secured with a first priority lien on substantially all of the assets of the Company, which lien is pari passu with the security interest underlying the September 2011 G Notes and September 2011 H Notes, which are defined below.

In connection with the March 2012 Financing, the Company and certain holders of its existing convertible notes entered into an agreement, which, among other things, provided for the following: (A) predetermined conversion price adjustment provisions that had been established with the September 2011 Financing, (defined below), were deleted, (B) the requirement for the Company to effect a reverse stock split, that had been part of the September 2011 Financing, was deleted, (C) the holders of existing convertible notes agreed to amend the put rights of such existing convertible notes, currently effective starting on March 31, 2012, to require the approval of certain requisite holders (as defined therein) and (D) the Company agreed to distribute the proceeds held in the blocked account resulting from the September 2011 Financing to holders of the September 2011 H Notes and to redeem an equal amount of September 2011 H Notes at face value. The redemption of the September 2011 H Notes resulted in a loss of $8.2 million for the three-month period ended March 31, 2012, which represents the difference between the face amount of the notes redeemed and their carrying amount on the date of redemption.

When the March 2012 I Notes were issued, the aggregate intrinsic value of the difference between the market price of the Company's share of stock on March 30, 2012 and the conversion price of the March 2012 I Notes was in excess of the face value of the $2.25 million March 2012 I Notes, and thus, a full debt discount was recorded in an amount equal to the face value of the debt. The Company is amortizing the resultant debt discount over the term of the March 2012 I Notes through their maturity date.

In September 2011, the Company issued $12.7 million of units, consisting of $4.2 million of senior secured convertible notes, (the "September 2011 G Notes") and $8.5 million of senior secured cash collateralized convertible notes, (the "September 2011 H Notes," and together with the September 2011 G Notes, the "September 2011 Notes"). The September 2011 Notes bear interest at a rate of 12% per annum, payable semiannually in additional convertible notes. The September 2011 Notes are due September 9, 2021; however, at any time after the first anniversary of the issuance date, the holder of a September 2011 G Note can require the Company to redeem the note upon 10 days prior written notice and at any time, the holder of a September 2011 H Note can require the Company to redeem the note upon 10 days prior written notice. The September 2011 Notes are classified as a short-term liability due to this right of redemption. The September 2011 Notes are secured with a first priority lien on substantially all of the assets of the Company, which lien is pari passu with the security interest underlying the March 2012 I Notes. As of March 31, 2012, the September 2011 G Notes and September 2011 H Notes were convertible into shares of Genta common stock at a conversion rate of $0.001. From January 1, 2012 through March 31, 2012, holders of the September 2011 Notes voluntarily converted $0.1 million, resulting in an issuance of 104 million shares of common stock.

In September 2011, in connection with the sale of the units, the Company also issued two types of debt warrants in an amount equal to 100% of the purchase price for each unit, (the "September 2011 Debt Warrants"). The issuance of the September 2011 Notes and September 2011 Debt Warrants in exchange for $12.7 million is referred to herein as the "September 2011 Financing." The Company had direct access to $4.2 million of the proceeds, and the remaining $8.5 million of the proceeds were placed in a blocked account as collateral security for the September 2011 H Notes. As part of the March 2012 Financing, the amount in the blocked account was released and the amounts received as part of the September 2011 Financing were used by the Company to redeem an equal amount of September 2011 H Notes. At

March 31, 2012, the face values outstanding of the September 2011 G Notes were $6.5 million and the September 2011 H Notes were $0.5 million.

In connection with the September 2011 Financing, pursuant to an agreement between the Company and certain investors, the maturity dates of the June 2008 Notes, April 2009 Notes and September 2009 Notes, all described below, were extended to September 9, 2013, and the holders of such existing indebtedness acknowledged that the June 2008 Notes, April 2009 Notes and September 2009 Notes are subordinate and subject in right of payment to the prior payment in full of the September 2011 Notes. Additionally, holders of the March 2010 Notes also acknowledged that the March 2010 Notes are subordinate and subject in right of payment to the prior payment in full of the September 2011 Notes.

As consideration for the amendments above, the Company issued to each of the holders of the then outstanding June 2008 Notes, April 2009 Notes and September 2009 Notes, a three-year warrant, (the "September 2011 Warrants"), to purchase shares of common stock at an exercise price equal to the conversion price of the Company's convertible notes. Each September 2011 Warrant is exercisable for a number of shares of common stock equal to one hundred percent (100%) of the number of shares of common stock that would be issuable if such holder converted all of the outstanding principal and interest underlying all of such holder's June 2008 Notes, April 2009 Notes or September 2009 Notes on the date of the issuance of the warrant, approximately $29.4 million.

According to another agreement entered among the Company and certain investors, the conversion price of the Company's convertible notes, and the exercise price of the September 2011 Warrants, the December 2010 Warrants, defined below, and the March 2010 Warrants, defined below, were reset to $0.001 effective December 17, 2011. The conversion price reset on all of the Company's convertible notes resulted in a full debt discount being recorded in an amount equal to the face value of the Company's convertible notes on December 17, 2011. The Company is amortizing the resultant debt discounts over the terms of the notes through their maturity dates.

On December 19, 2011, three holders of September 2011 Debt Warrants totaling $2.9 million, exercised their warrants using a cashless exercise procedure and received September 2011 G Notes for $2.1 million. The aggregate intrinsic value of the difference between the market price of a share of the Company's stock on December 19, 2011 and the conversion price of the notes was in excess of the face value of the September 2011 G Notes of $2.1 million, and a full debt discount was recorded in an amount equal to the face value of the notes. The Company is amortizing the resultant debt discount over the term of the notes through their maturity date.

The September 2011 Warrants and the September 2011 Debt Warrants both have anti-dilution protection and can be exercised using a cashless exercise procedure; warrants with these characteristics are accounted for as liabilities and marked-to-market over their lives. At March 31, 2012, the September 2011 Warrants and the September 2011 Debt Warrants were re-measured, in total, at $11.6 million based upon a Black-Scholes valuation model, resulting in income of $24.2 million on the Condensed Consolidated Statement of Operations for the three-month period ended March 31, 2012.

The September 2011 Warrants were valued at March 31, 2012 and December 31, 2011 using a Black-Scholes valuation model with the following assumptions:

	March 31, 2012	December 31, 2011
Price per share of Genta common stock	$0.002	$0.0026
Volatility	254%	248%
Risk-free interest rate	0.41%	0.32%
Remaining contractual lives	2.44	2.69

The September 2011 Debt Warrants were valued at March 31, 2012 and December 31, 2011 using a Black-Scholes valuation model with the following assumptions:

	March 31, 2012	December 31, 2011
Price per share of Genta common stock	$0.002	$0.0026
Volatility	271%	265%
Risk-free interest rate	0.93%	0.78%
Remaining contractual lives	4.45	4.7

In connection with the September 2011 Financing, the Company issued warrants to its private placement agents (the "September 2011 Placement Warrants") and incurred financing fees of $0.4 million. The September 2011 Placement Warrants, after adjustment, are to purchase 254 million shares of common stock at an exercise price of $0.001 per share. The financing fees and the initial value of the September 2011 Placement Warrants of $1.1 million are being amortized over the term of the September 2011 Notes.

