

GENTA INC DE/  
Form PRER14A  
April 09, 2009

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

SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o

Check the appropriate box:

- x Preliminary Proxy Statement  o Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- .. Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Under Rule 14a-12

Genta Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- |     |   |
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| (1) | Title of each class of securities to which transaction applies:   |
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| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
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- (1) Amount previously paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
-

GENTA INCORPORATED  
200 Connell Drive  
Berkeley Heights, NJ 07922  
908-286-9800

April [ ], 2009

Dear Stockholder:

You are cordially invited to the special meeting of stockholders of Genta Incorporated on [Tuesday], May [19], 2009 at 11:00 a.m., local time, at [ ], Berkeley Heights, New Jersey 07922.

The accompanying notice of a special meeting of stockholders outlines the matters to be brought before the meeting, and the accompanying proxy statement discusses these matters in greater detail. The notice and the proxy statement have been made a part of this invitation.

Whether or not you plan to attend the meeting, we urge you to complete, date and sign the enclosed proxy card and return it at your earliest convenience. No postage need be affixed if you use the enclosed envelope and it is mailed in the United States. You may also vote electronically via the Internet or by telephone. If you have any questions or need assistance in completing the proxy card, please contact Investor Relations at the telephone number above.

We are mailing this proxy statement and a form of proxy on or about April [ ], 2009.

Our Board of Directors and management look forward to seeing you at the meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL STOCKHOLDER MEETING TO BE HELD ON MAY 19, 2009.**

In accordance with new rules approved by the Securities and Exchange Commission, we are providing this notice to our stockholders to advise them of the availability on the Internet of our proxy materials related to our special meeting. The new rules allow companies to provide access to proxy materials in one of two ways. Because we have elected to utilize the “full set delivery” option, we are delivering our proxy materials to our stockholders under the “traditional” method, by providing paper copies, as well as providing access to our proxy materials on a publicly accessible Web site.

Our proxy statement and proxy are enclosed along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which is being provided as our Annual Report to stockholders. These materials are also available on our web site at <http://www.genta.com>.

Sincerely yours,

/ s / R A Y M O N D P .  
WARRELL, JR., M.D.

Raymond P. Warrell, Jr.,  
M.D.  
Chairman and Chief  
Executive Officer



GENTA INCORPORATED  
200 Connell Drive  
Berkeley Heights, NJ 07922  
908-286-9800

Notice of special meeting of Stockholders

April [ ], 2009

The special meeting of stockholders of Genta Incorporated, a Delaware corporation, will be held on [Tuesday] May [19] 2009 at 11:00 a.m., local time, at [ ], Berkeley Heights, NJ 07922, for the following purposes:

1. To authorize our Board of Directors, in its discretion, to effect a reverse stock split of our outstanding Common Stock at any exchange ratio up to 1-for-100.
2. To transact such other business as may properly come before the meeting.

All stockholders are cordially invited to attend the special meeting. Attendance at the special meeting is limited to our stockholders and one guest. Only stockholders of record at the close of business on April 1, 2009, the record date, are entitled to notice of and to vote at the special meeting.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, WE URGE YOU TO VOTE ELECTRONICALLY VIA THE INTERNET. YOU MAY ALSO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT OR VOTE BY TELEPHONE.**

By order of the Board of Directors,

/s/ GARY SIEGEL

Gary Siegel  
Interim Corporate Secretary

**YOU CAN VOTE IN ONE OF THREE WAYS:**

- (1) Visit the Web site noted on your proxy card to vote via the Internet,
  - (2) Use the toll-free telephone number on your proxy card to vote by phone, or
  - (3) Sign, date and return your proxy card in the enclosed envelope to vote by mail.
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GENTA INCORPORATED  
200 Connell Drive  
Berkeley Heights, NJ 07922  
908-286-9800

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PROXY STATEMENT

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This proxy statement contains information related to a special meeting of stockholders of Genta Incorporated, a Delaware corporation, to be held on [Tuesday] May [19], 2009 at 11:00 a.m., local time, at [ ], Berkeley Heights, NJ 07922, and at any postponements or adjournments thereof. This proxy statement and the enclosed proxy card are being mailed to our stockholders on or about April [ ], 2009.

In this proxy statement, “Genta”, “Company”, “we”, “us” and “our” refer to Genta Incorporated.

Our proxy statement and proxy are enclosed along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as amended April 1, 2009, which is being provided as our Annual Report to stockholders.

