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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

or

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

For the transition period from to

Commission file number: 001-33277

SYNTA PHARMACEUTICALS CORP.

(Exact name of registrant as specified in its charter)

Delaware	**04-3508648**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
45 Hartwell Avenue, Lexington, Massachusetts	**02421**
(Address of principal executive offices)	(Zip Code)

(781) 274-8200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 2, 2008, the registrant had 33,873,717 shares of common stock outstanding.

SYNTA PHARMACEUTICALS CORP.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

SYNTA PHARMACEUTICALS CORP.

Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	March 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 99,206	$ 115,577
Restricted cash	83	83
Prepaid expenses and other current assets	1,984	1,337
Total current assets	101,273	116,997
Property and equipment, net	5,293	5,576
Other assets	76	76
Total assets	$ 106,642	$ 122,649
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,531	$ 2,488
Accrued expenses	8,242	9,184
Capital lease obligations—current	2,401	2,406
Deferred collaboration revenue—current	5,351	5,351
Other current liabilities	—	1,343
Total current liabilities	20,525	20,772
Deferred collaboration revenue—long-term	72,829	74,166
Capital lease obligations—long-term	2,563	2,815
Total long-term liabilities	75,392	76,981
Total liabilities	95,917	97,753
Stockholders equity		
Preferred stock, par value $0.0001 per share.		
Authorized: 5,000,000 shares at March 31, 2008 and December 31, 2007; no shares issued and outstanding at March 31, 2008 and December 31, 2007	—	—
Common stock, par value $0.0001 per share.		
Authorized: 100,000,000 shares at March 31, 2008 and December 31, 2007; 33,873,717 shares issued and outstanding at March 31, 2008 and 33,875,942 shares issued and outstanding at December 31, 2007	3	3
Additional paid-in-capital	328,425	324,946
Accumulated deficit	(317,703)	(300,053)
Total stockholders' equity	10,725	24,896

Total liabilities and stockholders' equity	$ 106,642	$ 122,649

See accompanying notes to consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.

Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2008	**2007**
Collaboration revenue	$ 1,338	$ —
Operating expenses:		
Research and development	16,150	13,544
General and administrative	3,633	3,468
Total operating expenses	19,783	17,012
Loss from operations	(18,445)	(17,012)
Other income:		
Investment income, net	795	657
Net loss	(17,650)	(16,355)
Convertible preferred stock beneficial conversion charge	—	58,585
Net loss attributable to common stockholders	$ (17,650)	$ (74,940)
Basic and diluted weighted average common shares outstanding	33,730,230	28,767,605
Basic and diluted net loss attributable to common stockholders per share	$ (0.52)	$ (2.61)

See accompanying notes to consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.

Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2008	**2007**
Cash flows from operating activities:		
Net loss	$ (17,650)	$ (16,355)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	2,136	1,412
Depreciation and amortization	678	798
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(647)	(669)
Other assets	—	45
Accounts payable	2,043	(810)
Accrued expenses	(942)	2,401
Deferred collaboration revenue	(1,338)	—
Net cash used in operating activities	(15,720)	(13,178)
Cash flows from investing activities:		
Purchases of marketable securities	—	(15,014)
Sales and maturities of marketable securities	—	27,149
Purchases of property and equipment	(395)	(493)
Net cash (used in) provided by investing activities	(395)	11,642
Cash flows from financing activities:		
Proceeds from issuances of common stock and exercise of common stock warrants, net	—	44,660
Proceeds from exercise of stock options	—	39
Repurchase of restricted common stock	—	(290)
Proceeds from sale—leaseback of property and equipment	380	910
Payment of capital lease obligations	(636)	(594)
Net cash (used in) provided by financing activities	(256)	44,725
Net (decrease) increase in cash and cash equivalents	(16,371)	43,189
Cash and cash equivalents at beginning of period	115,577	33,687
Cash and cash equivalents at end of period	$ 99,206	$ 76,876
Supplemental disclosure of noncash investing and financing activities:		
Acquisition of equipment under capital leases	$ 380	$ 910
Convertible preferred stock beneficial conversion charge	—	$ 58,585
Conversion of preferred stock	—	$ 41,820
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 127	$ 131

