

CYTRX CORP
Form PRE 14A
September 04, 2003

SCHEDULE 14A

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: _____

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(4)

Proposed maximum aggregate value of transaction: _____

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Total fee paid: _____

.. Fee paid previously with preliminary materials.

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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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[CYTRX LOGO]
11726 San Vicente Boulevard, Suite 650
Los Angeles, California 90049

September __, 2003

Dear Shareholder:

You are cordially invited to attend the 2003 Annual Meeting of Stockholders of CytRx Corporation. The meeting will be held at the New York Athletic Club, 180 Central Park South, New York, New York, at 10:00 A.M., local time, on Friday, October 10, 2003.

The Notice of Meeting and the Proxy Statement on the following pages cover the formal business of the meeting, which includes five items to be voted on by the stockholders. At the Annual Meeting, I will also report on CytRx's current operations and will be available to respond to questions from stockholders.

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

I hope you will join us.

Sincerely,

/s/ Steven A. Kriegsman
Chief Executive Officer

[CYTRX LOGO]
11726 San Vicente Boulevard, Suite 650
Los Angeles, California 90049

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held on October 10, 2003

Notice is hereby given to the holders of common stock, \$.001 par value per share, of CytRx Corporation that the Annual Meeting of Stockholders will be held at the New York Athletic Club, 180 Central Park South, New York, New York, on Friday, October 10, 2003, at 10:00 A.M., local time, for the following purposes:

(1)

To elect four directors, two to serve until the 2005 Annual Meeting of Stockholders, and two to serve until the 2006 Annual Meeting of Stockholders;

(2)

To approve an amendment to the CytRx Corporation 2000 Long-Term Incentive Plan (the Plan) to increase the number of shares of common stock available for awards from 3,000,000 to 10,000,000;

(3)

To approve an amendment to the Plan to increase the limitation on annual awards of stock options and stock appreciation rights from 500,000 shares to 1,000,000 shares;

(4)

To approve an amendment to the CytRx Corporation Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 50,000,000 to 100,000,000 and to increase the authorized number of shares of preferred stock from 1,000 to 5,000,000;

(5)

To ratify the selection of Ernst & Young LLP as independent auditors for the fiscal year ending December 31, 2003; and

(6)

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

Only those stockholders of record at the close of business on August 15, 2003 are entitled to notice of and to vote at the Annual Meeting or any postponement or adjournment thereof. A complete list of stockholders entitled to vote at the Annual Meeting will be available at the Annual Meeting.

September __, 2003 By Order of the Board of Directors,

/s/ Kathryn R. Hernandez
Secretary

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 (or use telephone or internet voting procedures, IF available THROUGH YOUR BROKER). IF YOU ATTEND THE ANNUAL MEETING YOU MAY, IF YOU WISH, REVOKE YOUR PROXY AND VOTE IN PERSON.

CYTRX CORPORATION
11726 San Vicente Boulevard, Suite 650
Los Angeles, California 90049

To Be Held October 10, 2003

PROXY STATEMENT

This Proxy Statement is furnished to holders of common stock, \$.001 par value per share, of CytRx Corporation, a Delaware corporation, in connection with the solicitation of proxies by our Board of Directors for use at our 2003 Annual Meeting of Stockholders to be held at 10:00 A.M., local time, at the New York Athletic Club, 180 Central Park South, New York, New York, on Friday, October 10, 2003, and at any postponement or adjournment thereof.

This Proxy Statement and the accompanying proxy card are first being mailed to our stockholders on or about September __, 2003.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will act upon the matters outlined in the attached Notice of Meeting and described in detail in this Proxy Statement, which are the election of directors, the approval of two separate amendments to our 2000 Long-Term Incentive Plan, the approval of an amendment to our Restated Certificate of Incorporation and the ratification of our appointment of independent accountants. In addition, management will report on our performance during fiscal 2002 and respond to questions from stockholders.

Who is entitled to vote at the Annual Meeting?

Only stockholders of record at the close of business on August 15, 2003 will be entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof.

What are the voting rights of the holders of our common stock?

Holders of our common stock are entitled to one vote per share with respect to each of the matters to be presented at the Annual Meeting. The affirmative vote of a majority of the votes cast at the Annual Meeting, provided a quorum is present, will be required for approval of each of the proposals described in this Proxy Statement other than the approval of the amendment to our Restated Certificate of Incorporation and the election of directors. Approval of the amendment to our Restated Certificate of Incorporation will require the affirmative vote of the holders of a majority of the outstanding shares of common stock. With regard to the election of directors, the four nominees receiving the greatest number of votes cast will be elected.

Abstentions and broker non-votes will not be counted as votes cast and, therefore, will have no effect on the outcome of the matters presented at the Annual Meeting other than the approval of the amendment to our Restated Certificate of Incorporation. With respect to this proposal, abstentions and broker non-votes will have the same effect as votes against the proposal.