In order to save costs, and as permitted under applicable laws, rules and regulations, we will only mail one copy of the Annual Report to Stockholders during any fiscal year.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL STOCKHOLDER MEETING TO BE HELD ON MAY 19, 2009.**

This proxy statement and accompanying notice, proxy card and Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as amended April 1, 2009, are available on our web site at [www.genta.com](http://www.genta.com).

#### VOTING AT THE SPECIAL MEETING

##### Revocability of Proxies

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including a telephone or internet vote), by delivering a written revocation of your proxy to our Corporate Secretary, or by voting at the meeting. The method by which you vote by proxy will in no way limit your right to vote at the meeting if you decide to attend in person. If your shares are held in the name of a bank or brokerage firm, you must obtain a proxy, executed in your favor, from the bank or broker, to be able to vote at the meeting.

##### Voting Rights

Only holders of record of our Common Stock at the close of business on the Record Date are entitled to notice of and to vote at the special meeting. Each share of Common Stock is entitled to one vote on all matters to be voted upon at the special meeting. The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date will constitute a quorum for the transaction of business. Abstentions and broker non-votes will be counted as shares that are present for purposes of determining a quorum. Broker non-votes occur when a nominee holding shares for a beneficial owner does not have discretionary voting power on a matter and has not received instructions from the beneficial owner.



Only stockholders of record at the close of business on April 1, 2009, the record date, are entitled to notice of and to vote at the Special meeting, and at any postponements or adjournments thereof. As of the record date, [ ] of our Common Stock, par value \$.001 per share, were issued and outstanding, [ ] shares of our convertible Series A Preferred Stock, par value \$.001 per share, were outstanding, and [ ] million of Senior Convertible Promissory Notes were outstanding. Holders of our Common Stock are entitled to one vote per share for each proposal presented at the special meeting. Holders of our Series A Preferred Stock and our Senior Convertible Promissory Notes are not entitled to vote at the special meeting.

#### How to Vote; How Proxies Work

Our Board of Directors is asking for your proxy. Whether or not you plan to attend the special meeting, we urge you to vote by proxy as you can always change your vote at the special meeting. Please complete the proxy card by voting on the Internet, calling the toll-free telephone number on the proxy card, or complete, date and sign the enclosed proxy card and return it at your earliest convenience. We will bear the costs incidental to the solicitation and obtaining of proxies, including the costs of reimbursing banks, brokers and other nominees for forwarding proxy materials to beneficial owners of our capital stock. Proxies may be solicited by our officers and employees, without extra compensation, by mail, telephone, telefax, personal interviews and other methods of communication. In addition, we have retained Bank of New York Mellon Shareowner Services to act as our proxy solicitor in conjunction with the special meeting. We have agreed to pay that firm \$7,500 plus reasonable out of pocket expenses, for proxy solicitation services.

At the special meeting, and at any postponements and adjournments thereof, all shares entitled to vote and represented by properly executed proxies received prior to the special meeting and not revoked will be voted as instructed on those proxies. If no instructions are indicated on a properly executed proxy, the shares will be voted FOR the proposal.

#### Questions and Answers

Q. What am I voting on?

To authorize our Board of Directors, in its discretion, to effect a reverse stock split of our outstanding Common Stock at any exchange ratio up to 1-for-100. Brokers may vote on this proposal; however, abstentions and broker non-votes will have the effect of a vote "against" this proposal, even if they do not receive instructions from the beneficial owner.

Q. Who is entitled to vote?

Only stockholders of record at the close of business on the Record Date of April [1], 2009 are entitled to vote shares held by such stockholders on that date at the special meeting. Each outstanding share entitles its holder to cast one vote.

Q. How do I vote?

Vote By Internet: Visit the Web site noted on your proxy card to vote via the Internet

Vote By Mail: Sign and date the proxy card you receive and return it in the enclosed stamped, self-addressed envelope.

Vote By Telephone: If you are a stockholder of record (that is, if you hold your stock in your own name), you may vote by telephone by following the instructions on your proxy card. The telephone number is toll-free, so voting by



telephone is at no cost to you. If you vote by telephone, you do not need to return your proxy card.

Vote in Person: Sign and date the proxy you receive and return it in person at the special meeting.