See accompanying notes to consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

(1) Nature of Business

Synta Pharmaceuticals Corp. (the Company) was incorporated in March 2000 and commenced operations in July 2001. The Company is a biopharmaceutical company focusing on discovering, developing and commercializing small molecule drugs that address severe medical conditions, including cancer and chronic inflammatory diseases.

The Company is subject to risks common to emerging companies in the drug development and pharmaceutical industry including, but not limited to, uncertainty of product development and commercialization, lack of marketing and sales history, dependence on key personnel, uncertainty of market acceptance of products, product liability, uncertain protection of proprietary technology, potential inability to raise additional financing and compliance with the Food and Drug Administration (FDA) and other government regulations.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements as of March 31, 2008 and for the three months ended March 31, 2008 and 2007 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position as of March 31, 2008 and the consolidated results of operations and cash flows for the three months ended March 31, 2008 and 2007. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The results of operations for the three months ended March 31, 2008 are not necessarily indicative of the results to be expected for the year ending December 31, 2008 or for any other interim period or any other future year. For more complete financial information, these condensed financial statements, and the notes hereto, should be read in conjunction with the audited financial statements for the year ended December 31, 2007 included in the Company's Annual Report on Form 10-K.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include long-term contract accruals, recoverability of long-lived and deferred tax assets, measurement of stock-based compensation, and the period of performance under the GSK Agreement. The Company bases its estimates on historical experience and various other assumptions that management believes to be reasonable under the

(2) Summary of Significant Accounting Policies (Continued)

circumstances. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

Cash, Cash Equivalents and Marketable Securities

The Company's cash and cash equivalents consist of cash deposited in a highly rated financial institution in the United States and in a short-term U.S. Treasury money market fund. The primary objective of the Company's investment activities is to preserve its capital for the purpose of funding operations and the Company does not enter into investments for trading or speculative purposes. The Company believes that it did not have material exposure to high-risk investments, such as mortgage-backed securities, auction rate securities or other special investment vehicles, or SIV's, within its money-market fund investments. The Company also believes that it does not have any material exposure to changes in fair value as a result of changes in interest rates. Declines in interest rates, however, would reduce future investment income.

Revenue Recognition

Collaboration and License Agreements

The Company's principal sources of revenue may include up front payments, development milestone payments, reimbursements of development costs, profit sharing payments, sales milestones and royalties from its collaborations. The Company recognizes revenue from these sources in accordance with Staff Accounting Bulletin (SAB) 104, "*Revenue Recognition*", or SAB 104, Emerging Issues Task Force (EITF) No. 99-19, "*Reporting Revenue Gross as a Principal Versus Net as an Agent*", or EITF No. 99-19, and EITF No. 00-21, "*Revenue Arrangements with Multiple Deliverables*", or EITF No. 00-21. The application of EITF No. 00-21 requires subjective analysis and requires management to make estimates and assumptions about whether deliverables within multiple-element arrangements are separable from the other aspects of the contractual arrangement into separate units of accounting and to determine the fair value to be allocated to each unit of accounting.

In October 2007, the Company and GlaxoSmithKline (GSK) entered into a collaborative development, commercialization and license agreement (the GSK Agreement) for elesclomol, a novel injectable, small molecule compound that triggers apoptosis, or programmed cell death, in cancer cells, which the Company believes has potential for the treatment of a broad range of cancer types. The Company evaluated the multiple deliverables within the GSK Agreement in accordance with the provisions of EITF No. 00-21 to determine whether the delivered elements that are the obligation of the Company have value to GSK on a stand-alone basis and whether objective reliable evidence of fair value of the undelivered items exists. Deliverables that meet these criteria are considered a separate unit of accounting. Deliverables that do not meet these criteria are combined and accounted for as a single unit of accounting. The appropriate recognition of revenue is then applied to each separate unit of accounting.