In March 2010, the Company issued $10 million of senior unsecured convertible notes (the "March 2010 B Notes"), $10 million of senior unsecured convertible notes (the "March 2010 C Notes") and $5 million of senior unsecured convertible notes (the "March 2010 D Notes"). In connection with the sale of the notes, the Company also issued warrants (the "March 2010 Debt Warrants") to purchase $10 million of senior unsecured convertible notes (the "March 2010 E Notes"). In March and April 2010, four investors who had participated in the Company's April 2009 financing, described below, exercised their rights under the April 2009 securities purchase agreement and the April 2009 consent agreement to acquire $1.0 million of senior unsecured convertible notes (the "March 2010 F Notes"). In May 2010, two holders of March 2010 Debt Warrants totaling $1.3 million exercised their warrants using a cashless exercise procedure and received, in total, $1.1 million of March 2010 E Notes. In October 2010, two investors exercised March 2010 Debt Warrants totaling $4.0 million using a cashless exercise procedure and received $3.6 million of March 2010 E Notes. In January 2011, two investors exercised March 2010 Debt Warrants totaling $2.7 million using a cashless exercise procedure and received $2.4 million of March 2010 E Notes. The notes in all of the above transactions, ("the March 2010 Notes"), bear interest at an annual rate of 12% payable semiannually in other convertible notes. At any time, the holder can require the Company to redeem the note upon 10 days prior written notice. The March 2010 Notes are classified as a short-term liability due to this right of redemption. As of March 31, 2012, the March 2010 Notes were convertible into shares of Genta common stock at a conversion rate of $0.001.

From January 1, 2012 through March 31, 2012, holders of the March 2010 B Notes voluntarily converted $0.3 million, resulting in an issuance of 311 million shares of common stock, holders of March 2010 C Notes voluntarily converted $0.2 million, resulting in an issuance of 164 million shares of common stock and holders of March 2010 E Notes voluntarily converted $0.2 million, resulting in an issuance of 165 million shares of common stock. At March 31, 2012, the face values outstanding of the March 2010 B Notes were $5.8 million, the March 2010 C Notes were $7.8 million, the March 2010 D Notes were $6.1 million and the March 2010 E Notes were $6.5 million.

Concurrent with the sale of the March 2010 Notes, the Company also extended the maturity date of the outstanding June 2008 Notes from June 9, 2010 to June 9, 2011 in exchange for three-year warrants ("March 2010 Warrants") to purchase the same number of shares of the Company's common stock issuable upon conversion of such June 2008 Notes. Subsequently, the maturity of the outstanding June 2008 Notes has been extended several times and is currently September 9, 2013.

In December 2010, the Company extended the maturity date of its outstanding June 2008 Notes from June 9, 2011 to September 4, 2011 in exchange for December 2010 Warrants. The December 2010 Warrants allow the holder to purchase 10% of the number of shares of common stock issuable upon conversion of June 2008 Notes in December 2010 and have the same expiration date as the March 2010 Warrants. Both the March 2010 Warrants and the December 2010 Warrants have anti-dilution protection. At March 31, 2012, the March 2010 Warrants and December 2010 Warrants were re-measured, in total, at $2.7 million based upon a Black-Scholes valuation model, resulting in income of $1.1 million on the Condensed Consolidated Statement of Operations for the three-month period ended March 31, 2012.

The liability for the March 2010 Warrants and December 2010 Warrants was valued at March 31, 2012 and December 31, 2011 using a Black-Scholes valuation model with the following assumptions:

	March 31, 2012	December 31, 2011
Price per share of Genta common stock	$0.002	$0.0026
Volatility	269%	264%
Risk-free interest rate	0.18%	0.15%
Remaining contractual lives	0.97	1.22

In September 2009, the Company issued $7 million of July 2009 Notes and common stock and $3 million of September 2009 Notes and common stock to certain accredited institutional investors. The July 2009 Notes and the September 2009 Notes bear interest at an annual rate of 8% payable semi-annually in other senior unsecured convertible promissory notes to the holder. At any time the holder can require the Company to redeem the note upon 10 days prior written notice. The September 2009 Notes and July 2009 Notes issued in September 2009 are classified as a short-term liability due to this right of redemption. With the conversion price reset on December 17, 2011 noted above, the September 2009 Notes and the July 2009 Notes issued in September 2009 are convertible into shares of common stock at a conversion rate of $0.001. At March 31, 2012, $2.0 million of the September 2009 Notes and July 2009 Notes issued on September 4, 2009 were outstanding.

On July 7, 2009, the Company issued $3 million of July 2009 Notes and common stock. At March 31, 2012, due to voluntary conversions by noteholders, there were no July 2009 Notes outstanding.

On April 2, 2009, the Company issued $6 million of April 2009 Notes and corresponding warrants to purchase common stock. The April 2009 Notes bear interest at an annual rate of 8% payable semi-annually in other senior unsecured convertible promissory notes to the holder. At any time the holder can require the Company to redeem the note upon 10 days prior written notice. The April 2009 Notes are classified as a short-term liability due to this right of redemption. With the conversion price reset on December 17, 2011 noted above, the April 2009 Notes are convertible into shares of common stock at a conversion rate of $0.001. At March 31, 2012, $0.2 million of the April 2009 Notes were outstanding.

On June 9, 2008, the Company issued $20 million of June 2008 Notes. The notes bear interest at an annual rate of 15% payable at quarterly intervals in other senior unsecured convertible promissory notes to the holder, and with the conversion price reset on December 17, 2011 noted above, are convertible into shares of common stock at a conversion rate of $0.001. The June 2008 Notes mature on September 9, 2013.

As part of the March 2012 Financing, the Company and certain holders of the June 2008 Notes agreed to exchange approximately $2.0 million of June 2008 Notes for $250 thousand of March 2012 I Notes. The holders that participated in this exchange have the option, at each such holder’s discretion, to purchase up to each holder’s pro rata portion of an additional $1.25 million principal amount of March 2012 I Notes, which such option is exercisable for a

period of five years from the closing. At March 31, 2012, $0.1 million of the June 2008 Notes remain outstanding.

All of the Company's convertible notes contained various provisions regarding the adjustment of their applicable conversion prices. During 2011, conversion price resets went into effect on January 1, March 12, September 2 and December 17. There are no other scheduled adjustments to the conversion prices of the Company's convertible notes. In addition, the conversion rate of all of the Company's convertible notes will be reduced if the Company issues additional shares of common stock or common stock equivalents for consideration that is less than the then applicable conversion price or if the conversion or exercise price of any common stock equivalent (including the convertible notes) is adjusted or modified to a price less than the then applicable conversion price.

The Company is in compliance with all debt-related covenants at March 31, 2012. Upon the occurrence of an event of default, holders of the Company's notes have the right to require the Company to prepay all or a portion of their notes.