If your shares are held in the name of a bank, broker or other holder of record (i.e., in "street name"), you will receive instructions from the holder of record that you must follow in order for your shares to be voted. Telephone and Internet voting will be offered to stockholders owning shares through most banks and brokers.

Q. Can I access the proxy materials electronically?

This proxy statement, the proxy card, and our Annual Report on Form 10-K for the period ended December 31, 2008 are available on our website at [www.genta.com](http://www.genta.com).

Q. Can I change my vote or revoke my proxy?

Yes. You may change your vote or revoke your proxy at any time before the proxy is exercised. If you submitted your proxy by mail, you must (a) file with the Corporate Secretary a written notice of revocation or (b) timely deliver a valid, later-dated proxy. If you submitted your proxy by telephone, you may change your vote or revoke your proxy with a later telephone proxy. Attendance at the special meeting will not have the effect of revoking a proxy unless you give written notice of revocation to the Corporate Secretary before the proxy is exercised or you vote by written ballot at the special meeting.

Q. What is the process for admission to the special meeting?

If you are a record owner of your shares (i.e., your shares are held in your name), you must show government issued identification. Your name will be verified against the stockholder list. If you hold your shares through a bank, broker or trustee, you must also bring a copy of your latest bank or broker statement showing your ownership of your shares as of the Record Date.

Q. What constitutes a quorum?

The presence at the special meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date will constitute a quorum. As of April [ ], 2009, there were [ ] outstanding shares of Common Stock entitled to vote at the special meeting.

Abstentions and broker non-votes are counted for purposes of determining whether a quorum is present at the special meeting.

Q. What vote is required to approve each item?

The affirmative vote of a majority of our outstanding shares of our Common Stock is required to authorize our Board of Directors, in its discretion, to effect a reverse stock split of our outstanding Common Stock at any exchange ratio up to 1-for-100. Brokers may vote on this proposal; however, abstentions and broker non-votes will have the effect of a vote "against" this proposal, even if they do not receive instructions from the beneficial owner.

Q. What happens if I do not instruct my broker how to vote on the proxy?

If you do not instruct your broker how to vote, your broker will vote your shares for you at his or her discretion on routine matters such as the authorization to our Board of Directors, in its discretion, to effect a reverse stock split of our outstanding Common Stock at any exchange ratio up to 1-for-100.



Q. What are the recommendations of the Board of Directors?

The Board of Directors unanimously recommends that the stockholders vote:

- FOR authorizing our Board of Directors, in its discretion, to effect a reverse stock split of our outstanding Common Stock at any exchange ratio up to 1-for-100.

With respect to any other matter that properly comes before the special meeting, the proxies will vote as recommended by our Board of Directors or, if no recommendation is given, in their own discretion.

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## PROPOSAL ONE

### BOARD AUTHORIZATION TO EFFECT REVERSE STOCK SPLIT

Our Board of Directors is proposing that our stockholders approve a proposal to authorize our Board of Directors to effect a reverse stock split of all outstanding shares of our Common Stock, at any ratio at its discretion, from 1-for-2 up to 1-for-100. If this proposal is approved, our Board of Directors would have the sole discretion to elect, as it determines to be in the best interests of our Company and our stockholders, to effect a reverse split at any time before our 2010 annual meeting. Our Board of Directors will also have sole discretion not to approve the reverse stock split. Therefore, approval of this proposal will constitute express authorization for our Board of Directors not to proceed with the reverse stock split if it should so decide. Our Board of Directors believes that approval of a proposal providing this authority to our Board of Directors, rather than mere approval of an immediate reverse stock split, would give the Board of Directors the flexibility to react to market conditions and act in the best interests of the Company and our stockholders.

If the Board of Directors determines to effect the reverse stock split, we would file a Certificate of Amendment to the Company's Restated Certificate of Incorporation, as amended, with the Delaware Secretary of State to effect the proposed reverse stock split, which is attached to this proxy statement as Annex A, the text of which may be altered for any changes required by the Delaware Secretary of State and changes deemed necessary or advisable by the Board of Directors. Our Board of Directors has approved and declared advisable the proposed Certificate of Amendment. If the Board of Directors elects to implement a reverse stock split, then the number of issued and outstanding shares of our Common Stock would be reduced.

#### Purpose of Proposed Reverse Stock Split

The purpose of the proposed reverse stock split is to attempt to reduce the number of issued and outstanding shares and to increase the per share trading value of our Common Stock. Our Board of Directors believes that the reverse stock split would be beneficial because it would increase the price of our Common Stock and decrease the number of issued and outstanding shares of our Common Stock.

