

CYTRX CORP  
Form DEFM14A  
June 11, 2002  
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**SCHEDULE 14A  
(RULE 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the  
Commission Only (as permitted by  
Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Materials Under Rule 14a-12

**CytRx Corporation**

(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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (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):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount previously paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

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**154 Technology Parkway  
Suite 200  
Norcross, Georgia 30092**

June 13, 2002

Dear CytRx Stockholder:

You are cordially invited to attend the 2002 Annual Meeting of Stockholders of CytRx Corporation. The meeting will be held at the Riviera Country Club, 1250 Capri Drive, Pacific Palisades, California. It will begin at 9:00 a.m. local time on July 16, 2002.

I hope you are planning to attend the Annual Meeting. The items of business that will be considered and voted upon this year are explained in the accompanying proxy statement.

One of the items that you will be asked to approve at the Annual Meeting is the issuance of approximately 9,963,000 shares of CytRx common stock to the shareholders of Global Genomics Capital, Inc. in the pending acquisition of Global Genomics Capital by means of a merger of a wholly owned subsidiary of CytRx into Global Genomics Capital.

The rules of Nasdaq require CytRx stockholder approval of the issuance of those shares in the merger. That approval requires the affirmative vote of a majority of the votes cast at the Annual Meeting, provided a quorum is present. Only stockholders who held shares of CytRx common stock at the close of business on June 12, 2002 will be entitled to vote at the Annual Meeting or any postponement or adjournment of the Annual Meeting. The CytRx board of directors carefully considered and approved the merger and recommends that the CytRx stockholders vote in favor of the issuance of the shares of CytRx common stock in the merger.

We are excited about the opportunities for the combined company. The accompanying proxy statement provides detailed information about CytRx, Global Genomics Capital, the merger and the other items to be voted upon by CytRx stockholders. Please give all of this information your careful attention.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted at the meeting. *You are urged to complete, sign, date and return the enclosed proxy card (or use the telephone or internet voting procedures, if offered by your broker), even if you plan to attend the meeting.*

Sincerely,

Jack J. Luchese  
*President and Chief Executive Officer*

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**154 Technology Parkway  
Suite 200  
Norcross, Georgia 30092**

**NOTICE TO THE HOLDERS OF COMMON STOCK  
OF ANNUAL MEETING OF STOCKHOLDERS  
to be held on July 16, 2002**

To the Stockholders of CytRx:

Notice is hereby given to the holders of the \$.001 par value per share common stock of CytRx Corporation that the Annual Meeting of Stockholders of CytRx will be held at the Riviera Country Club, 1250 Capri Drive, Pacific Palisades, California, on July 16, 2002, at 9:00 a.m., local time, for the following purposes:

- (1) To approve the issuance of shares of CytRx common stock in the acquisition of Global Genomics Capital by means of the merger of a wholly owned subsidiary of CytRx into Global Genomics Capital, Inc.;
- (2) To approve an amendment to CytRx's certificate of incorporation to change CytRx's name to Global Therapeutics, Inc., if the merger closes;
- (3) To elect two Class II directors to serve until the 2005 Annual Meeting of Stockholders;
- (4) To approve two amendments to the CytRx Corporation 2000 Long-Term Incentive Plan, one which increases the number of shares of common stock available for awards from one million to three million and the other which removes or changes some limitations on awards granted under the plan;
- (5) To ratify the selection of Ernst & Young LLP as CytRx's independent auditors for the fiscal year ending December 31, 2002; and
- (6) To transact such other business as may properly come before the Annual Meeting or any postponements or adjournments thereof.

Each of the foregoing items of business is more fully described in the proxy statement, which we urge you to read carefully.

Only those stockholders of record at the close of business on June 12, 2002 are entitled to notice of and to vote at the Annual Meeting or any postponements or adjournments thereof. CytRx's transfer books will not be closed. A complete list of stockholders entitled to vote at the Annual Meeting will be available at the Annual Meeting.