What constitutes a quorum?

Our Bylaws provide that the presence, in person or by proxy, of the holders of a majority of outstanding shares of our common stock at our Annual Meeting shall constitute a quorum.

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For the purpose of determining the presence of a quorum, proxies marked *withhold authority* or *abstain* will be counted as present. Shares represented by proxies that include broker non-votes will also be counted as shares present for purposes of establishing a quorum. On the record date, there were 28,981,315 shares of our common stock issued and outstanding.

What are the Board's recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendation is set forth together with the description of each Proposal in this Proxy Statement. In summary, the Board recommends a vote:

- FOR election of the directors named in this Proxy Statement (see Proposal I);
- FOR approval of two separate amendments to the CytRx Corporation 2000 Long-Term Incentive Plan (see Proposals II and III);
- FOR approval of the amendment to our Restated Certificate of Incorporation (see Proposal IV); and
- FOR ratification of the appointment of Ernst & Young LLP as our independent accountants for fiscal 2003 (see Proposal V).

The proxy holders will vote in their discretion with respect to any other matter that properly comes before the Annual Meeting.

Proxies

If the enclosed proxy card is executed, returned in time and not revoked, the shares represented thereby will be voted at the Annual Meeting and at any postponement or adjournment thereof in accordance with the instructions indicated on the proxy and IF NO INSTRUCTIONS ARE INDICATED, PROXIES WILL BE VOTED (1) FOR ALL PROPOSALS DESCRIBED IN THIS PROXY STATEMENT AND (2) AS TO ANY OTHER MATTERS PROPERLY BROUGHT BEFORE THE ANNUAL MEETING OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF, IN THE SOLE DISCRETION OF THE PROXIES.

A shareholder who has returned a proxy card may revoke it at any time prior to its exercise at the Annual Meeting by (i) giving written notice of revocation to our Corporate Secretary, (ii) properly submitting to CytRx a duly executed proxy bearing a later date, or (iii) appearing at the Annual Meeting and voting in person. All written notices of revocation of proxies should be addressed as follows: CytRx Corporation, 11726 San Vicente Boulevard, Suite 650, Los Angeles, California 90049, Attention: Kathryn R. Hernandez, Secretary.

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PROPOSAL I

ELECTION OF DIRECTORS

Pursuant to our Bylaws, the Board of Directors has fixed the number of CytRx directors at seven. Our Restated Certificate of Incorporation and Bylaws provide that the members of the Board of Directors are divided into three classes. Each class is to consist as nearly as possible of an equal number of directors, and one class of directors is to be elected at each annual meeting of stockholders to serve for a term of three years.

The term of all directors in Class III expires at the Annual Meeting. The Board of Directors has nominated Messrs. Alexander L. Cappello and Max Link for reelection as the Class III directors to serve until 2006 annual meeting of stockholders and until their successors are duly elected and qualified.

Class II currently consists of three directors, including Raymond C. Carnahan, Jr. and Herbert H. McDade, Jr., who were elected to serve until the 2005 annual meeting. However, Messrs. Carnahan and McDade have informed the Board of Directors that they will retire from the Board of Directors, effective immediately prior to the Annual Meeting. According, in addition to the class of directors normally scheduled to be elected at the Annual Meeting, the stockholders will have the opportunity to elect two Class II directors to fill the vacancies created by the retirement of Raymond C. Carnahan, Jr. and Herbert H. McDade, Jr. The Board of Directors has nominated Richard L. Wennkamp and Marvin R. Selter for election as the Class II directors to fill the vacancies created by the retirement of Messrs. Carnahan and McDade. If elected at the Annual Meeting, Richard L. Wennkamp and Marvin R. Selter will be elected to serve until 2005 annual meeting of stockholders and until their successors are duly elected and qualified.

The following is information concerning the nominees for election, as well as the directors whose terms of office will continue after the Annual Meeting. Each director's age is indicated in parentheses after his name.

Current Nominees

Class III Nominees to Serve as Director Until the 2006 Annual Meeting

Alexander L. Cappello (47) has been a director since January 2001. Since 1981, Mr. Cappello has served as Chairman of Cappello Group, Inc., a private investment banking firm. Mr. Cappello has been active in the investment banking, merchant banking, project finance and venture capital arena since 1975. Prior to his current role with Cappello Group Inc., he was the founder of both Swiss American Financial and Euro American Financial Corp., two merchant and investment banking firms that progressively expanded operations throughout North America and Europe. Mr. Cappello's early career experience was in sales with IBM and corporate finance with Union Bank of California. Mr. Cappello also serves as a director of Advanced Biotherapy, Inc.