An increase in the per share trading value of our Common Stock would be beneficial because it would:

- improve the perception of our Common Stock as an investment security;
- reset our stock price to more normalized trading levels in the face of potentially extended market dislocation;
- appeal to a broader range of investors to generate greater investor interest in us; and
- reduce stockholder transaction costs.

A decrease in the number of issued and outstanding shares of our Common Stock would be beneficial for the Company because by doing so, we will have more shares available for future issuance. Specifically, as we are required to reserve for future issuance any shares underlying its convertible notes, effecting a reverse stock split will reduce the number of issued and outstanding shares, thereby increasing the number of shares available for future issuance upon conversion of the convertible notes (as further discussed below).

Our Board of Directors intends to effect the proposed reverse stock split only if it believes that a decrease in the number of shares outstanding is likely to improve the trading price for our Common Stock, and only if the implementation of a reverse stock split is determined by the Board of Directors to be in the best interests of the Company and our stockholders. If the trading price of our Common Stock increases without a reverse stock split, our Board of Directors may exercise its discretion not to implement a reverse split.

You should keep in mind that the implementation of a reverse stock split does not have an effect on the actual or intrinsic value of our business or a stockholder's proportional ownership in our Company. You should also consider that, in many cases, the market price of a company's shares of common stock declines after a reverse stock split. If this were to occur to our Common Stock because there would be less shares of our Common Stock outstanding, the actual or intrinsic value of the shares of Common Stock held by you would also decrease.

If our Board of Directors ultimately determines to effect a reverse split, no further action on the part of our stockholders would be required. Notwithstanding approval of the reverse split proposal by the stockholders, our Board of Directors may, in its sole discretion, determine to delay the effectiveness of the reverse split up until the 2010 annual meeting, or determine not to effect the reverse split at all.

#### Potential Effects of the Proposed Reverse Stock Split

The immediate effect of a reverse stock split would be to reduce the number of shares of our Common Stock outstanding and to increase the trading price of our Common Stock. Notwithstanding the decrease in the number of outstanding shares following the proposed reverse stock split, our Board of Directors does not intend for this transaction to be the first step in a “going private transaction” within the meaning of Rule 13e-3 of the Exchange Act.

However, we cannot predict the effect of any reverse stock split upon the market price of our Common Stock over an extended period, and in many cases, the market value of a company’s Common Stock following a reverse split declines. We cannot assure you that the trading price of our Common Stock after the reverse stock split will rise in inverse proportion to the reduction in the number of shares of our Common Stock outstanding as a result of the reverse stock split. Also, we cannot assure you that a reverse stock split would lead to a sustained increase in the trading price of our Common Stock. The trading price of our Common Stock may change due to a variety of other factors, including our operating results and other factors related to our business and general market conditions.

Examples of Potential Reverse Stock Split at Various Ratios. The table below provides examples of reverse splits at various ratios up to 1-for-100:

Shares outstanding at April 2, 2009	Reverse Split Ratio	Shares outstanding after Reverse Split	Reduction in Shares Outstanding
1,014,141,242	1-for-2	507,070,621	50%
1,014,141,242	1-for-5	202,828,248	80%
1,014,141,242	1-for-10	101,414,124	90%
1,014,141,242	1-for-25	40,565,649	96%
1,014,141,242	1-for-50	20,282,824	98%
1,014,141,242	1-for-100	10,141,412	99%

The resulting decrease in the number of shares of our Common Stock outstanding could potentially adversely affect the liquidity of our Common Stock, especially in the case of larger block trades.

Effects on Ownership by Individual Stockholders. If we implement a reverse stock split, the number of shares of our Common Stock held by each stockholder would be reduced by multiplying the number of shares held immediately before the reverse split by the appropriate ratio and then rounding down to the nearest whole share. We would pay cash to each stockholder in lieu of any fractional interest in a share to which each stockholder would otherwise be entitled as a result of the reverse split, as described in further detail below. The reverse stock split would not affect any stockholder's percentage ownership interest in our Company or proportionate voting power, except to the extent that interests in fractional shares would be paid in cash.