The Company's deliverables under the GSK Agreement, including the related rights and obligations, contractual cash flows and performance periods, are more fully described in Note 8 and are considered a single unit of accounting.

The GSK Agreement consists of the following key funding streams: an upfront payment, product development milestone payments, reimbursements of certain development costs, sales milestone

(2) Summary of Significant Accounting Policies (Continued)

payments, profit sharing payments and product royalty payments. The cash flows associated with the single unit of accounting from the development portion of the GSK Agreement are recognized as revenue using a time-based model. Under this model, cash flow streams are recognized as revenue over the estimated performance period. Upon receipt of cash payments for milestones, revenue is recognized to the extent the accumulated service time, if any, has occurred. The remainder is deferred and recognized as revenue ratably over the remaining estimated performance period. A change in the period of time expected to complete the deliverable is accounted for as a change in estimate on a prospective basis. There have been no changes to this estimate to date. Revenue is limited to amounts that are nonrefundable and that GSK is contractually obligated to pay to the Company.

The $80 million non-refundable upfront payment the Company received from GSK in November 2007, together with the $260,000 fair value of an option to require GSK to purchase $25 million of the Company's common stock, is being recognized ratably as collaboration revenue using the time-based model over the estimated performance period, the 15-year period through the earliest expiration date of the related patents, which the Company estimates to be the effective life of the GSK Agreement. The Company is also recognizing product development milestone payments and reimbursements of development costs as collaboration revenue using the time-based model over the same performance period through November 2022. Based on the guidance of EITF No. 99-19, the Company has determined that it is acting as a principal under the GSK Agreement and, as such, records these amounts as collaboration revenue. In the three months ended March 31, 2008, the Company recognized $1.3 million of collaboration revenue under the GSK Agreement.

Profit sharing payments are based upon a formula that provides for a range of 40-50% of net profits earned on U.S. sales of products included in the GSK Agreement. Royalty revenues are based upon a percentage of sales in non-U.S. territories. Profit sharing payments and royalties from the sales of products included in the GSK Agreement will be recorded on the accrual basis when results are reliably measurable, collectibility is reasonably assured and all other revenue recognition criteria are met. Sales milestones, which are based upon the achievement of certain agreed-upon sales thresholds, will be recognized in the period in which the respective sales threshold is achieved and collectibility is reasonably assured.

Deferred Collaboration Revenue

Consistent with the Company's policy on revenue recognition, deferred collaboration revenue represents cash received in advance for licensing fees, option fees, consulting, research and development contracts and related cost sharing and supply agreements. Such payments are reflected as deferred collaboration revenue until revenue can be recognized under the Company's revenue recognition policy. Deferred collaboration revenue is classified as current if management believes the Company will complete the earnings process and be able to recognize the deferred amount as revenue within 12 months of the balance sheet date. At March 31, 2008, total deferred collaboration revenue was approximately $78.2 million, of which $5.4 million is current and will be recognized as revenue during the next 12 months.

(2) Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

For the three months ended March 31, 2008 and 2007, the fair value of each employee stock option award was estimated on the date of grant based on the fair value method using the Black-Scholes option pricing valuation model with the following weighted average assumptions:

	Three Months Ended March 31,	
	2008	2007
Risk-free interest rate	3.16%	4.65%
Expected life in years	6.25 years	6.25 years
Volatility	70%	75%
Expected dividend yield	—	—

The options granted during the three months ended March 31, 2008 and 2007 had a weighted-average grant date fair value, measured on the date of grant, of $5.68 and $6.34, respectively.