By Order of the Board of Directors,

Mark W. Reynolds  
*Vice President, Finance and Secretary*  
June 13, 2002

**WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, SIGN, DATE, AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE ENCLOSED BUSINESS REPLY ENVELOPE. IF YOU ATTEND THE ANNUAL MEETING YOU MAY, IF YOU WISH, REVOKE YOUR PROXY AND VOTE IN PERSON.**

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**154 Technology Parkway  
Suite 200  
Norcross, Georgia 30092**

June 13, 2002

**PROXY STATEMENT**

**INTRODUCTION**

This proxy statement is furnished to holders of the \$.001 par value per share common stock of CytRx Corporation, a Delaware corporation, in connection with the solicitation of proxies by our board of directors from holders of the outstanding shares of common stock for use at the Annual Meeting of Stockholders to be held at 9:00 a.m., local time, at the Riviera Country Club, 1250 Capri Drive, Pacific Palisades, California, on July 16, 2002, and at any postponements or adjournments thereof.

At the Annual Meeting, you will vote upon the following proposals:

- (1) to approve the issuance of shares of CytRx common stock in the acquisition of Global Genomics Capital, Inc. by means of the merger of a wholly owned subsidiary of CytRx into Global Genomics Capital, Inc.;
- (2) to approve an amendment to CytRx's certificate of incorporation to change CytRx's name to Global Therapeutics, Inc., if the merger closes;
- (3) to elect two Class II directors to serve until the 2005 Annual Meeting of Stockholders;
- (4) to approve two amendments to the CytRx Corporation 2000 Long-Term Incentive Plan;
- (5) to ratify the selection of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2002; and
- (6) such other matters as may properly come before the Annual Meeting or any postponement or adjournment thereof.

Our mailing address and the location of our principal executive offices are 154 Technology Parkway, Suite 200, Norcross, Georgia 30092. This proxy statement and the accompanying proxy are first being mailed to our stockholders on or about June 13, 2002.

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**HOW TO OBTAIN ADDITIONAL INFORMATION**

**This proxy statement references important business and financial information about CytRx that is not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain free copies of this information by requesting them in writing or by telephone from CytRx at the following address and telephone number:**

**CytRx Corporation  
154 Technology Parkway  
Suite 200  
Norcross, Georgia 30092  
Attention: Mark W. Reynolds  
(770) 368-9500**

In order to obtain timely delivery of the documents, you must request the information on or before June 30, 2002. Please also see **Where You Can Find More Information** on page 85 to obtain further information and learn about other ways that you can get this information.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER  
AND OTHER MATTERS ON WHICH YOU MAY VOTE**

**Q: Why are we proposing the merger?**

A: We are proposing the merger because we believe it will result in several potential benefits, including the following:

- Expansion of CytRx's business model into the genomics field;
- Improvement of investment interest in CytRx;
- Addition of new management and board members with contacts and experience in pharmaceutical and genomics fields; and
- Diversification of product and technology base and development.

**Q: Why is Global Genomics Capital proposing the merger?**

A: Global Genomics Capital is proposing the merger because it believes the proposed merger will result in several potential benefits, including the following:

- Combination with CytRx results in a stronger and more competitive pharmaceutical and genomics company than Global Genomics Capital alone;
- Creation of opportunity for Global Genomics Capital shareholders to participate in a larger, more diversified company; and
- Improvement of long-term financial prospects of the combined company may enable opportunities for more favorable corporate partnerships and licensing transactions.

**Q: How will these two companies merge?**

A: A wholly owned subsidiary of CytRx will merge with and into Global Genomics Capital. Following the merger, Global Genomics Capital will be a wholly owned subsidiary of CytRx.

**Q: What will Global Genomics Capital shareholders and holders of warrants receive in the merger?**

A: If the merger is completed, a total of 9,962,881 shares of CytRx common stock will be (1) issued to holders of shares of Global Genomics Capital stock and (2) issuable upon the exercise of outstanding warrants to purchase Global Genomics Capital stock that are converted into warrants to purchase CytRx common stock. As of the date of this proxy statement, there are 11,593,076 shares of Global Genomics Capital stock outstanding and warrants to purchase 1,324,701 shares of Global Genomics Capital stock. The foregoing numbers assume that certain promissory notes made by Global Genomics Capital will fully convert into shares of Global Genomics Capital common stock immediately prior to the effective time of the merger. If those numbers do not change before the effective time of the merger, at the effective time of the merger CytRx will:

- issue 8,941,201 shares of CytRx common stock to the holders of outstanding shares of Global Genomics Capital common stock, which represent approximately 42.3% of the outstanding shares of CytRx common stock immediately after the merger, excluding the dilutive effect of options and warrants; and
- reserve the remaining 1,021,680 shares of CytRx common stock for issuance upon exercise of the converted warrants.