Max Link (63) has been a director since 1996. Dr. Link has been retired from business since 1994. From May 1993 to June 1994, Dr. Link served as the Chief Executive Officer of Corange U.S. Holdings, Inc., the holding company for Boehringer Mannheim Therapeutics, Boehringer Mannheim Diagnostics and DePuy International. From 1992 to 1993, Dr. Link was Chairman of Sandoz Pharma. From 1987 to 1992, Dr. Link was Chief Executive Officer of Sandoz, Ltd., Basel, and a member of the Executive Board of Sandoz, Ltd. Prior to 1987, Dr. Link served in various capacities with the United States operations of Sandoz, including as President and Chief Executive Officer. Dr. Link also serves as a director of Access Pharmaceuticals, Inc., Alexion Pharmaceuticals, Inc., Cell Therapeutics, Inc., Celsion Corporation, Columbia Laboratories, Inc., Discovery Laboratories, Inc., Human Genome Sciences, Inc. and Protein Design Laboratories, Inc.

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Class II Nominees to Serve as Director Until the 2005 Annual Meeting

Richard L. Wennekamp (60) has been the Senior Vice President-Credit Administration of Community Bank since October 2002. From September 1998 to July 2002, Mr. Wennekamp was an executive officer of Bank of America Corporation, holding various positions, including Managing Director-Credit Product Executive for the last four years of his 22-year term with the bank. From 1977 through 1980, Mr. Wennekamp was a Special Assistant to former President of the United States, Gerald R. Ford, and the Executive Director of the Ford Transition Office. Prior thereto, he served as Staff Assistant to the President of the United States for one year, and as the Special Assistant to the Assistant Secretary of Commerce of the U.S.

Marvin R. Selter (75) has been the President of CMS, Inc. since he founded that firm in 1968. CMS, Inc. is a national management consulting firm.

We believe that the nominees will be available and able to serve as directors. In the event that a nominee is unable to serve, the proxy holders will vote the proxies for such other nominee as they may determine.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE NOMINEES FOR ELECTION AS DIRECTORS.

Continuing Directors

The following is a description of the directors who will continue to be on our Board of Directors after the Annual Meeting. In addition to the directors listed below, Raymond C. Carnahan, Jr. and Herbert H. McDade, Jr. currently still are Class II directors on our Board of Directors. However, Messrs. Carnahan and McDade have informed the Board of Directors that they will retire from the Board of Directors, effective immediately prior to the Annual Meeting and, therefore, will not continue as directors after the Annual Meeting.

Class I Term Expiring at the 2004 Annual Meeting

Louis Ignarro, Ph.D. (61) has been a director since July 2002. He previously served as a director of Global Genomics since November 20, 2000. Dr. Ignarro serves as the Jerome J. Bezler, M.D. Distinguished Professor of Pharmacology in the Department of Molecular and Medical Pharmacology at the UCLA School of Medicine. Dr. Ignarro has been at the UCLA School of Medicine since 1985 as a professor, acting chairman and assistant dean. Dr. Ignarro received the Nobel Prize for Medicine in 1998. Dr. Ignarro received a B.S. in pharmacy from Columbia University and his Ph.D. in Pharmacology from the University of Minnesota.

Joseph Rubinfeld, Ph.D. (70) has been a director since July 2002. He co-founded SuperGen, Inc. in 1991 and has served as its Chief Executive Officer and President and as a director since its inception. Dr. Rubinfeld was also Chief Scientific Officer of SuperGen from 1991 until September 1997. Dr. Rubinfeld was one of the four initial founders of Amgen, Inc. in 1980 and served as a Vice President and its Chief of Operations until 1983. From 1987 until 1990, Dr. Rubinfeld was a Senior Director at Cetus Corporation and from 1968 to 1980, Dr. Rubinfeld was employed at Bristol-Myers Company, International Division in a variety of positions. Dr. Rubinfeld is a member of the Board of Directors of AVI BioPharma, Inc. and NeoTherapeutics, Inc. Dr. Rubinfeld received a BS degree in chemistry from C.C.N.Y. and a M.A. and Ph.D. in chemistry from Columbia University.

Class II Term Expiring at the 2005 Annual Meeting

Steven A. Kriegsman (61) has been a director and our Chief Executive Officer since July 2002. He previously served as a director and the Chairman of Global Genomics since June 2000. Mr. Kriegsman is

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President and founder of Kriegsmann Capital Group LLC, a financial advisory firm specializing in the development of alternative sources of equity capital for emerging growth companies. Mr. Kriegsmann has advised such companies as Closure Medical Corporation, Novoste Corporation, Advanced Tissue Sciences, Inc., Miravant Medical Technologies and Maxim Pharmaceuticals. Mr. Kriegsmann has a B.S. degree from New York University in accounting and completed the Executive Program in Mergers and Acquisitions at New York University, The Management Institute. Mr. Kriegsmann serves as a director of Bradley Pharmaceuticals, Inc. and AuthentiDate Holdings Corp.