Stock Based Compensation under SFAS No. 123(R):

Effective January 1, 2006, the Company adopted SFAS No. 123(R), "*Share-Based Payment*", or SFAS No. 123(R), using the modified prospective method of transition for employee stock option awards granted after January 17, 2005 (valued using the fair value method), and using the prospective method for awards granted prior to January 17, 2005 (valued using the minimum value method). Therefore, compensation cost recognized in the three months ended March 31, 2008 and 2007 includes: (a) compensation costs related to the vesting of employee stock options granted after January 17, 2005 but prior to January 1, 2006, based on the grant date fair value method estimated in accordance with the provisions of SFAS No. 123, "*Accounting for Stock-Based Compensation*", or SFAS No. 123, adjusted for estimated forfeitures (b) compensation costs related to the continued vesting of nonvested restricted stock awards granted prior to January 1, 2006, and (c) compensation costs for all share-based payments granted or modified subsequent to January 1, 2006, based on the provisions of SFAS No. 123(R).

The Company uses the Black-Scholes option pricing model as the most appropriate valuation method for its option grants. The Black-Scholes model requires inputs for risk-free interest rate, dividend yield, volatility and expected lives of the options. Since the Company has a limited history of stock activity, expected volatility is based on historical data from several public companies similar in size and value to the Company. The Company will continue to use a weighted average approach using historical volatility and other similar public entity volatility information until historical volatility of the Company is relevant to measure expected volatility for future option grants. The Company estimates the forfeiture rate based on historical data. Based on an analysis of historical forfeitures, the Company has applied a forfeiture rate of 10% to all options that vest upon completion of the first year of service following the date of grant. The analysis will be re-evaluated at least annually and the forfeiture rate will be adjusted as necessary. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected lives for options granted represents the period of time that options granted are expected to be outstanding. Since January 1, 2006 the Company has used the simplified method for determining the expected lives of options.

(2) Summary of Significant Accounting Policies (Continued)

For awards with graded vesting, the Company allocates compensation costs under SFAS No. 123(R) on a straight-line basis over the requisite service period. The Company amortized the fair value of each option over each option's service period, which is generally the vesting period.

The Company's net loss for the three months ended March 31, 2008 and 2007 includes $2,136,000 and $1,412,000, respectively, of compensation costs and no income tax benefit related to the Company's stock-based compensation arrangements for employee and nonemployee awards. As of March 31, 2008, the total amount of unrecognized stock-based compensation expense was $17,320,000 and will be recognized over a weighted average period of 2.9 years.

The Company accounts for stock options issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF No. 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees, or in Conjunction with Selling Goods or Services*, which requires valuing and remeasuring such stock options to the current fair value until the performance date has been reached.

As part of its preparation of its quarterly financial statements for the three months ended March 31, 2008, the Company discovered that it had erroneously accounted for certain of its non-employee stock options during the last three quarters of 2007 under EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock,* which may require stock options held by certain non-employee consultants to be accounted for as liabilities. Under this accounting it had reclassified approximately $1.8 million from additional-paid-in capital to liabilities in the second quarter of 2007 and subsequently during the year adjusted the fair value of the liability for changes in the market price of its common stock, resulting in a $553,000 credit to stock-based compensation expense for the year. In accordance with SEC Staff Accounting Bulletin (SAB) No. 99 *Materiality* and SAB No. 108, the Company assessed the materiality of this error on its financial statements for the year ended December 31, 2007, using both the roll-over method and iron-curtain method as defined in SAB No. 108. The Company concluded the effect of this error was not material to its financial statements for the year ended December 31, 2007 and, as such, these financial statements are not materially misstated. The Company also concluded that providing for the correction of the error in 2008 would not have a material effect on its financial statements for the year ended December 31, 2008. Accordingly, the Company recorded a charge to stock-based compensation of $553,000 and a reclassification of approximately $1.8 million from liabilities to additional-paid-in-capital in the three months ended March 31, 2008 to correct this error.