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The total number of shares issuable in the merger to the Global Genomics Capital shareholders and warrant holders will be reduced if Global Genomics Capital has any liabilities at the closing of the merger other than certain liabilities CytRx has agreed to pay.

**Q: Will CytRx stockholders receive any shares as a result of the merger?**

A: No. CytRx stockholders will continue to hold the CytRx shares they own at the time of the merger.

**Q: Why is CytRx seeking stockholder approval of the merger?**

A: Approval of the merger by CytRx stockholders is not required under Delaware or other applicable law, or by CytRx's certificate of incorporation or bylaws. Nasdaq rules require approval of any transaction conducted by a company listed on Nasdaq in which that company issues a number of shares that exceeds 20% of the shares of stock outstanding before the transaction. Such approval requires the affirmative vote of a majority of the votes cast at the Annual Meeting, provided that a quorum is present.

**Q: Will CytRx complete the merger if its stockholders do not approve the issuance of the shares in the merger?**

A: It depends. If the CytRx stockholders do not approve the issuance of the shares in the merger, CytRx may still complete the merger if its board of directors determines that proceeding with the merger is still in the best interests of CytRx and its stockholders and, at that time:

- CytRx common stock is no longer listed on either the Nasdaq National Market or the Nasdaq SmallCap Market;
- CytRx common stock no longer qualifies for listing on either the Nasdaq National Market or the Nasdaq SmallCap Market and CytRx believes such common stock will be delisted; or
- CytRx's board of directors otherwise has reasonable justification to proceed with the merger.

**Q: Is Global Genomics Capital shareholder approval required to complete the merger?**

A: Yes. The affirmative vote of a majority of the outstanding shares entitled to vote is required to approve the merger. Global Genomics Capital shareholders owning approximately 85% of the outstanding common stock of Global Genomics Capital as of the date of this proxy statement have entered into voting agreements with CytRx under which such shareholders have agreed to vote in favor of the merger and have granted irrevocable proxies to vote in favor of the merger to Jack J. Luchese and Mark W. Reynolds of CytRx.

**Q: When do CytRx and Global Genomics Capital expect to complete the merger?**

A: CytRx and Global Genomics Capital are working to complete the merger as quickly as possible. They expect to complete the merger in July 2002.

**Q: What are the federal income tax consequences of the merger?**

A: The parties believe the merger qualifies as a tax-free reorganization for federal income tax purposes. If the merger qualifies as a tax-free reorganization, a shareholder of Global Genomics Capital who exchanges his or her shares of Global Genomics Capital common stock for CytRx common stock will not recognize any gain or loss to the extent of the receipt of CytRx common stock in the merger. A shareholder of Global Genomics Capital who receives cash as the result of the exercise of dissenters' rights will have gain or loss to the extent of the receipt of such cash. There are no direct tax consequences to CytRx stockholders in the merger. We urge Global Genomics Capital shareholders and holders of warrants to purchase Global Genomics Capital stock to consult their tax advisors concerning the United States federal, state, local and foreign tax consequences of the merger to them.



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**Q: Does the CytRx board of directors recommend approval of the issuance of the shares of CytRx common stock in the merger?**

A: Yes. After careful consideration, the CytRx board of directors recommends that its stockholders vote in favor of the issuance of the shares of CytRx common stock in the merger.

**Q: What other matters will be voted on at the Annual Meeting?**

A: In addition to the issuance of shares in the merger, CytRx stockholders will be asked to approve an amendment to CytRx's certificate of incorporation, to elect two directors, to approve two amendments to the CytRx Corporation 2000 Long-Term Incentive Plan and to ratify the selection of Ernst & Young LLP as CytRx's independent auditors for 2002. The CytRx board of directors recommends that its stockholders vote in favor of the above matters.

If the merger closes, CytRx's board of directors will consist of seven directors, four designated by CytRx and three designated by Global Genomics Capital. The four CytRx directors are Alexander L. Cappello, Raymond C. Carnahan, Jr., Max Link and Herbert H. McDade, Jr. and the three Global Genomics Capital directors are Steven A. Kriegsman, Louis J. Ignarro, Ph.D. and Joseph Rubinfeld, Ph.D.