At March 31, 2012, the maturities of the Company's convertible notes are as follows:

($ in thousands, face value amounts)	2012	2013	2021	2022
June 2008 Notes, April 2009 Notes, September 2009 Notes and July 2009 Notes issued in September 2009	$-	$2,351	$-	$-
March 2010 Notes	-	26,228	-	-
September 2011 Notes	-	-	7,037	-
March 2012 Notes	-	-	-	2,250
Total	$-	$28,579	$7,037	$2,250

As noted above, the April 2009 Notes, the September 2009 Notes, the July 2009 Notes issued in September 2009, the March 2010 Notes, the September 2011 Notes and the March 2012 Notes are classified as short-term liabilities due to the rights of holders of those notes to require the Company to redeem their notes at any time within the next twelve months.

7. Stock Incentive Plans and Share-Based Compensation

During 2009, the Company established the 2009 Stock Incentive Plan ("2009 Plan"). At a Special Meeting of Stockholders of Genta Incorporated held on October 21, 2011, the Company's stockholders approved an amendment and restatement of the 2009 Plan, adjusting the number of shares of common stock reserved for issuance under the 2009 Plan to be fifteen percent (15%) of the outstanding shares of the Company's common stock on each of November 1, 2011, April 1, 2012, August 1, 2012, November 1, 2012, April 1, 2013, August 1, 2013, November 1, 2013, April 1, 2014, August 1, 2014 and September 1, 2014.

To date, the Company has issued restricted stock units, ("RSUs") under the 2009 Plan. The following table summarizes the RSU activity under the 2009 Plan for the three–month period ended March 31, 2012:

Restricted Stock Units	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value per Share
Outstanding nonvested RSUs at January 1, 2012	104,559	$0.1356
Granted	42,460	$0.002
Vested	-	-
Forfeited or expired	-	-
Outstanding nonvested RSUs at March 31, 2012	147,019	$0.097

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Based on the closing price of Genta common stock of $0.002 per share on March 31, 2012, the intrinsic value of the nonvested RSUs at March 31, 2012 was $0.3 million. As of March 31, 2012, there was approximately $33 thousand of total scheduled unrecognized compensation cost related to non-vested share-based compensation granted under the 2009 Plan, which is expected to be recognized over the remainder of 2012. Under the terms of virtually all of the Company's outstanding RSUs, the holders of the RSUs are entitled to anti-dilution protection in the form of additional shares of stock to be issued on the vesting dates of the underlying RSUs. During the three-month period ended March 31, 2012, there were no grants of RSUs to employees; the number of shares in the above table, 42,460, represents the number of shares reserved for anti-dilution protection during that time period. The Company re-measures these RSUs to fair value, including the obligation to issue incremental shares under anti-dilution provisions, at each reporting period until the shares are issued.

Share-based compensation expense recognized for the three-month periods ended March 31, 2012 and March 31, 2011, was comprised as follows:

($ in thousands, except per share data)	Three Months ended March 31, 2012	2011
Research and development expenses	$14	$84
Selling, general and administrative	27	113
Total share-based compensation expense	$41	$197
Share-based compensation expense, per basic common share	$0.00	$0.01
Share-based compensation expense, per diluted common share	$0.00	$0.00

8. Net Income per Share

The information required to compute basic and diluted net income per share is as follows:

($ and share numbers in thousands, except per share amounts)	Three Months ended March 31, 2012	2011
Numerator:		
Net income	$5,234	$513
Plus: income impact of assumed conversion interest on convertible debt	1,081	944
Net income plus assumed conversion	$6,315	$1,457
Denominator:		
Weighted average shares outstanding:		
Basic	1,842,016	16,401
Effect of dilutive convertible notes	37,865,205	2,234,533
Effect of dilutive warrants	8,885,433	1,037,676
Effect of dilutive restricted stock units and convertible preferred stock	147,037	3,617
Diluted	48,739,691	3,292,227
Net income per share:		
Basic	$0.00	$0.03
Diluted	$0.00	$0.00

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9. Commitments and Contingencies

Litigation and Potential Claims

In September 2008, several stockholders, on behalf of themselves and all others similarly situated, filed a class action complaint against the Company, the Board of Directors, and certain of its executive officers in Superior Court of New Jersey, captioned Collins v. Warrell, Docket No. L-3046-08. The complaint alleged that in issuing convertible notes in June 2008, our Board of Directors and certain officers breached their fiduciary duties, and the Company aided and abetted the breach of fiduciary duty. On March 20, 2009, the Superior Court of New Jersey granted the Company's motion to dismiss the class action complaint and dismissed the complaint with prejudice. On April 30, 2009, the plaintiffs filed a notice of appeal with the Appellate Division. On May 13, 2009, the plaintiffs filed a motion for relief from judgment based on a claim of new evidence, which was denied on June 12, 2009. The plaintiffs also asked the Appellate Division for a temporary remand to permit the Superior Court judge to resolve the issues of the new evidence plaintiffs sought to raise and the Appellate Division granted the motion for temporary remand. Following the briefing and a hearing, the Superior Court denied the motion for relief from judgment on August 28, 2009. Thus, this matter proceeded in the Appellate Division. Plaintiffs' brief before the Appellate Division was filed on October 28, 2009, and the Company's responsive brief was filed on January 27, 2010. The plaintiffs' reply brief was filed on March 15, 2010. On August 3, 2011, the Appellate Division affirmed the decision of the Superior Court in part and reversed the decision of the Superior Court in part. The Appellate Division held that the Superior Court properly dismissed the complaint, but should have permitted the plaintiffs to file an amended complaint. The Appellate Division remanded the case to the Superior Court. On August 15, 2011, the defendants moved for reconsideration by the Appellate Division, but their motion was denied on August 26, 2011. The plaintiffs then filed an Amended Complaint on October 12, 2011 which the defendants answered on November 15, 2011. The Company, Board of Directors and officers deny these allegations and intend to vigorously defend this lawsuit.

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

No interest or income taxes were paid with cash during the three–month periods ended March 31, 2012 and March 31, 2011. On March 9, 2012, the Company issued $0.8 million of September 2011 Notes in lieu of interest due on its September 2011 Notes. On March 9, 2012, the Company issued $1.5 million of March 2010 Notes in lieu of interest due on its March 2010 Notes. On March 9, 2012, the Company issued June 2008 Notes totaling $76 thousand in lieu of interest due on its June 2008 Notes. On March 2, 2012, the Company issued $9 thousand of April 2009 Notes in lieu of interest due on its April 2009 Notes. On January 4, 2012, the Company issued $78 thousand of September 2009 Notes in lieu of interest due on its September 2009 Notes. On March 9, 2011, the Company issued $68 thousand of June 2008 Notes in lieu of interest due on its June 2008 Notes. On March 9, 2011 the Company issued March 2010 Notes totaling $1.5 million in lieu of interest due on the March 2010 Notes. On March 2, 2011, the Company issued $9 thousand in April 2009 Notes in lieu of interest due on its April 2009 Notes. On January 7, 2011, the Company issued $1 thousand in July 2009 Notes in lieu of interest due on its July 2009 Notes. On January 4, 2011, the Company issued $100 thousand of September 2009 Notes in lieu of interest due on its September 2009 Notes.