(2) Summary of Significant Accounting Policies (Continued)

The following table outlines the details of recognized and unrecognized expense for these stock-based compensation arrangements (in thousands):

	Stock compensation expense for the three months ended March 31,		Unrecognized stock compensation expense as of March 31, 2008
	2008	2007	
Employee stock options	$ 1,167	$ 922	$ 14,615
Repriced employee stock options	59	35	110
Employee options issued below fair value	2	2	15
Non-employee stock options	567	31	72
Restricted stock	341	422	2,508
	$ 2,136	$ 1,412	$ 17,320

Stock-based compensation expense is allocated as follows (in thousands):

	Three months ended March 31,	
	2008	2007
Research and development	$ 1,731	$ 1,051
General and administrative	405	361
Total	$ 2,136	$ 1,412

Basic and Diluted Net Loss Per Common Share

Net loss per share is computed based on the guidance of SFAS No. 128, *Earnings Per Share*, requiring companies to report both basic net loss per common share, which is computed using the weighted average number of common shares outstanding during the period, and diluted net loss per common share, which is computed using the weighted average number of common shares outstanding and the weighted average dilutive potential common shares outstanding using the treasury stock method. However, for all periods presented, diluted net loss per share is the same as basic net loss per share as the inclusion of weighted average shares of unvested restricted common stock and common stock issuable upon the exercise of stock options would be anti-dilutive.

The following table summarizes securities outstanding, prior to the application of the treasury stock method, as of each of the periods presented which were not included in the calculation of diluted net loss per share as their inclusion would be anti-dilutive.

	March 31,	
	2008	2007
Common stock options	4,693,196	3,846,510
Nonvested restricted common stock	140,211	158,039

(2) Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board or FSAB, issued SFAS No. 141R, *Business Combinations,* or SFAS No. 141R. The pronouncement establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. The pronouncement also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. The Company does not believe SFAS No. 141R will have a material impact on its results of operations or financial position.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an Amendment of ARB No. 51,* or SFAS No. 160. The pronouncement establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. The pronouncement also establishes disclosure requirements that identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not believe SFAS No. 160 will have a material impact on its results of operations or financial position.

In December 2007, the EITF issued EITF Issue No. 07-1, *Accounting for Collaborative Arrangements,* or EITF No. 07-1, which requires collaborators to present the results of activities for which they act as the principal on a gross basis and report any payments received from (made to) other collaborators based on other applicable GAAP or, in the absence of other applicable GAAP, based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election. Further, EITF No. 07-1 clarified that the determination of whether transactions within a collaborative arrangement are part of a vendor-customer (or analogous) relationship subject to EITF No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*. EITF No. 07-1 is effective for fiscal years beginning on or after December 15, 2008. The Company does not believe the adoption of EITF No. 07-01 will have a material impact on its overall financial position or results of operations.

(3) Fair Value Measurements

The Company adopted SFAS No. 157, *Fair Value Measurements,* on January 1, 2008. SFAS No. 157 defines and establishes a framework for measuring fair value and expands disclosure about fair value measurements. The standard creates a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability.

(3) Fair Value Measurements (Continued)

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Under SFAS No. 157, the Company's cash and cash equivalents, which had a balance of $99.2 million, was required to be measured at fair value at March 31, 2008 and the balance was included in Level 1 inputs.

(4) Property and Equipment

Property and equipment consist of the following :

	March 31, 2008	December 31, 2007
	(in thousands)	
Laboratory equipment	$ 10,362	$ 10,110
Leasehold improvements	4,341	4,238
Computers and software	2,001	1,961
Furniture and fixtures	791	791
	17,495	17,100
Less accumulated depreciation and amortization	(12,202)	(11,524)
	$ 5,293	$ 5,576

Depreciation and amortization expenses of property and equipment were approximately $678,000 and $798,000 for the three months ended March 31, 2008 and 2007, respectively.