**Q: What do I need to do now?**

A: CytRx urges you to read carefully this proxy statement, including its annexes, and to consider how the merger will affect you as a stockholder of CytRx. You also may want to review the documents referenced under "Where You Can Find More Information" on page 85. After you carefully consider those materials, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage paid envelope as soon as possible so that your shares may be represented at the Annual Meeting.

**Q: How do CytRx stockholders vote?**

A: As a CytRx stockholder, you may indicate how you want to vote on your proxy card and then sign and mail your proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the Annual Meeting. CytRx stockholders also may attend the Annual Meeting and vote in person instead of submitting a proxy. If you fail either to return a proxy card or to vote in person at the Annual Meeting, or mark a proxy card "abstain," there will be no effect on the approval of the issuance of the shares of CytRx common stock in the merger or any other item described in the proxy statement, except that an abstention on Proposal 2 will have the effect of a vote "against" that proposal. If you sign and send in your proxy without indicating how you want to vote, the proxy will be counted as a vote "for" each proposal, unless your shares are held in a brokerage account and your broker does not have discretionary authority to vote your shares on a particular proposal.

**Q: If shares of CytRx common stock are held in a brokerage account, will the broker vote such shares for the CytRx stockholder?**

A: A broker will not be able to vote a CytRx stockholder's shares on the proposal to issue shares in the merger without instructions from that stockholder on how to vote. Therefore, it is important that CytRx stockholders follow the directions provided by their brokers regarding how to instruct such brokers to vote their shares. If a CytRx stockholder fails to provide his/her broker with instructions, there will be no effect on the approval of the issuance of shares of CytRx common stock in the merger.

**Q: Can I change my vote after I mail in a signed proxy card?**

A: Yes. You may change your vote at any time before the vote takes place at the Annual Meeting. To do so, you may either complete and submit a later dated proxy card or send a written notice to CytRx's secretary stating that you would like to revoke your proxy. In addition, you may attend the Annual Meeting and vote in person. However, if you elect to vote in person at the Annual Meeting and your shares are held by a

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broker, bank or other nominee, you must bring to the Annual Meeting a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares.

**Q: When and where is the CytRx Annual Meeting of Stockholders?**

A: The Annual Meeting will be held at 9:00 a.m., local time, on July 16, 2002 at the Riviera Country Club, 1250 Capri Drive, Pacific Palisades, California.

**Q: Am I entitled to appraisal rights in connection with the merger?**

A: No. CytRx stockholders are not entitled to appraisal rights in connection with the merger. Under California law, each shareholder of Global Genomics Capital entitled to vote on the merger may require Global Genomics Capital to purchase for cash at their fair market value the shares owned by such shareholder that were not voted in favor of the merger.

**Q: Who may I contact with any additional questions?**

A: You may call Mark W. Reynolds, CytRx's Vice President, Finance and Secretary, at (770) 368-9500.

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**SUMMARY OF THE PROXY STATEMENT**

*This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. You should carefully read this entire document and the other documents we refer to in this proxy statement. These documents will give you a more complete description of the transaction we are proposing. For more information, see *Where You Can Find More Information* on page 85. We have included page references in this summary to direct you to other places in this proxy statement where you can find a more complete description of the topics we have summarized.*

**The Merger (See page 9)**

Under the terms of the merger agreement, a wholly owned subsidiary of CytRx will merge with and into Global Genomics Capital, which will survive the merger as a wholly owned subsidiary of CytRx. If the merger is completed, a total of 9,962,881 shares of CytRx common stock will be (1) issued to holders of shares of Global Genomics Capital stock and (2) issuable upon the exercise of outstanding warrants to purchase Global Genomics Capital stock that are converted into warrants to purchase CytRx common stock. The total number of shares issuable in the merger to the Global Genomics Capital shareholders will be reduced if Global Genomics Capital has any outstanding liabilities at the closing of the merger other than certain liabilities CytRx has agreed to pay.

If the merger is completed, Global Genomics Capital will change its name to GGC, Inc. and, subject to stockholder approval, CytRx will change its name to Global Therapeutics, Inc.

Five percent of the total number of shares of CytRx common stock issuable in the merger will be held in escrow by CytRx, as the escrow agent, to satisfy any indemnification claims that may be made by CytRx against Global Genomics Capital pursuant to the merger agreement.