Meetings of the Board of Directors and Committees

Board of Directors. The property, affairs and business of CytRx are under the general management of our Board of Directors as provided by the laws of Delaware and our Bylaws. CytRx has standing Audit and Compensation Committees of the Board of Directors and does not have a nominating committee. The Board of Directors serves as our nominating committee for membership to the Board of Directors.

The Board of Directors held six meetings during 2002. Each director attended at least 75% of the total meetings of the Board during 2002. Each director also attended at least 75% of each Board Committee meetings during 2002.

The following table provides information concerning the current Board of Directors committee memberships:

Name	Class of Directors (1)	Audit Committee	Compensation Committee
------	---------------------------	-----------------	---------------------------

Steven A. Kriegsmann	II	Alexander L. Cappello	III	Raymond C. Carnahan, Jr.***	II	*
* * Louis Ignarro, Ph.D	I	Max Link	III	* * Herbert H. McDade, Jr.***	II	* ** Joseph Rubinfeld, Ph.D
						I *

* Member ** Chair *** Messrs. Carnahan and McDade have informed the Board of Directors that they will retire from the Board of Directors, effective immediately prior to the Annual Meeting. The Board of Directors has not yet appointed their replacements on the Audit Committee or the Compensation Committee.

Audit Committee. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to (1) the quality and integrity of CytRx's financial reports, (2) the independent auditor's qualifications and independence, and (3) the performance of CytRx's internal audit function and independent auditors. The Audit Committee reviews our financial structure, policies and procedures, appoints the outside auditors, reviews with the outside auditors the plans and results of the audit engagement, approves permitted non-audit services provided by the outside auditors, reviews the independence of the outside auditors, and reviews the adequacy of the CytRx's internal accounting controls. The Audit Committee's responsibilities also include oversight activities described below under the Report of the Audit Committee.

The Audit Committee has discussed with the outside auditors the auditors' independence from management and CytRx, including the matters in the written disclosures required by the Independence Standards Board and considered the compatibility of permitted non-audit services with the auditors' independence. Our Board of Directors believes that the members of the Audit Committee are independent as defined in Rule 4200 (a)(14) of the National Association of Securities Dealers' listing standards. The Board of Directors has determined that Raymond C. Carnahan, Jr. is an independent director serving on the Audit Committee who is an audit committee financial expert as defined by the SEC's rules. The Audit Committee held four meetings during 2002.

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Compensation Committee. The Compensation Committee is authorized to review annual salaries and bonuses of our officers and has the authority to determine the recipients of options, the time or times at which options shall be granted, the exercise price of each option, and the number of shares to be issuable upon the exercise of each option under our various stock option plans. The Committee is also authorized to interpret the CytRx Corporation 1986, 1994 and 1995 Stock Option Plans and the CytRx Corporation 1998 and 2000 Long-Term Incentive Plans (collectively, the Compensation Plans), to prescribe, amend and rescind rules and regulations relating to the Compensation Plans, to determine the term and provisions of the respective option agreements, and to make all other determinations deemed necessary or advisable for the administration of the Compensation Plans. The Compensation Committee held three meetings during 2002.

Compensation of Directors

Periodically, our Board of Directors reviews the then-current director compensation policies and from time to time makes changes to such policies based on various criteria the Board deems relevant. Directors who are employees of our company receive no compensation for their service as directors or as members of Board committees.

For the period January 1, 2002 to June 30, 2002, non-employee directors received a fee of \$2,000 for each Board meeting attended (\$750 for meetings attended by teleconference) and \$500 for each committee meeting attended. Non-employee directors who chaired the Board of Directors or a Board of Directors committee received an additional \$250 for each meeting attended as the chair. Each non-employee director received an initial stock option grant to purchase 5,000 shares upon the date he or she first became a member of the Board of Directors. Options to purchase 5,000 shares of common stock also are granted to each non-employee director annually. Such option grants were made subject to vesting in annual increments of one-third each.

Effective July 1, 2002, our director compensation package was revised as follows. Non-employee directors now receive a quarterly retainer of \$1,500 and a fee of \$1,500 for each Board meeting attended (\$750 for meetings attended by teleconference and for Board actions taken by unanimous written consent) and \$750 for each committee meeting attended. Non-employee directors who chair the Board or a Board committee receive an additional \$250 for each meeting attended as the chair. During 2002, Raymond C. Carnahan, Jr., the Chairman of our Audit Committee, also received \$5,000 in connection with internal auditing services that he provided to that committee. Options to purchase 10,000 shares of common stock are granted to each non-employee director annually. Such option grants were made subject to vesting in annual increments of one-third each.