(5) Stockholders' Equity

Initial Public Offering

In February 2007, the Company raised $50.0 million in gross proceeds from the sale of 5,000,000 shares of its common stock in the Company's initial public offering, or IPO, at $10.00 per share. The net offering proceeds after deducting approximately $5.3 million in expenses for underwriters' discounts, fees and commissions, legal, accounting, printing, listing and filing fees, and miscellaneous expenses were approximately $44.7 million.

Convertible Preferred Stock

In June 2006, the Company sold 8,000,000 shares of its Series A Convertible Preferred Stock (the Preferred Stock) at a price of $5.00 per share resulting in gross proceeds of $40 million. The Preferred Stock accrued a cumulative annual dividend of 8% of its purchase price, and was automatically convertible into shares of the Company's common stock upon completion of an IPO. The number of shares of common stock into which each share of Preferred Stock was convertible was determined by dividing the Preferred Stock purchase price plus all accrued dividends by the lesser of $20.00 or 66.6667% of the offering price to the public of the IPO.

In February 2007, all outstanding shares of the Preferred Stock and $1.9 million in accumulated dividends on the Preferred Stock were converted into 6,278,765 shares of common stock upon the completion of the IPO.

In accordance with EITF No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios,* and EITF No. 00-27, *Application of Issue No. 98-5*

(5) Stockholders' Equity (Continued)

to Certain Convertible Instruments, the Company recorded a non-cash beneficial conversion charge of approximately $58.6 million in February 2007 in connection with the contingent adjustable conversion feature of the Preferred Stock.

(6) Stock Option Plans

In March 2006, the Company terminated the 2001 Stock Plan and adopted the Synta Pharmaceuticals Corp. 2006 Stock Plan (the 2006 Stock Plan). The 2006 Stock Plan provides for the grant of incentive stock options, nonstatutory stock options and nonvested stock to employees, officers, directors and consultants to the Company. A total of 3,800,000 shares of common stock have been reserved for issuance under the 2006 Stock Plan. The administration of the 2006 Stock Plan is under the general supervision of the board of directors. The exercise price of the stock options is determined by the board of directors, provided that incentive stock options are granted at not less than fair market value of the common stock on the date of grant and expire no later than ten years from the date the option is granted. Options generally vest over four years.

As of March 31, 2008, the Company had options outstanding to purchase 2,656,755 shares of its common stock, had outstanding 137,500 restricted shares of common stock and had no shares available for future issuance under the 2001 Stock Plan.

As of March 31, 2008, the Company had options outstanding to purchase 2,036,441 shares of its common stock, had outstanding 2,711 restricted shares of common stock and had available 1,737,981 shares available for future issuance under the 2006 Stock Plan.

In May 2004, the Company granted its board chairman an option to purchase 75,000 shares of its common stock at an exercise price of $10.843 per share, which was below the then fair market value of $16.00 per share. In December 2007, to comply with Section 409A of the Internal Revenue Code of 1986, the option agreement was amended to increase the exercise price of 28,125 of the shares issuable thereunder to $16.00 per share. No expense was recognized in connection with this amendment. In February 2008, this option was terminated and concurrently the Company granted a fully vested replacement option to purchase 75,000 shares of its common stock under the 2006 Stock Plan at an exercise price of $10.843 per share when the fair market value was $8.82. Accordingly, in the three months ended March 31, 2008, the Company recognized approximately $25,000 in stock compensation expense in connection with this new option grant.

Non-Vested ("Restricted") Stock Awards With Service Conditions

The Company's share-based compensation plan provides for awards of restricted shares of common stock to officers, other employees and non-employee directors. Restricted stock awards are subject to forfeiture if employment terminates during the prescribed retention period. The remaining unrecognized compensation expense on restricted stock at March 31, 2008 was $2,508,000. The weighted average period over which the balance is expected to be recognized is 0.9 years. Vesting may accelerate upon the FDA's approval of the Company's first New Drug Application.