From January 1, 2012 through March 31, 2012, holders of the Company's convertible notes voluntarily converted approximately $0.7 million, resulting in an issuance of 746 million shares of common stock. From January 1, 2011 through March 31, 2011, holders of the Company's convertible notes voluntarily converted approximately $2.1 million, resulting in an issuance of 51.6 million shares of common stock.

From January 1, 2011 through March 31, 2011, holders of the Company's March 2010 Warrants voluntarily exercised a portion of their warrants, resulting in an issuance of 2.1 million shares.

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11. Subsequent Events

From March 31, 2012 through May 11, 2012, holders of convertible notes have voluntarily converted approximately $0.4 million of their notes, resulting in an issuance of 362.8 million shares of common stock.

12. Related Party Transactions

On June 9, 2008, Dr. Raymond Warrell, Jr., Chief Executive Officer and Chairman of the Board of Directors of the Company, participated in the initial closing of the Company's sale of June 2008 Notes by purchasing $2.0 million of such notes. Dr. Loretta Itri, President, Pharmaceutical Development and Chief Medical Officer purchased $0.3 million of such notes. The remaining members of the Board of Directors independently discussed Dr. Warrell and Dr. Itri's participation in the transaction and resolved that such participation would not interfere with Dr. Warrell or Dr. Itri's exercise of independent judgment in carrying out their responsibilities in their respective positions. In connection with the June 2008 Note financing and in accordance with the Audit Committee Charter, the Audit Committee reviewed and approved the June 2008 Note financing with Dr. Warrell and Dr. Itri.

As described in Note 6 to the condensed consolidated financial statements, the Company issued September 2011 Warrants, December 2010 Warrants and March 2010 Warrants to extend the maturity of various notes, including the June 2008 Notes. Dr. Warrell and Dr. Itri, as holders of outstanding June 2008 Notes, received September 2011 Warrants, December 2010 Warrants and March 2010 Warrants.

As described in Note 6 to the condensed consolidated financial statements, as part of the March 2012 Financing, the Company and Dr. Warrell and Dr. Itri exchanged approximately $2.0 million of June 2008 Notes for $250 thousand of March 2012 I Notes. Dr. Warrell and Dr. Itri have the option, at each such holder's discretion, to purchase an additional $1.25 million principal amount of March 2012 I Notes, which such option is exercisable for a period of five years from the closing. The remaining members of the Board of Directors independently discussed Dr. Warrell and Dr. Itri's participation in the transaction and resolved that such participation would not interfere with Dr. Warrell or Dr. Itri's exercise of independent judgment in carrying out their responsibilities in their respective positions. In connection with the March 2012 Financing and in accordance with the Audit Committee Charter, the Audit Committee reviewed and approved the March 2012 Financing including the exchange by Dr. Warrell and Dr. Itri of June 2008 Notes for March 2012 I Notes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain Factors Affecting Forward-Looking Statements – Safe Harbor Statement

The statements contained in this Quarterly Report on Form 10-Q that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the expectations, beliefs, intentions or strategies regarding the future. Such forward-looking statements include those which express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. The words "potentially", "anticipate", "expect", "could", "calls for" and similar expressions also identify forward-looking statements. We intend that all forward-looking statements be subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our views as of the date they are made with respect to future events and financial performance, but are subject to many risks and uncertainties, which could cause actual results to differ materially from any future results expressed or implied by such forward-looking statements. Factors that could affect actual results include risks associated with:

- the Company's financial projections;
- the Company's projected cash flow requirements and estimated timing of sufficient cash flow;
- the Company's current and future license agreements, collaboration agreements, and other strategic alliances;
- the Company's ability to obtain necessary regulatory approvals for its products from the U.S. Food and Drug Administration, or FDA or European Medicines Agency, or EMA;
- the safety and efficacy of the Company's products;
- the timing of commencement and completion of clinical trials;
- the Company's ability to develop, manufacture, license and sell its products or product candidates;
- the Company's ability to enter into and successfully execute license and collaborative agreements, if any;
- the adequacy of the Company's capital resources and cash flow projections, and the Company's ability to obtain sufficient financing to maintain the Company's planned operations, or the Company's risk of bankruptcy;
- the adequacy of the Company's patents and proprietary rights;
- the impact of litigation that has been brought against the Company and its officers and directors and any proposed settlement of such litigation; and
- the other risks described under "Risk Factors".

We do not undertake to update any forward-looking statements.

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 amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. The content on the Company's website is available for informational purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-Q.

Overview

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

The Company has had recurring annual operating losses since its inception, and we expect to incur substantial operating losses due to continued requirements for ongoing and planned research and development activities, pre-clinical and clinical testing, manufacturing activities, regulatory activities and establishment of a sales and marketing organization. From our inception to March 31, 2012, we have incurred a cumulative net deficit of $1,261.9 million. We expect that such losses will continue at least until one or more of our product candidates are approved by one or more regulatory authorities for commercial sale in one or more indications.

Our principal goals are to secure marketing approval and to profit from subsequent sales of our products. Our lead compound is tesetaxel, a novel taxane compound that is taken by mouth. Tesetaxel has completed Phase 2 trials in a number of cancer types. Clinical trials conducted by us have confirmed that the drug has definite antitumor activity in gastric cancer and breast cancer. Tesetaxel appears to be associated with a substantially lower incidence of side effects, particularly hypersensitivity reactions and peripheral nerve damage, both of which are common side effects of taxanes.

We have initiated and completed a number of clinical trials with tesetaxel, including Phase 2 trials of tesetaxel in patients with advanced gastric cancer, breast cancer, bladder cancer, prostate cancer and melanoma. Our ongoing trials are currently open to enrollment at major cancer centers in the U.S., Europe and Asia.

In May 2012, we initiated a randomized, double-blind, placebo-controlled study in patients with advanced gastric cancer. The trial, known as TESEGAST, will be conducted at cancer centers in the U.S., Western Europe, and Asia. The trial will enroll patients with advanced gastric cancer who have measurable disease that has progressed after initial chemotherapy with a platinum-containing drug and a fluoropyrimidine. Testing for HER2 expression is required, and HER2-positive patients must have received and progressed on trastuzumab. In this “all-oral” chemotherapy program, eligible patients will receive capecitabine and will be randomly assigned to receive capsules of tesetaxel or placebo. The primary endpoint of the trial is overall survival. Secondary endpoints include overall response, progression-free survival, and safety.

The FDA granted our request for “Fast Track” designation of tesetaxel for treatment of patients with advanced gastric cancer. Fast Track designation is designed to facilitate the development and expedite the review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs. The designation typically enables a company to submit a New Drug Application, or NDA, on a “rolling” basis with ongoing FDA review during the submission process. NDAs with Fast Track designation are also usually granted priority review by the FDA at the time of submission.

The FDA has also granted our request for designation of tesetaxel as an “Orphan Drug” for treatment of patients with advanced gastric cancer. Orphan Drug designation for tesetaxel in gastric cancer was also granted by the EMA. Orphan Drug designation is designed to facilitate the development of new drugs that are intended to treat diseases that affect a small number of patients. We routinely file requests for both Fast Track and Orphan Drug designation, and similar designations in applicable territories, for diseases that fulfill regulatory requirements for such designation.