Effect on Options, Warrants, Series A Convertible Preferred Stock, \$20 Million Senior Convertible Promissory Notes. In addition, we would adjust all outstanding shares of any options, warrants, preferred stock and convertible notes entitling the holders to purchase shares of our Common Stock as a result of the reverse stock split, as required by the terms of these securities. In particular, we would reduce the conversion ratio for each instrument, and would increase the exercise price in accordance with the terms of each instrument and based on the 1-for-2, up to 1-for-100 exchange ratio of the reverse stock split (i.e., the number of shares issuable under such securities would decrease by 50%, up to 99%, respectively, and the exercise price per share would be multiplied by 2, up to 100, respectively). Also, we would reduce the number of shares reserved for issuance under our existing stock option plans proportionately based on the exchange ratio of the reverse stock split. A reverse stock split would not otherwise affect any of the rights currently accruing to holders of our Common Stock, options or warrants exercisable for our Common Stock.

Other Effects on Outstanding Shares. If we implement a reverse stock split, the rights pertaining to the outstanding shares of our Common Stock would be unchanged after the reverse stock split. Each share of our Common Stock issued following the reverse stock split would be fully paid and nonassessable.

The reverse stock split would result in some stockholders owning "odd-lots" of less than 100 shares of our Common Stock. Brokerage commissions and other costs of transactions in odd-lots are generally higher than the costs of transactions in "round-lots" of even multiples of 100 shares.

Our Common Stock is currently registered under Section 12(b) of the Securities Exchange Act of 1934. As a result, we are subject to the periodic reporting and other requirements of the Securities Exchange Act. The proposed reverse stock split would not affect the registration of our Common Stock under the Securities Exchange Act.

#### Authorized Shares of Stock

The reverse stock split would affect all issued and outstanding shares of Common Stock and outstanding rights to acquire Common Stock. We will not change the number of shares of Common Stock currently authorized. However, upon the effectiveness of the reverse stock split, the number of authorized shares of Common Stock that are not issued or outstanding would increase due to the reduction in the number of shares of Common Stock issued and outstanding as a result of the reverse stock split. As of April 2, 2009, we had (i) 6,000,000,000 shares of authorized Common Stock, of which [ ] shares of Common Stock were issued and outstanding, and (ii) [ ] shares of our Series A Convertible Preferred Stock par value \$.001 per share, and (iii) approximately \$[ ] million Senior Convertible Promissory Notes convertible into shares of Common Stock at a conversion rate of 100,000 shares of Common Stock for every \$1,000.00 of principal and (iv) 2,000,000 shares of authorized Series G Participating Cumulative Preferred Stock, of which no shares were issued and outstanding. Authorized but unissued shares will be available for issuance, and we may issue such shares in the future. If we issue additional shares, the ownership interest of holders of Common Stock will be diluted.

We will reserve for issuance any authorized but unissued shares of Common Stock that would be made available as a result of the proposed reverse stock split.

On June 5, 2008, we entered into a securities purchase agreement, or the 2008 Securities Purchase Agreement, with certain institutional and accredited investors to place up to \$40 million of senior secured convertible notes, or the 2008 Notes, with such investors. On June 9, 2008, the Company placed \$20 million of such 2008 Notes, referred to herein as the Initial Closing. The 2008 Notes will bear interest at an annual rate of 15% payable at quarterly intervals in stock or cash at the Company's option, and will be convertible into shares of the Company's Common Stock at a conversion rate of 100,000 shares of Common Stock for every \$1,000.00 of principal amount outstanding. The 2008 Notes include certain events of default, including a requirement that the Company obtain stockholder approval within



a specified period of time to amend its certificate of incorporation to authorize additional shares of common stock.

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On April 2, 2009, we entered into a securities purchase agreement, or the Securities Purchase Agreement, with certain accredited institutional investors to place up to \$12 million of senior secured convertible notes, or the 2009 Notes, and corresponding warrants, or the Warrants, to purchase common stock, or the Financing. The Company closed on approximately \$6 million of such Notes and Warrants, referred to herein as the 2009 Initial Closing, on April 2, 2009. The 2009 Notes will bear interest at an annual rate of 8% payable semi-annually in other senior secured convertible promissory notes to the holder, and will be convertible into shares of the Company's common stock at a conversion rate of 500,000 shares of common stock for every \$1,000.00 of principal amount outstanding. In addition, the 2009 Notes include certain events of default, including a requirement that the Company effect a reverse stock split of the Company's Common Stock within 105 days of the 2009 Initial Closing.