In connection with our merger with Global Genomics Capital in June 2002, we agreed to accelerate the vesting of all of the options held of the time by our then directors upon the closing of the merger and to provide for these options to thereafter be exercisable throughout their terms, notwithstanding the holder of such option or warrant ceasing to serve as a director following the merger.

Section 16(a) Beneficial Ownership Reporting Compliance

Our executive officers and directors and any person who owns more than ten percent of our outstanding shares of common stock are required by Section 16(a) of the Securities Exchange Act to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and to furnish us with copies of those reports. Based solely on our review of copies of reports we have received and written representations from certain reporting persons, we believe that all Section 16(a) filing requirements applicable to our directors and executive officers and greater-than-ten percent stockholders for 2002 were complied with, except as follows:

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William Fleck and Jack L. Luchese, former executive officers or directors, inadvertently failed to timely report their acquisition of shares of our common stock in January 2002. Raymond C. Carnahan, Jr. and Herbert H. McDade, who are directors, also failed through inadvertence to timely report our grant to them of stock options in July 2002. Form 4 s reporting each of these transactions were subsequently filed by the individuals.

Beneficial Owners of More Than Five Percent of CytRx s Common Stock; Shares Held by Directors and Executive Officers

Based solely upon information made available to us, the following table sets forth information with respect to the beneficial ownership of our common stock as of August 29, 2003 by (1) each person who is known by us to beneficially own more than five percent of the common stock; (2) each director and nominee for director; (3) each of the named executive officers listed in the Summary Compensation Table below under the caption Executive Compensation ; and (4) all executive officers and directors as a group. Shares of common stock that are subject to outstanding options and warrants that are presently exercisable or exercisable within 60 days of August 29, 2003 are deemed to be outstanding for purposes of computing the percentage ownership of the holder of the options and warrants, but not for any other person. The percentages shown are based upon 29,092,592 shares of common stock outstanding on August 29, 2003. Except as otherwise indicated, the holders listed below have sole voting and investment power with respect to all shares of common stock beneficially owned by them, subject to community property laws where applicable. An asterisk denotes beneficial ownership of less than one percent.

Shares of Common Stock

Name of Beneficial Owner

NumberPercentage

Alexander L. Cappello [768,496](1) ___ %	Raymond C. Carnahan, Jr. (6) 3,333(2) *	Louis Ignarro, Ph.D [95,249](3) * Steven A. Kriegsman [4,363,016](4) ___
	Max Link 41,902(5) * C. Kirk Peacock -- %	Herbert H. McDade, Jr. (6) 3,333 * Joseph Rubinfeld, Ph.D 3,333 * University of Massachusetts Medical School
	365 Plantation Street, Suite 130	
Worcester, MA, 01605 1,828,359 ___	All executive officers and directors as a group (9 persons) [5,281,163](7) ___ %	

(1)

Includes [615,234] shares subject to options or warrants. Shares of our common stock and options to purchase shares of our common stock beneficially owned by Mr. Cappello are held, of record, by the Alexander L. and Linda Cappello 2001 Family Trust.

(2)

The shares shown are subject to options or warrants.

(3) Includes [24,452] shares subject to options or warrants. (4) Includes [709,352] shares subject to options or warrants. (5) The shares shown are subject to options or warrants. (6)

Messrs. Carnahan and McDade have informed the Board of Directors that they will retire from the Board of Directors, effective immediately prior to the Annual Meeting.

(7)

Includes a total of [1,364,870] shares subject to options or warrants.

Certain Relationships and Related Transactions

Effective January 1, 2001, we entered into an agreement with Cappello Capital Corp. in which Cappello Capital served as our exclusive financial advisor. The initial term of such agreement was for a period of twelve months and was subsequently extended for an additional twelve-month period to December 31, 2002.

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Under the agreement, Cappello Capital assisted us with analysis of potential transactions and strategic alternatives, including possible private placements of equity, debt or convertible securities, strategic alliances, the sale of all or a portion of CytRx, recapitalization or strategic acquisitions. As compensation for its services, we granted Cappello Capital a ten-year warrant to purchase 1,272,492 shares of our common stock (subject to downward adjustment under certain conditions) at an exercise price of \$1.00 per share. We valued these warrants at \$1,063,000. Additionally, if we proceeded with any of the transactions described in the agreement, we agreed to pay Cappello Capital a fee of between 3% and 7.5%, depending upon the nature of the transaction and the dollar amount involved. Upon the closing of the merger with Global Genomics Capital in June 2002, we paid Cappello Capital 448,330 shares of CytRx common stock, or 4.5% of the shares issuable in the merger. The value of these shares at the date of issuance was \$247,000. Under the terms of the final extension of our agreement, we paid Cappello Capital a monthly retainer fee of \$10,000 for the six-month period ended on June 30, 2002. We believe that the terms of Cappello Capital's engagement were at least as favorable to us as those we could have obtained from an unrelated third party.