Our other pipeline project consists of the development of an orally bioavailable gallium-containing compound. We believe the class of gallium compounds may have broad utility to treat diseases associated with accelerated bone loss. These illnesses include cancer-related hypercalcemia (i.e., life-threatening elevation of blood calcium), bone

metastases, Paget's disease and osteoporosis. In addition, new uses of gallium-containing compounds have been identified for treatment of certain infectious diseases. We have supported research conducted by certain academic institutions by providing clinical supplies of our gallium-containing drugs for patients with cystic fibrosis who have severe infections.

We completed a single-dose Phase 1 clinical study of one such oral gallium compound, known as G4544a. Since then, we have synthesized additional compounds of this class with the goal of identifying a potential lead compound for further clinical testing. Some of these compounds have been tested in animals to evaluate their oral absorption. If we are able to identify a potentially acceptable formulation of an oral gallium-containing compound, we may evaluate whether an expedited regulatory approval may be possible.

In the U.S. we are currently marketing Ganite®, which is an intravenous formulation of gallium nitrate, for treatment of cancer-related hypercalcemia that is resistant to hydration. Sales of Ganite® have been very low due to our under-investment in its marketing and an inconvenient dosing schedule. Since the relevant patents on Ganite® have expired, we do not plan to substantially increase our investment in the drug. We believe the product may have strategic importance for our franchise of gallium-containing compounds, especially regarding the previously noted oral gallium compounds.

Results of Operations for the Three Months Ended March 31, 2012 and March 31, 2011

($ in thousands)	2012	2011
Product sales – net	$4	$53
Cost of goods sold	-	6
Gross margin	4	47
Operating expenses:		
Research and development	1,963	2,348
Selling, general and administrative	1,535	1,629
Total operating expenses	3,498	3,977
Other (expense)/income:		
Interest and other income	1	5
Interest expense	(1,163)	(862)
Amortization of deferred financing costs and debt discount	(7,564)	(7,381)
Fair value – warrant liability	25,508	12,681
Loss on redemption of debt	(8,214)	-
Gain on exchange of debt	160	-
Total other income/(expense), net	8,728	4,443
Net income	$5,234	$513

Product sales-net

Product sales-net, of Ganite®, were $4 thousand for the three–month period ended March 31, 2012, compared with $53 thousand for the three-month period ended March 31, 2011. Unit sales were identical in both periods; however, an increase in product returns led to the decline in net sales.

Cost of goods sold

During the three–month period ended March 31, 2012, all sales of Ganite® were from product that had been previously accounted for as excess inventory.

Research and development expenses

Research and development expenses of $2.0 million for the three–month period ended March 31, 2012 represented a decline of 16% from the prior-year period. The decline is primarily attributable to the absence of spending in 2012 on Genasense®, a project that was terminated in June 2011. Research and development expenses incurred on the tesetaxel project during the first quarter of 2012 were approximately $1.7 million, or 91% of research and development expenses during the first quarter of 2012. In the prior-year quarter, research and development expenses

incurred on the tesetaxel project were approximately $1.3 million, representing 56% of research and development expenses and research and development expenses incurred on the Genasense® project were approximately $0.7 million, or 31% of research and development expenses.

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

Selling, general and administrative expenses

Selling, general and administrative expenses were $1.5 million for the three–month period ended March 31, 2012, a decline from $1.6 million for the three–month period ended March 31, 2011, primarily due to lower share-based compensation expense.

Interest and other income
Interest expense

The total of interest and other income and interest expense resulted in expense, net of $(1.2) million for the three–month period ended March 31, 2012, significantly higher than the prior-year figure of $(0.9) million, due to the higher level of outstanding convertible notes.

Amortization of deferred financing costs and debt discount

In March 2012, we entered into an agreement with certain investors whereby we would issue up to $13.5 million of senior secured convertible notes and initially closed on a first transaction of $2.25 million of such notes on March 30, 2012.

The aggregate intrinsic value of the difference between the market price of our Company’s share of stock on March 30, 2012 and the conversion price of the notes was in excess of the face value of the notes, and thus, a full debt discount was recorded in an amount equal to the face value of the notes. We are amortizing the resultant debt discount over the term of the notes through their maturity date.

The accounting for the issuance of convertible notes in September 2011, March 2010, September 2009, April 2009 and June 2008 also required that we record a debt discount against each of these notes, to be amortized over the respective lives of the notes. We have had a number of conversion price resets on these notes, the last one being December 17, 2011, and with each conversion price reset, we have recorded a debt discount equal to the face value of the notes (at the time of the reset), and have amortized the new figure over the respective remaining lives of the notes. As notes are converted, the amortization of the respective debt discount is accelerated.

In conjunction with the issuance of convertible notes in March 2012, September 2011, March 2010, September 2009, April 2009 and June 2008, we incurred certain financing costs, including, for several of the financings, the issuance of warrants to purchase our common stock. These financing costs are being amortized over the term of the notes through their respective maturity dates. As notes are converted, the amortization of the respective deferred financing costs is accelerated.

Amortization of deferred financing costs and debt discount increased to $7.6 million for the three-month period ended March 31, 2012 compared with $7.4 million for the prior-year quarter, primarily due to the inclusion of amortization related to the September 2011 transaction.

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Fair value – warrant liability

In September 2011 we issued a series of warrants to purchase shares of our common stock in exchange for extending the maturity of certain convertible notes and issued debt warrants to purchase additional convertible notes as part of a financing transaction. Similarly, in December 2010 and March 2010, we issued a series of warrants to purchase shares of our common stock in exchange for extending the maturity of certain convertible notes. All of these warrants and the debt warrants have anti-dilution protection and can be exercised using a cashless exercise procedure; warrants with these characteristics are accounted for as liabilities and marked-to-market over their lives.

At March 31, 2012, based upon a Black-Scholes valuation model, we valued these warrants and debt warrants, in total, at $14.7 million, a decline from our valuation at December 31, 2011 of $40.2 million, resulting in income of $25.5 million on the Condensed Consolidated Statement of Operations for the three-month period ended March 31, 2012.

In the prior-year period, based upon a Black-Scholes valuation model, the decline in valuation of the warrants issued in December 2010 and March 2010 resulted in income on the Condensed Consolidated Statement of Operations for the three–month period ended March 31, 2011 of $12.7 million.

Loss on redemption of debt

As part of the March 2012 financing transaction, we agreed to distribute the proceeds held in the blocked account resulting from the September 2011 Financing to holders of the September 2011 H Notes and to redeem an equal amount of September 2011 H Notes at face value. The redemption of the September 2011 H Notes resulted in a loss of $8.2 million on the Condensed Consolidated Statement of Operations for the three-month period ended March 31, 2012, which represents the difference between the face amount of the notes redeemed and their carrying amount on the date of redemption.