**Who is Global Genomics Capital (See page 73)**

Global Genomics Capital is a development stage company incorporated in California that is principally engaged in investing in or acquiring companies that develop and commercialize healthcare products driven by genomics technologies. Global Genomics Capital's primary assets are a 40% equity interest in Blizzard Genomics, Inc., which is involved in the development of instrumentation software and consumable supplies for the genomics industry, and a 5% equity interest in Psynomics, Inc., which is an early stage psychiatric genomics company.

**Recommendation of the Board of Directors of CytRx and Opinion of Financial Advisor (See page 10)**

*Board of Directors*

After careful consideration, the CytRx board of directors has determined that the merger is fair to, and in the best interests of, CytRx and its stockholders. Accordingly, the CytRx board of directors approved the merger agreement and the merger and recommends that CytRx stockholders vote for approval of the issuance of the shares of CytRx common stock in the merger.

*Opinion of Financial Advisor*

In connection with the merger, the board of directors of CytRx received a written opinion from Sanli Pastore & Hill, Inc., CytRx's financial advisor with respect to the merger, that, based upon and subject to certain matters stated in its fairness opinion, the proposed merger is fair, from a financial point of view, to CytRx stockholders.

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**Some CytRx Directors and Executive Officers Have Interests in the Merger (See page 18)**

Some of the directors and executive officers of CytRx have personal interests in the merger that are different from the interests of other CytRx stockholders. These interests include severance payments, pre-merger stay bonuses and the acceleration of options and warrants granted to directors and executive officers of CytRx. In addition, a director of CytRx is an affiliate of a financial advisor of CytRx that will receive a fee in connection with the merger.

**Directors and Executive Officers of CytRx Following the Merger (See page 57)**

If the merger is completed, Jack J. Luchese will be succeeded by Steven A. Kriegsman as Chief Executive Officer of CytRx. In addition, it is anticipated that the employment of the remaining four executive officers of CytRx will be terminated as of the effective time of the merger.

After the merger, Jack J. Luchese will resign as a director of CytRx, the size of the board will be increased to seven members and Steven A. Kriegsman, Louis J. Ignarro, Ph.D. and Joseph Rubinfeld, Ph.D. will be appointed as directors to fill the vacancies.

If the merger closes, assuming an exchange ratio of 0.771254, immediately after the closing of the merger Steven A. Kriegsman will beneficially own 4,141,401 shares of CytRx common stock, which will represent approximately 19% of the outstanding common stock of CytRx immediately after the effective time of the merger.

**What is Needed to Complete the Merger (See page 28)**

Several conditions must be satisfied or waived before we complete the merger, including those summarized below:

Receipt of approval from the CytRx stockholders of the issuance of shares of CytRx common stock in the merger;

Less than 5% of all shares of Global Genomics Capital common stock outstanding immediately prior to the effective time of the merger shall have dissented to the merger;

Full conversion of certain promissory notes made by Global Genomics Capital into shares of Global Genomics Capital common stock, or payment in full by Global Genomics Capital of all principal and accrued but unpaid interest under such notes;

All required consents of, filings and registrations with, and notifications to all regulatory authorities shall have been filed, occurred or obtained;

Absence of any law or order making the merger illegal or otherwise restricting the merger;

Absence of any action taken, or statute, regulation or order enacted or enforced, in connection with the grant of any required regulatory approval that would materially adversely impact the economic or business benefits of the merger or would require CytRx to dispose of any material asset prior to the completion of the merger;

Accuracy of each party's respective representations and warranties in the merger agreement in all material respects;

Material compliance by each party with its covenants in the merger agreement; and

Absence of a material adverse effect on CytRx or Global Genomics Capital from February 11, 2002 to the completion of the merger.

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**CytRx and Global Genomics Capital May Terminate the Merger Agreement Under Specified Circumstances (See page 29)**

Under circumstances specified in the merger agreement, either CytRx or Global Genomics Capital may terminate the merger agreement. These circumstances generally include if:

The merger is not completed by September 30, 2002;

The approval of CytRx stockholders of the issuance of shares of CytRx common stock in the merger has not been obtained at the Annual Meeting of CytRx stockholders;

A final, non-appealable order of a court or other action of any governmental authority has the effect of permanently prohibiting completion of the merger;

The consent of any governmental authority required to complete the merger has been denied by final non-appealable action;

The other party materially breaches its representations, warranties or covenants in the merger agreement such that the conditions to the merger would be incapable of being satisfied by September 30, 2002; or

The other party consents to termination.