In May 2003, we entered into a new agreement with Cappello Capital in which Cappello Capital will serve as our exclusive financial advisor and offer similar services as under the prior agreement described above. The term of this agreement is for a period of twelve months, subject to earlier termination by either party upon 30 days notice. As compensation for its services, we will pay Cappello Capital a retainer fee of \$20,000 per month for the duration of the engagement. Additionally, if we proceed with any of the transactions described in the agreement, we are to pay Cappello Capital a fee of between 3% and 7.5%, depending upon the nature of the transaction and the dollar amount involved. We also will be required upon the closing of the transaction to issue Cappello Capital a warrant to purchase shares of our common stock equal to 10% of the number of our shares issued in the transaction at the same exercise price at which the shares were issued in that transaction.

Pursuant to our May 2003 agreement, we paid Cappello Capital a placement fee of \$408,000 in connection with our May 2003 private placement and issued warrants to purchase a total of 367,569 shares of our common stock to certain persons designated by that firm. One of the designees was the Alexander L. and Linda Cappello 2001 Family Trust, to which we issued warrants to purchase 133,767 shares of our common stock at \$1.85 per share and warrants to purchase 33,132 shares of our common stock at \$3.05 per share. We valued all of the warrants to purchase 367,569 shares of our common stock at \$1,060,066 and the warrants issued to the Alexander L. and Linda Cappello 2001 Family Trust to purchase a total of 166,899 shares of our common stock at \$481,357 for financial statement purposes. Alexander L. Cappello, one of our directors, is Chairman and Chief Executive Officer of Cappello Group, Inc., an affiliate of Cappello Capital. We believe that the terms under which we engaged Cappello Capital were at least as favorable to us as could have been obtained from an unrelated third party.

Pursuant to his employment agreement, Jack J. Luchese, our former President and CEO, was entitled to a payment of \$435,150 upon the execution of the merger agreement by CytRx and Global Genomics Capital and an additional \$435,150 upon the closing of the merger. In order to reduce the amount of cash that CytRx had to pay to Mr. Luchese, CytRx and Mr. Luchese agreed that approximately \$325,200 of the first \$435,150 payment would be satisfied by awarding Mr. Luchese under our 2000 Long-Term Incentive Plan 558,060 shares of CytRx common stock. As an inducement for Mr. Luchese to accept shares of stock in lieu of cash, those shares were issued at a value equal to 85% of the weighted-average price of CytRx common stock for the 20 trading days ended on February 8, 2002. At the date of issuance, the shares had a market value of \$424,126. The remainder of the first \$435,150 payment was paid in cash. Upon the closing of the merger, we paid Mr. Luchese a second payment of \$435,150 and a separate cash payout of approximately \$45,000 in lieu of medical and other similar benefits to which Mr. Luchese was entitled after his termination under the terms of his employment agreement.

Under agreements with each of our other executive officers entered into prior to our merger with Global Genomics, each of those executive officers was entitled to a cash payment upon his termination subsequent to the closing of the merger for severance pay, stay bonuses and accrued vacation. In order to

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reduce the amount of cash that we had to pay to these executive officers, they were offered, subject to certain stockholder approval, stock awards in lieu of cash for all or any portion of the amounts to which they were entitled. In addition, as an additional inducement for an executive officer to accept, in full or in part, this offer, we agreed to amend all outstanding options held by such officer to allow those options to be exercised for the entire remainder of their original terms. A summary of the cash payments and stock awards made to these officers is as follows:

Stock Award

Name	Net Cash Payment		Number of Shares		Value	
R. Martin Emanuele	\$116,117	68,634	\$48,703	William B. Fleck	61,661	42,896
				30,439	J. Michael Grindel	126,153
						77,213
				54,790	Mark W. Reynolds	137,680
						60,055
						42,615

Since July 16, 2002, Steven A. Kriegsman has been our Chief Executive Officer and one of our directors. In July 2002, we entered into an agreement with the Kriegsman Capital Group, an affiliate of Mr. Kriegsman, whereby the Kriegsman Capital Group agreed to provide us with office space and certain administrative services. From July 2002 to September 2003, we paid a total of approximately \$137,000 to the Kriegsman Capital Group under this agreement. The charges are determined based upon actual space used and estimated percentages of employee time used. We believe that the terms under which we paid the Kriegsman Capital Group for rent and other expenses are at least as favorable to us as could have been obtained from an unrelated third party.

Executive Officers of CytRx

Set forth below is information regarding our executive officers (other than Steven A. Kriegsman, our Chief Executive Officer, who is described above under Continuing Directors) including their ages, positions with CytRx and principal occupations and employers for at least the last five years. For information concerning executive officers' ownership of our common stock, see Beneficial Owners of More Than Five Percent of CytRx's Common Stock; Shares Held by Directors and Executive Officers.