There are currently not enough shares of Common Stock authorized under our certificate of incorporation to cover the shares underlying the 2009 Notes and Warrants and the 2008 Notes, and therefore any authorized but unissued shares of Common Stock that would be made available as a result of the proposed reverse stock split will be reserved for issuance upon conversion of the 2009 Notes and 2008 Notes and exercise of the Warrants. We do not have any plans, arrangements or understandings for the remaining portion of the authorized but unissued shares that will be available following the reverse stock split that will not be reserved for conversion of the 2009 Notes and 2008 Notes or exercise of the Warrants.

#### Procedure for Effecting the Proposed Stock Split and Exchange of Stock Certificates

If stockholders approve the proposal and the Board of Directors decides to implement the reverse stock split, we will file with the Delaware Secretary of State a Certificate of Amendment to our Restated Certificate of Incorporation, as amended. The reverse stock split will become effective at the time and on the date of filing of, or at such later time as is specified in, the Certificate of Amendment, which we refer to as the "effective time" and "effective date," respectively. Beginning at the effective time, each certificate representing shares of Common Stock will be deemed for all corporate purposes to evidence ownership of the number of whole shares into which the shares previously represented by the certificate were combined pursuant to the reverse stock split.

Upon a reverse stock split, we intend to treat stockholders holding our Common Stock in "street name," through a bank, broker or other nominee, in the same manner as registered stockholders whose shares are registered in their names. Banks, brokers or other nominees will be instructed to effect the reverse stock split for their beneficial holders holding our Common Stock in "street name." However, these banks, brokers or other nominees may have different procedures than registered stockholders for processing the reverse stock split. If you hold your shares with a bank, broker or other nominee and if you have any questions in this regard, we encourage you to contact your nominee.

Following any reverse stock split, stockholders holding physical certificates must exchange those certificates for new certificates and a cash payment in lieu of any fractional shares.

Our transfer agent will advise registered stockholders of the procedures to be followed to exchange certificates in a letter of transmittal to be sent to stockholders. No new certificates will be issued to a stockholder until the stockholder has surrendered the stockholder's outstanding certificate(s), together with the properly completed and executed letter of transmittal, to the transfer agent. Any old shares submitted for transfer, whether pursuant to a sale, other disposition or otherwise, will automatically be exchanged for new shares. Stockholders should not destroy any stock certificate(s) and should not submit any certificate(s) until requested to do so.

#### Fractional Shares

We would not issue fractional shares in connection with the reverse stock split. Instead, any fractional share resulting from the reverse stock split because the stockholder owns a number of shares not evenly divisible by the exchange ratio would instead receive cash upon surrender to the exchange agent of the certificates and a properly completed and executed letter of transmittal. The cash amount to be paid to each stockholder would be equal to the resulting fractional interest in one share of our Common Stock to which the stockholder would otherwise be entitled, multiplied by the closing trading price of our Common Stock on the trading day immediately preceding the effective date of the reverse stock split. We do not anticipate that the aggregate cash amount paid by the Company for fractional interests will be material to the Company.

#### No Appraisal Rights

No appraisal rights are available under the Delaware General Corporation Law or under our Restated Certificate of Incorporation, as amended, or bylaws with respect to the reverse stock split. There may exist other rights or actions under state law for stockholders who are aggrieved by reverse stock splits generally.

#### Accounting Consequences

The par value of our Common Stock would remain unchanged at \$0.001 per share after the reverse stock split. Also, our capital account would remain unchanged, and we do not anticipate that any other accounting consequences would arise as a result of the reverse stock split.

#### Material U.S. Federal Income Tax Consequences of the Reverse Stock Split

The following is a summary of the material U.S. federal income tax consequences of the reverse stock split to holders of our shares. This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, the Treasury regulations promulgated thereunder, and administrative rulings and court decisions in effect as of the date of this document, all of which may be subject to change, possibly with retroactive effect. This summary only addresses holders who hold their shares as capital assets within the meaning of the Code and does not address all aspects of U.S. federal income taxation that may be relevant to holders subject to special tax treatment, such as financial institutions, dealers in securities, insurance companies, foreign persons and tax-exempt entities. In addition, this summary does not consider the effects of any applicable state, local, foreign or other tax laws.

We have not sought and will not seek any ruling from the Internal Revenue Service, or the IRS, or an opinion from counsel with respect to the U.S. federal income tax consequences discussed below. There can be no assurance that the tax con