

GENTA INC DE/  
Form 10-Q  
August 12, 2010  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

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 No

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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. (Check one):

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

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 August 10, 2010 the registrant had 8,411,284 shares of common stock outstanding.

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Genta Incorporated  
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GENTA INCORPORATED  
CONSOLIDATED BALANCE SHEETS

(In thousands, except par value data)

ASSETS	June 30, 2010 (unaudited)	December 31, 2009
Current assets:		
Cash and cash equivalents	\$ 15,635	\$ 1,216
Accounts receivable - net of allowances of \$17 at June 30, 2010 and \$23 at December 31, 2009, respectively	2	2
Receivable on sale of New Jersey tax losses	-	2,873
Inventory (Note 4)	51	81
Prepaid expenses and other current assets	525	971
<b>Total current assets</b>	<b>16,213</b>	<b>5,143</b>
Property and equipment, net	179	205
Deferred financing costs on sale of convertible notes, warrants and common stock (Note 6)	2,723	6,881
Restricted cash account	5,002	-
<b>Total assets</b>	<b>\$ 24,117</b>	<b>\$ 12,229</b>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:		
Accounts payable and accrued expenses	\$ 6,394	\$ 8,829
Convertible notes due June 9, 2010, \$1,787 outstanding, net of debt discount of (\$115) at December 31, 2009 (Note 6)	-	1,672
<b>Total current liabilities</b>	<b>6,394</b>	<b>10,501</b>
Long-term liabilities		
Office lease settlement obligation (Note 5)	1,962	1,979
Convertible notes due June 9, 2011, \$1,821 outstanding, net of debt discount of (\$1,317) (Note 6)	504	-
Convertible notes due April 2, 2012, \$510 outstanding, net of debt discount of (\$389) (Note 6)	121	1,302
Convertible notes due July 7, 2011, \$626 outstanding, net of debt discount of (\$471) (Note 6)	155	181
Convertible notes due September 4, 2011, \$4,682 outstanding, net of debt discount of (\$3,696) (Note 6)	986	1,128
Convertible notes due March 9, 2013, \$27,084 outstanding, net of debt discount of (\$24,359) (Note 6)	2,725	-
Conversion feature liability (Note 6)	96,418	-
Warrant liability (Note 6)	42,301	-
<b>Total long-term liabilities</b>	<b>145,172</b>	<b>4,590</b>

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 June 30, 2010 and December 31, 2009, respectively	-	-
Series G participating cumulative preferred stock, \$.001 par value;		
0 shares issued and outstanding at June 30, 2010		
and December 31, 2009, respectively	-	-
Common stock, \$.001 par value; 6,000,000 and 6,000,000 shares authorized,		
8,092 and 1,928 shares issued and outstanding at June 30, 2010		
and December 31, 2009, respectively (Note 1)	8	2
Additional paid-in capital	1,044,145	1,027,563
Accumulated deficit	(1,171,602 )	(1,030,427 )
Total stockholders' deficit	(127,449 )	(2,862 )
Total liabilities and stockholders' deficit	\$24,117	\$12,229

See accompanying notes to consolidated financial statements.

GENTA INCORPORATED  
CONSOLIDATED STATEMENTS OF  
OPERATIONS  
(Unaudited)

(In thousands, except per share data)	Three Months Ended June		Six Months Ended June 30,	
	2010	30, 2009	2010	2009
Product sales - net	\$76	\$69	\$110	\$131
Cost of goods sold	15	1	27	1
Gross margin	61	68	83	130
<b>Operating expenses:</b>				
Research and development	2,417	3,674	4,860	5,972
Selling, general and administrative	1,833	1,968	5,606	4,140
Total operating expenses	4,250	5,642	10,466	10,112
<b>Other income/(expense):</b>				
Interest income and other income, net	27	1	35	16
Interest expense	(966)	(189)	(1,483)	(576)
Amortization of deferred financing costs and debt discount (Note 6)	(10,513)	(10,625)	(16,605)	(16,912)
Fair value - conversion feature liability (Note 6)	26,859	(19,040)	(70,438)	(19,040)
Fair value - warrant liability (Note 6)	14,225	(7,655)	(42,301)	(7,655)
Total other income/(expense)	29,632	(37,508)	(130,792)	(44,167)
Net income/(loss)	\$25,443	\$(43,082)	\$(141,175)	\$(54,149)
Net income/(loss) per basic share (Note 8)	\$3.66	\$(62.56)	\$(30.84)	\$(124.27)
Net income/(loss) per diluted share (Note 8)	\$0.42	\$(62.56)	\$(30.84)	\$(124.27)
Shares used in computing net income/(loss) per basic share (Note 8)	6,948	689	4,577	436
Shares used in computing net income/(loss) per diluted share (Note 8)	62,362	689	4,577	436

See accompanying notes to consolidated financial statements.

GENTA INCORPORATED  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(In thousands)	Six Months Ended June 30,	
	2010	2009
Operating activities:		
Net loss	\$(141,175	) \$(54,149
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	72	80
Amortization of deferred financing costs and debt discount (Note 6)	16,605	16,912
Share-based compensation (Note 7)	3,306	107
Change in fair value - conversion feature liability (Note 6)	70,438	19,040
Change in fair value - warrant liability (Note 6)	42,301	7,655
Changes in operating assets and liabilities:		
Accounts receivable	-	(32
Receivable on sale of New Jersey tax losses	2,873	-
Inventory	30	2
Prepaid expenses and other current assets	447	389
Accounts payable and accrued expenses	(1,213	) 545
Net cash used in operating activities	(6,316	) (9,451
Investing activities:		
Purchase of property and equipment	(47	) (51
Interest on restricted cash	(2	) -
Net cash used in investing activities	(49	) (51
Financing activities:		
Sale of convertible notes net of financing costs (Note 6)	25,784	5,290
Deposits in restricted cash account	(5,000	) -
Net cash provided by financing activities	20,784	5,290
Increase/(decrease) in cash and cash equivalents	14,419	(4,212
Cash and cash equivalents at beginning of period		)