Gain on exchange of debt

As part of the March 2012 financing transaction, certain holders of notes issued in June 2008 exchanged approximately $2.0 million of those notes for $250 thousand of new notes issued in March 2012. This exchange resulted in a gain of $0.2 million on the Condensed Consolidated Statement of Operations for the three–month period ended March 31, 2012, which represents the difference between the face amount of the notes redeemed and their carrying amount on the date of redemption.

Net income

Genta recorded net income of $5.2 million, or $0.00 net loss per basic and diluted share, for the three-month period ended March 31, 2012, compared with net income of $0.5 million, or $0.03 net income per basic share and $0.00 net income per diluted share, for the three–month period ended March 31, 2011. The increase in net income was primarily due to higher income from marking-to-market the warrant liabilities in this year’s quarter compared with the prior year’s quarter, partially offset by the loss on the redemption of certain September 2011 H Notes.

Liquidity and Capital Resources

On March 31, 2012, we had cash and cash equivalents totaling $2.6 million, compared with $2.1 million at December 31, 2011, reflecting the completion of our financing transaction in March 2012 and the receipt of $1.2 million from the sale of portions of our New Jersey net operating losses, mostly offset by the use of funds to operate our company. Net cash used in operating activities for the three–month period ended March 31, 2012 was $1.3 million, significantly

lower than the net outflow of $3.7 million for the three–month period ended March 31, 2011, reflecting the receipt of $1.2 million from the sale of portions of our New Jersey net operating losses as well as our efforts to conserve our cash.

Presently, with no further financing, we project that the Company will run out of funds during June 2012. Investors in the March 2012 financing transaction have the right, at each investor's discretion, to purchase up to an additional $11.25 million of senior secured convertible notes having the same terms as the notes issued in the first transaction. We currently do not have any financing in place. If we are unable to raise additional funds, we could be required to reduce our spending plans, reduce our workforce, license one or more of our products or technologies that we would otherwise seek to commercialize ourselves, sell some or all of our assets, cease operations or even declare bankruptcy. There can be no assurance that we can obtain financing, if at all, or raise such additional funds, on terms acceptable to us.

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

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 2 to our condensed consolidated financial statements. In preparing our financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that, among other things, affect the reported amounts of assets and liabilities and reported amounts of revenues and expenses. These estimates are most significant in connection with our critical accounting policies, namely those of our accounting policies that are most important to the portrayal of our financial condition and results of operation and require management's most difficult, subjective or complex judgments. These judgments often result from the need to make estimates about the effects of matters that are inherently uncertain. Actual results may differ from those estimates under different assumptions or conditions. We believe that the following represents our critical accounting policies:

- Going concern. Our recurring losses from operations and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern and as a result, our independent registered public accounting firm included an explanatory paragraph in their report on our consolidated financial statements for the year ended December 31, 2011 with respect to this uncertainty. We have prepared our financial statements on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should we be unable to continue in existence.

- Estimate of fair value of warrants and embedded conversion features. We use a Black-Scholes model to estimate the fair value of our warrants and the conversion features embedded in our convertible notes.

- Valuation of RSUs. RSUs are recognized in the Consolidated Statements 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 compensation cost of the RSUs is being recognized over the vesting period of the RSUs. Under the terms of virtually all of the Company's outstanding RSUs, the holders of the RSUs are entitled to anti-dilution protection in the form of additional shares of stock to be issued on the vesting dates of the underlying RSUs. The Company re-measures these RSUs to fair value, including the obligation to issue incremental shares under anti-dilution

provisions, at each reporting period until the shares are issued. See Note 7 to the condensed consolidated financial statements for a further discussion on share-based compensation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our carrying values of cash, accounts payable, accrued expenses and debt are a reasonable approximation of their fair value. The estimated fair values of financial instruments have been determined by us using available market information and appropriate valuation methodologies. We have not entered into and do not expect to enter into financial instruments for trading or hedging purposes. We do not currently anticipate entering into interest rate swaps and/or similar instruments.

Our primary market risk exposure with regard to financial instruments is to changes in interest rates, which would impact interest income earned on such instruments. We have no material currency exchange or interest rate risk exposure as of March 31, 2012. Therefore, there will be no ongoing exposure to a potential material adverse effect on our business, financial condition or results of operation for sensitivity to changes in interest rates or to changes in currency exchange rates.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As required by Rule 13a-15(b), Genta's Principal Executive Officer and Principal Accounting and Financial Officer conducted an evaluation as of the end of the period covered by this report of the effectiveness of the Company's ''disclosure controls and procedures'' (as defined in Exchange Act Rule 13a-15(e)). Based on that evaluation, the Principal Executive Officer and Principal Accounting and Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

In September 2008, several stockholders, on behalf of themselves and all others similarly situated, filed a class action complaint against us, our Board of Directors, and certain of our executive officers in Superior Court of New Jersey, captioned Collins v. Warrell, Docket No. L-3046-08. The complaint alleged that in issuing convertible notes in June 2008, our Board of Directors and certain officers breached their fiduciary duties, and we aided and abetted the breach of fiduciary duty. On March 20, 2009, the Superior Court of New Jersey granted our motion to dismiss the class action complaint and dismissed the complaint with prejudice. On April 30, 2009, the plaintiffs filed a notice of appeal with the Appellate Division. On May 13, 2009, the plaintiffs filed a motion for relief from judgment based on a claim of new evidence, which was denied on June 12, 2009. The plaintiffs also asked the Appellate Division for a temporary remand to permit the Superior Court judge to resolve the issues of the new evidence plaintiffs sought to raise and the Appellate Division granted the motion for temporary remand. Following the briefing and a hearing, the Superior Court denied the motion for relief from judgment on August 28, 2009. Thus, this matter proceeded in the Appellate Division. Plaintiffs' brief before the Appellate Division was filed on October 28, 2009, and our responsive brief was filed on January 27, 2010. The plaintiffs’ reply brief was filed on March 15, 2010. On August 3, 2011, the Appellate Division affirmed the decision of the Superior Court in part and reversed the decision of the Superior Court in part. The Appellate Division held that the Superior Court properly dismissed the complaint, but should have permitted the plaintiffs to file an amended complaint. The Appellate Division remanded the case to the Superior Court. On August 15, 2011, the defendants moved for reconsideration by the Appellate Division, but their motion was denied on August 26, 2011. The plaintiffs then filed an Amended Complaint on October 12, 2011 which the defendants answered on November 15, 2011. We, our Board of Directors and officers deny these allegations and intend to vigorously defend this lawsuit.

Item 1A. Risk Factors

You should carefully consider the following risks and all of the other information set forth in this Form 10-Q and the Form 10-K for the year ended December 31, 2011. The risks described below are not the only ones facing our Company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer.

Risks Related to our Business

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

Our operations to date have required significant cash expenditures. Our future capital requirements will depend on the results of our research and development activities, preclinical studies and clinical trials, competitive and technological advances, and regulatory activities of the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, and other regulatory authorities. In order to commercialize our products, seek new product candidates and continue our research and development programs, we will need to raise additional funds. We have historically financed our activities from the sale of shares of common stock, convertible notes, warrants and proceeds from partnerships with other companies.