**Appraisal Rights (See page 21)**

CytRx stockholders are not entitled to appraisal rights in connection with the merger. Under California law, each shareholder of Global Genomics Capital entitled to vote on the merger is entitled to appraisal rights.

**Voting Agreements With Global Genomics Capital Shareholders (See page 33)**

CytRx has entered into voting agreements with Global Genomics Capital shareholders owning approximately 85% of the outstanding common stock of Global Genomics Capital as of the date of this proxy statement under which such shareholders have agreed to vote in favor of the merger and have granted irrevocable proxies to vote in favor of the merger to Jack J. Luchese and Mark W. Reynolds of CytRx.

**Additional Proposals to be Voted Upon at the Annual Meeting**

At the Annual Meeting, in addition to voting on the issuance of shares of CytRx common stock in the merger with Global Genomics Capital, you will vote upon the following proposals:

to approve an amendment to CytRx's certificate of incorporation to change CytRx's name to Global Therapeutics, Inc., if the merger closes;

to elect two Class II directors to serve until the 2005 Annual Meeting of Stockholders;

to approve two amendments to the CytRx Corporation 2000 Long-Term Incentive Plan;

to ratify the selection of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2002; and

such other matters as may properly come before the Annual Meeting or any postponement or adjournment thereof.

**Table of Contents****SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CYTRX**

The following table sets forth a summary of selected historical consolidated financial data of CytRx. The selected consolidated statements of operations for the three month periods ended March 31, 2002 and 2001 and the selected consolidated balance sheet data as of March 31, 2002 have been derived from CytRx's unaudited consolidated financial statements included in another part of this proxy statement, which, in the opinion of our management, include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation in all material respects of such information. The selected consolidated balance sheet data as of March 31, 2001 has been derived from CytRx's unaudited consolidated financial statements for such period, which, in the opinion of our management, include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation in all material respects of such information. The selected consolidated statements of operations for each of the three years ended December 31, 2001, 2000 and 1999 and the selected consolidated balance sheet data as of December 31, 2001 and December 31, 2000 have been derived from CytRx's audited consolidated financial statements also included in another part of this proxy statement. The selected consolidated statement of operations data for the years ended December 31, 1998 and 1997 and the selected consolidated balance sheet data as of December 31, 1999, December 31, 1998 and December 31, 1997 have been derived from CytRx's audited financial statements for those periods.

The selected financial data set forth below should be read in conjunction with the sections of this proxy statement entitled "The Merger" and "CytRx Management's Discussion and Analysis of Financial Condition and Results of Operations," CytRx's financial statements and related notes and the other financial data included elsewhere in this proxy statement. Historical results are not necessarily indicative of results to be expected in the future.

|                                      | Years Ended<br>December 31, |                  |                  |                  |                  | Three Months<br>Ended<br>March 31,<br>(unaudited) |                |
|--------------------------------------|-----------------------------|------------------|------------------|------------------|------------------|---|----------------|
|                                      | 2001                        | 2000             | 1999             | 1998             | 1997             | 2002  | 2001           |
| <b>Statement of Operations Data:</b> |                             |                  |                  |                  |                  |   |                |
| Revenues:                            |                             |                  |                  |                  |                  |   |                |
| Service revenues                     | \$ 101,463                  | \$ 451,031       | \$ 322,536       | \$ 350,789       | \$ 422,039       | \$ 22,453   | \$ 26,014      |
| License fees                         | 3,751,000                   | 2,000,000        |                  |                  |                  | 1,000,000   |                |
| Interest and other income            | 546,947                     | 876,827          | 1,068,924        | 1,762,747        | 1,381,306        | 118,567   | 156,780        |
| <b>Total revenues</b>                | <b>4,399,410</b>            | <b>3,327,858</b> | <b>1,391,460</b> | <b>2,113,536</b> | <b>1,803,345</b> | <b>1,141,020</b>                                  | <b>182,794</b> |
| Loss from continuing operations      |                             |                  |                  |                  |                  |   |                |