C. Kirk Peacock (35) joined CytRx on August 16, 2003 as Chief Financial Officer. From December 2001 to March 2003, he was the Chief Financial Officer and Vice President of Operations at DigitalMed, Inc., a venture-backed subsidiary of Tenet Healthcare, the second largest U.S. healthcare provider. Prior to that, from October 2000 to July 2001, he was Chief Financial Officer at Ants.com, Inc., a venture-backed enterprise software concern, and Director-Accounting of Global Crossing Ltd. from February 1999 to October 2000. He also was the Controller at Equity Marketing, Inc. from August 1997 to February 1999. Mr. Peacock is a CPA who worked at Arthur Andersen LLP until August 1997.

Kathryn R. Hernandez (46) joined CytRx in 2002 as Corporate Secretary. Prior to joining CytRx, Ms. Hernandez was employed as Executive Assistant to Mr. Kriegsman at The Kriegsman Group, an Institutional Division of Financial West Group.

Executive Compensation

The following table presents summary information concerning compensation paid or accrued by us for services rendered in all capacities during the fiscal years ended December 31, 2000, 2001 and 2002 for (i) our Chief Executive Officer; (ii) our former President and Chief Executive Officer and (iii) three additional individuals whose total salary and bonus exceeded \$100,000 but who were not serving as executive officers as of December 31, 2002:

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Summary Compensation Table

Annual
Compensation Long-Term
Compensation

Name and Principal Position

YearSalary (\$)Bonus (\$) Securities Underlying Options (#) All Other Compensation (\$)

Steven A. Kriegsman	2002	\$110,000	\$	--	--	\$	--	Chief Executive Officer	2001	--	--	--	--	2000	--	--	--	--	
Jack J. Luchese	2002	\$191,391	435,150	--	566,469	(1)	Former President and Chief Executive Officer	2001	360,150	55,250	550,000	--	2000	350,000	17,500	100,000	--	R. Martin Emanuele	2002
		\$103,647	--	--	161,617	(2)	Former VP, Research & Business Development	2001	7,500	111,250	--			2000	181,000				
		208,300	17,750	20,000	--	2000	203,300	5,000	--	--				2000	178,180	(4)			
														2000	125,000	12,500	105,250	--	

(1) Consists of \$435,150 of contractual change of control payment, \$60,025 stay bonus, \$46,871 prepaid insurance benefits and \$18,453 accrued vacation payout. Also includes \$6,000 of matching contributions by us under our 401(k) profit sharing plan.

(2) Consists of \$156,117 in severance payment, stay bonus and accrued vacation payout associated with executive's termination of employment in connection with our merger with Global Genomics, and \$5,500 of matching contributions by us under our 401(k) profit sharing plan.

(3) Consists of \$171,153 in severance payment, stay bonus and accrued vacation payout associated with executive's termination of employment in connection with our merger with Global Genomics, and \$6,000 of matching contributions by us under our 401(k) profit sharing plan.

(4) Consists of \$172,680 in severance payment, stay bonus and accrued vacation payout associated with executive's termination of employment in connection with our merger with Global Genomics, and \$5,500 of matching contributions by us under our 401(k) profit sharing plan.

Option Grants in Last Fiscal Year

There were no option grants during 2002 to any of the named executive officers listed in the Summary Compensation Table above.

Option Values at December 31, 2002

The following table sets forth the number of options and total value of unexercised in-the-money options and warrants at December 31, 2002 for each of our executive officers named in the Summary Compensation Table above, using the price per share of our common stock of \$0.25 on December 31, 2002.

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No stock options were exercised during 2002 by any of the named executive officers listed in the Summary Compensation Table above. The following table includes warrants issued in 2002 to Steven A. Kriegsman by Global Genomics prior to our merger with that company that have been assumed by us covering 459,352 shares of our common stock.

Number of
Securities Underlying
Unexercised Options and Warrants at
December 31, 2002 (#)

Value of Unexercised
In-the-Money Options
and Warrants at
December 31, 2002 (\$)

Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Steven A. Kriegsman	459,352	--	\$ 110,244	\$ --
Jack J. Luchese	1,857,427	--	--	--
R. Martin Emanuele	284,933	--	--	--
J. Michael Grindel	193,000	--	--	--
Mark W. Reynolds	250,252	--	--	--

Equity Compensation Plan Information

The following table sets forth certain information as of December 31, 2002 regarding securities authorized for issuance under our equity compensation plans. This table excludes warrants previously issued to Steven A. Kriegsman by Global Genomics that we assumed in connection with our merger with Global Genomics.