Presently, with no further financing, we project that we will run out of funds during June 2012. We currently do not have any additional financing in place. If we are unable to raise additional funds, we could be required to reduce our spending plans, reduce our workforce, license one or more of our products or technologies that we would otherwise seek to commercialize ourselves, sell all or some of our assets, cease operations or even declare bankruptcy. There can be no assurance that we can obtain financing, if at all, or raise such additional funds, on terms acceptable to us.

We will require additional cash in order to maximize the commercial opportunity and continue clinical development of our product candidates. Alternatives available to us to sustain our operations include collaborative agreements, equity financing, debt and other financing arrangements with potential corporate partners and other sources. However, there can be no assurance that any such collaborative agreements or other sources of funding will be available to us on favorable terms, if at all.

We may be unsuccessful in our efforts to obtain approval from the FDA or EMA and to commercialize our pharmaceutical product candidates.

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

- our ability to demonstrate clinically that our products are useful and safe in particular indications;
- delays or refusals by regulatory authorities in granting marketing approvals;
- our limited financial resources and sales and marketing experience relative to our competitors;

- actual and perceived differences between our products and those of our competitors;
- the availability and level of reimbursement for our products by third-party payors;
- incidents of adverse reactions to our products;

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

- the occurrence of manufacturing, supply or distribution disruptions.

We cannot assure you that our product candidates will receive FDA or EMA approval.

Our financial condition and results of operations have been and will continue to be significantly affected by FDA and EMA action with respect to our products. Any adverse events with respect to FDA and/or EMA approvals could negatively impact our ability to obtain additional funding or identify potential partners.

Ultimately, our efforts may not prove to be as effective as those of our competitors. In the U.S. and elsewhere, our products will face significant competition. The principal conditions on which our product development efforts are focused and some of the other disorders for which we are conducting additional studies, are currently treated with several drugs, many of which have been available for a number of years or are available in inexpensive generic forms. Thus, even if we obtain regulatory approvals, we will need to demonstrate to physicians, patients and third-party payors that the cost of our products is reasonable and appropriate in light of their safety and efficacy, the price of competing products and the relative health care benefits to the patient. If we are unable to demonstrate that the costs of our products are reasonable and appropriate in light of these factors, we will likely be unsuccessful in commercializing our products.

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

Our recurring losses from operations and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern and as a result, our independent registered public accounting firm included an explanatory paragraph in its report on our consolidated financial statements for the year ended December 31, 2011 with respect to this uncertainty. Substantial doubt about our ability to continue as a going concern may create negative reactions to the price of the common shares of our stock and we may have a more difficult time obtaining financing.

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

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

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

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

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

commercial use if approved;

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

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

- subjects may drop out of our clinical trials;

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

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

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

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

We have a significant amount of debt. As of March 31, 2012, we had a face amount of debt outstanding of $37.8 million, consisting of the face value of June 2008 Notes of $0.1 million, the face value of April 2009 Notes of $0.2 million, the face value of the September 2009 Notes and July 2009 Notes issued in September 2009 of $2.0 million, the face value of March 2010 Notes of $26.2 million, the face value of September 2011 Notes of $7.0 million and the face value of March 2012 Notes of $2.3 million.

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

- making it more difficult for us to meet our payment and other obligations under our outstanding debt;

- resulting in an event of default if we fail to comply with the restrictive covenants contained in our debt agreements, which could result in all of our debt becoming due and payable;

- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and

- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

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

Future adjustments to the conversion prices of our convertible notes may result in further dilution of our stockholders' ownership upon conversion of such notes.

Our convertible notes contain various provisions regarding the adjustment of their applicable conversion prices. Conversion price resets went into effect in 2011 on January 1, March 12, September 2 and December 17. There are no additional scheduled adjustments to the conversion prices of our convertible notes. However, the conversion rate of all of our convertible notes will be reduced if we issue additional shares of common stock or common stock equivalents for consideration that is less than the then applicable conversion price or if the conversion or exercise price of any common stock equivalent (including our convertible notes) is adjusted or modified to a price less than the then applicable conversion price. If the foregoing adjustments occur, our convertible notes will be convertible into a greater number of shares and our current stockholders' ownership holdings will be further diluted upon exercise of such notes.

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

While the terms or availability of additional capital is always uncertain, should we need to obtain additional financing in the future, because of our outstanding debt, it may be even more difficult for us to do so. If we are able to raise additional financing in the future, the terms of any such financing may be onerous to us. This potential inability to obtain borrowings or our obtaining borrowings on unfavorable terms could negatively impact our operations and impair our ability to maintain sufficient working capital.

Any future financings at a price per share below the conversion price of our outstanding convertible notes would reset the conversion price of the notes and result in greater dilution of current stockholders.

We may not have the ability to repay the principal on our convertible notes when due.

Our convertible notes mature on various dates in 2013, 2021 and 2022, and bear interest payable quarterly or semi-annually at rates of 6.0%, 8.0%, 12.0% or 15.0% per annum. However, a majority of our notes allow the holders, at various dates throughout 2012 to require us to redeem their notes upon 10 days prior written notice by certain requisite holders. Absent additional financing, we will likely not have sufficient funds to pay the principal upon maturity or upon any acceleration thereof. If we fail to pay principal on our convertible notes when due, we will be in default under our debt agreements which could have an adverse effect on our business, financial condition and results of operations.

Our business could suffer if we are not able to enter into suitable contractual collaborative arrangements with research institutions and corporate partners for the development and commercialization of our products, or if our collaborative arrangements are not successful in developing and commercializing products.

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

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

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

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

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

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

We have never been profitable. We have incurred substantial annual operating losses associated with ongoing research and development activities, preclinical testing, clinical trials, regulatory submissions and manufacturing activities. From the period since our inception to March 31, 2012, we have incurred a cumulative net deficit of $1,261.9 million. Achieving profitability is unlikely unless one or more of our product candidates is approved by the FDA or EMA for commercial sale in one or more indications.

Our business depends heavily on a small number of products.

We currently market and sell one product, Ganite®, and the principal patent covering its use for the approved indication expired in April 2005. If tesetaxel or oral gallium is not approved, if approval is significantly delayed, or if in the event of approval, the product is commercially unsuccessful, then we do not expect significant sales of other products to offset this loss of potential revenue.

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

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

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

- obtain U.S. and foreign patent or other proprietary protection for our technologies, products and processes;
- preserve trade secrets; and
- operate without infringing the patent and other proprietary rights of third parties.

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

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

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

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

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

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

Tesetaxel has completed several clinical Phase 2 studies, and we plan to conduct additional clinical studies with the drug. Our products may prove to have undesirable and unintended side effects or other characteristics that may prevent our obtaining FDA or foreign regulatory approval for any indication. In addition, it is possible that research and discoveries by others will render our products obsolete or noncompetitive. Similar types of limitations apply to all our product candidates.

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

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

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

- inability to obtain sufficient quantities of materials for use in clinical trials;
- inability to adequately monitor patient progress after treatment;
- unforeseen safety issues;
- the failure of the products to perform well during clinical trials; and
- government or regulatory delays.

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

The FDA in the United States and regulatory authorities in international markets impose substantial pre-market approval requirements on the introduction of pharmaceutical products. These requirements involve lengthy and detailed preclinical and clinical testing and other costly and time-consuming procedures. Satisfaction of these requirements typically takes several years or more depending upon the type, complexity and novelty of the product. We cannot apply for regulatory approval to market any of our products under development until preclinical and clinical trials on the product are successfully completed. Several factors could prevent successful completion or cause significant delays of these trials, including an inability to enroll the required number of patients or failure to demonstrate adequately that the product is safe and effective for use in humans. If safety concerns develop, the FDA or international regulatory authorities could stop our trials before completion. We may not market or sell any product for which we have not obtained regulatory approval.

We cannot assure you that the FDA will ever approve the use of our products that are under development. If the patient populations for which our products are approved are not sufficiently broad, or if approval is accompanied by unanticipated labeling restrictions, the commercial success of our products could be limited and our business, results

of operations and financial condition could consequently be materially adversely affected.

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

We do not manufacture any of our products or product candidates and we do not plan to develop any capacity to do so. We have contracted with a third-party manufacturer to manufacture Ganite®. We are currently seeking a third-party manufacturer for tesetaxel. The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, especially in scaling up initial production. These problems include difficulties with production costs and yields, quality control and assurance and shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. Our third-party manufacturers may not perform as agreed or may terminate their agreements with us.

In addition to product approval, any facility in which our product candidates are manufactured or tested for its ability to meet required specifications must be approved by the FDA and/or the EMA before a commercial product can be manufactured. Failure of such a facility to be approved could delay the approval of our product candidates.

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

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

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

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

material adverse effect on our business, results of operations and financial condition. Such failures or restrictions may also prompt regulatory recalls of one or more of our products, which could have material and adverse effects on our business.

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

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

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

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

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

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

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

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

- difficulties in assimilating the operations and personnel of acquired companies;

- diversion of our management's attention from ongoing business concerns;

- our potential inability to maximize our financial and strategic position through the successful incorporation of acquired technology and rights into our products and services;

- additional expense associated with amortization of acquired assets;

- maintenance of uniform standards, controls, procedures and policies; and

- impairment of existing relationships with employees, suppliers and customers as a result of the integration of new management personnel.

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

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

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

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

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

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

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

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Risks Related to Outstanding Litigation

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

In September 2008, several stockholders, on behalf of themselves and all others similarly situated, filed a class action complaint against us, our Board of Directors, and certain of our executive officers in Superior Court of New Jersey, captioned Collins v. Warrell, Docket No. L-3046-08. The complaint alleged that in issuing convertible notes in June 2008, our Board of Directors and certain officers breached their fiduciary duties, and we aided and abetted the breach of fiduciary duty. On March 20, 2009, the Superior Court of New Jersey granted our motion to dismiss the class action complaint and dismissed the complaint with prejudice. On April 30, 2009, the plaintiffs filed a notice of appeal with the Appellate Division. On May 13, 2009, the plaintiffs filed a motion for relief from judgment based on a claim of new evidence, which was denied on June 12, 2009. The plaintiffs also asked the Appellate Division for a temporary remand to permit the Superior Court judge to resolve the issues of the new evidence plaintiffs sought to raise and the Appellate Division granted the motion for temporary remand. Following the briefing and a hearing, the Superior Court denied the motion for relief from judgment on August 28, 2009. Thus, this matter proceeded in the Appellate Division. Plaintiffs' brief before the Appellate Division was filed on October 28, 2009, and our responsive brief was filed on January 27, 2010. The plaintiffs' reply brief was filed on March 15, 2010. On August 3, 2011, the Appellate Division affirmed the decision of the Superior Court in part and reversed the decision of the Superior Court in part. The Appellate Division held that the Superior Court properly dismissed the complaint, but should have permitted the plaintiffs to file an amended complaint. The Appellate Division remanded the case to the Superior Court. On August 15, 2011, the defendants moved for reconsideration by the Appellate Division, but their motion was denied on August 26, 2011. The plaintiffs then filed an Amended Complaint on October 12, 2011 which the defendants answered on November 15, 2011. We, our Board of Directors and officers deny these allegations and intend to vigorously defend this lawsuit.

Risks Related to Our Common Stock

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

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

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

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

shares.

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

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

We may implement two reverse stock splits prior to December 31, 2012.

At a Special Meeting of Stockholders held on October 21, 2011, our stockholders authorized our Board of Directors to implement up to two reverse stock splits prior to December 31, 2012, with each stock split having an exchange ratio from 1-for-2 up to 1-for-500. Our Board may decide to implement one or two reverse stock splits prior to December 31, 2012. Even if our Board decides to implement a reverse stock split, we may be unable to obtain the requisite approval from the Financial Industry Regulatory Authority ("FINRA") in order to effect such reverse split. Although our Board of Directors believes that a reverse stock split may increase the price of our common stock, in many cases, because of variables outside of a company's control (such as market volatility, investor response to the news of a proposed reverse stock split and the general economic environment), the market price of a company's shares of common stock may in fact decline in value after a reverse stock split. The implementation of a reverse stock split does not have an effect on the actual or intrinsic value of our business or our stockholders' proportional ownership. However, should the overall value of our common stock decline after the proposed reverse stock splits, then the actual or intrinsic value of the shares of our common stock will also proportionately decrease as a result of the overall decline in value.

Our stock price is volatile.

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

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

At March 31, 2012, we had 2,090 million shares of common stock outstanding and 64,993 million shares reserved for the conversion of our outstanding convertible preferred stock, convertible notes, warrants, debt warrants, purchase rights and restricted stock units. Future sales of shares of our common stock by existing stockholders, holders of preferred stock who might convert such preferred stock into common stock, holders of convertible notes who might convert such convertible notes into common stock, holders of debt warrants who might convert such debt warrants into convertible notes and then convert those convertible notes into common stock, and purchase right and warrant holders who may exercise their purchase rights and warrants to purchase common stock also could adversely affect the market price of our common stock. Moreover, the perception that sales of substantial amounts of our common stock might occur could adversely affect the market price of our common stock.

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

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

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

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

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits.

(a) Exhibits

Exhibit Number	Description of Document
4.1	Form of Senior Secured Convertible I Note (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on March 29, 2012).
10.1	Twelfth Amendment Agreement dated January 18, 2012 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on January 19, 2012).
10.2	Thirteenth Amendment Agreement dated February 15, 2012 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 15, 2012).
10.3	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on March 29, 2012).
10.4	Form of Amendment Agreement (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on March 29, 2012).
10.5	Form of General Security Agreement (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on March 29, 2012).
31.1	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification by Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification by Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification by Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	Information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

Genta Incorporated

Date: May 14, 2012

/s/ RAYMOND P. WARRELL, JR., M.D.
Raymond P. Warrell, Jr., M.D.
Chairman and Chief Executive Officer
(principal executive officer)

Date: May 14, 2012

/s/ GARY SIEGEL
Gary Siegel
Vice President, Finance
(principal financial and accounting officer)

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