**Number of Securities
To be Issued Upon
Exercise of
Outstanding
Options, Warrants
And Rights Weighted-Average
Exercise Price of
Outstanding Options,
Warrants and Rights Number of Securities
Remaining Available
For Future Issuance
Under Equity
Compensation Plan**

Equity Compensation Plans	Approved by Security Holders:	1986 Stock Option Plan	51,263	\$ 1.00	--	1994 Stock		
Option Plan	245,823	\$ 1.14	60,850	1995 Stock Option Plan	25,000	\$ 1.00	22,107	1998 Long-Term Incentive Plan
419,035	\$ 0.99	29,517	2000 Long-Term Incentive Plan	452,917	\$ 0.96	1,683,702	Equity Compensation Plans	Not Approved
			by Security Holders:	Other Plans (1)	1,707,427	\$ 0.98	--	
Total		2,901,465	\$ 0.99	1,796,176				

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Number of Securities To be Issued Upon Number of Securities Exercise of Weighted-Average Remaining Available Outstanding Exercise Price
of For Future Issuance Options, Warrants Outstanding Options, Under Equity And Rights Warrants and Rights Compensation Plan

(1) Our former President and Chief Executive Officer held warrants to purchase an aggregate of 1,707,427 shares at a weighted average-exercise price of \$0.98 per share.

Employment Agreements; Change in Control Agreements

Employment Agreement with Steven A. Kriegsman.

Steven A. Kriegsman became our Chief Executive Officer on July 16, 2002 pursuant to a one-year employment agreement with us. Mr. Kriegsman's employment agreement with us was amended and restated as of June 10, 2003 to continue through July 15, 2006. The employment agreement will automatically renew in July 2006 for an additional one-year period, unless either Mr. Kriegsman or we elect not to renew it.

Under his prior employment agreement with us, Mr. Kriegsman was permitted to serve as the President of the Kriegsman Capital Group and its affiliates, otherwise known as The Kriegsman Group. Pursuant to Mr. Kriegsman's amended and restated employment agreement with us, we have agreed that he shall serve on a full-time basis as our Chief Executive Officer and that he may continue to serve as President of The Kriegsman Group only so long as necessary to complete certain current assignments.

Under his prior employment agreement with us, Mr. Kriegsman was paid an annual base salary of \$240,000. Under our amended and restated employment agreement with Mr. Kriegsman, effective July 16, 2003 his annual base salary was increased to \$360,000. Our Board of Directors (or its Compensation Committee) will review the base salary annually and may increase (but not decrease) the base salary at its sole discretion. In addition to his annual base salary, Mr. Kriegsman is eligible to receive an annual bonus, determined by our Board of Directors (or its Compensation Committee) in its sole discretion, but not to be less than \$150,000. As a bonus for his services under his prior employment agreement with us, Mr. Kriegsman was paid a cash bonus of \$150,000 on June 16, 2003.

As a bonus for his services under his prior employment agreement with us, Mr. Kriegsman was granted as of June 20, 2003 a fully vested ten-year, nonqualified option under the 2000 Long-Term Incentive Plan to purchase 250,000 shares of our common stock at a price of \$2.47 per share. As an incentive to enter into the amended and restated employment agreement, Mr. Kriegsman was granted as of June 20, 2003 a ten-year, nonqualified option under the Plan to purchase 750,000 shares of our common stock at a price of \$2.47 per share. This option will vest as to 1/3rd of the shares covered thereby on June 20, 2004 and will vest as to the remaining 2/3rds of such shares in monthly installments of 1/24 each on the 20th day of each month thereafter, provided that Mr. Kriegsman remains in our continuous employ. The sum of the two aforementioned option grants exceeds the current limit under the Plan of 500,000 shares covered by options that may be granted to any one Plan participant in any one calendar year. As a result, the option grant for the purchase of 750,000 shares of our common stock is subject to the approval by stockholders of Proposal IV in this Proxy Statement, which proposes to amend the 2000 Long-Term Incentive Plan to increase to 1,000,000 the number of shares of our common stock covered by options or stock appreciation rights that may be granted to any one Plan participant in any calendar year.

In the event that the stockholders fail to approve Proposal IV, or such amendment is not otherwise approved by no later than December 31, 2003, (i) by its terms the option granted to Mr. Kriegsman to purchase 750,000 shares of our common stock will thereupon be modified to reduce the number of shares covered thereby to 250,000 and (ii) we will grant to Mr. Kriegsman on January 2, 2004 a new nonqualified option under the Plan to purchase 500,000 shares of our common stock at an exercise price equal to the fair market value on January 2, 2004, which will vest in accordance with the vesting provisions described above and otherwise will have the same terms and conditions as the original option. In addition, to the extent the exercise price of the January 2004 option exceeds \$2.47 per share, we will, to the extent permissible under the Plan and applicable Nasdaq governance standards, grant to Mr. Kriegsman as of D