(6) Stock Option Plans (Continued)

General Option Information

The following table summarizes stock option activity for the three months ended March 31, 2008:

	Shares	Weighted average exercise price of shares under plan
Outstanding at January 1	3,880,277	$ 11.21
Granted	1,039,860	8.83
Exercised	—	—
Cancelled(1)	(226,941)	11.14
Additional shares reserved(2)	—	—
Outstanding at March 31	4,693,196	$ 10.66
Exercisable at March 31	2,643,328	$ 11.46

(1) In March 2006, the Company terminated the 2001 Stock Plan and adopted the 2006 Stock Plan. Options granted under the 2001 Stock Plan and cancelled subsequent to the March 2006 termination of the 2001 Stock Plan do not return to the pool of options available for future issuance.

(2) In February 2008, the board of directors increased the number of shares of common stock reserved for issuance to 3,800,000 under an "evergreen" provision, which provides for an annual increase based on the lesser of 1,300,000 shares, 5% of the Company's then outstanding shares of common stock, or such other amount as the board of directors may determine.

Included in the Company's stock options outstanding at March 31, 2008 were 292,180 options issued to non-employee consultants with a weighted average exercise price of $8.79 of which 281,208 were vested. The compensation expense is recorded over the respective vesting periods and is subject to variable accounting treatment prior to vesting, whereby the Company remeasures the fair value of the options at the end of each reporting period. Changes in the fair value may result in an expense or a credit in each reporting period. Compensation expense related to these options was approximately $567,000, including the $553,000 correction referred to in Note 2, and $31,000 for the three months ended March 31, 2008 and 2007, respectively.

(6) Stock Option Plans (Continued)

General Restricted Shares Information

The following table summarizes restricted stock activity during the three months ended March 31, 2008:

	Shares	Weighted average grant date fair value
Outstanding at January 1	157,832	$ 20.05
Granted	—	—
Vested	(15,396)	12.93
Cancelled	(2,225)	8.30
Outstanding at March 31	140,211	$ 21.02

(7) Accrued Expenses

Accrued expenses consist of the following :

	March 31, 2008	December 31, 2007
	(in thousands)	
Contracted research costs	$ 4,447	$ 3,517
Compensation and benefits	1,076	3,165
Professional fees	2,083	1,721
Other	636	781
	$ 8,242	$ 9,184

(8) Collaborative Development, Commercialization and License Agreement

In October 2007, the Company and GSK entered into the GSK Agreement for elesclomol. Under the terms of the agreement, the companies will jointly develop and commercialize elesclomol in the United States, and GSK will have exclusive responsibility for the development and commercialization of elesclomol outside the United States. Pursuant to the agreement, the Company received a non-refundable upfront cash payment of $80 million in November 2007. The Company is also eligible to receive potential pre-commercial milestone payments from GSK of up to $585 million, which include both payments for operational progress, such as trial initiation and enrollment, and payments for positive clinical and regulatory outcomes, such as regulatory approval. Of the $585 million in potential payments, $135 million are related to the development in metastatic melanoma and $450 million are related to the development of elesclomol in other cancer indications. In addition, the Company is eligible to receive up to $300 million in potential commercial milestone payments from GSK based on achieving certain net sales thresholds. As of March 31, 2008, no milestones have been achieved to date. The Company will take the lead role and fund, up to a specified amount, all activities related to seeking FDA approval of elesclomol for the treatment of metastatic melanoma. The Company will also fund early clinical development of elesclomol in two other cancer indications. All other worldwide development costs will be shared, with the Company responsible for a modest proportion of those

(8) Collaborative Development, Commercialization and License Agreement (Continued)

costs. In the United States, the Company's share of the operating profits and losses from the commercialization and sales of elesclomol will be 40-50%, with the percentage increasing as the level of annual sales increases. The Company may elect not to participate in co-commercialization, in which case the Company would earn royalties in lieu of profit sharing. Outside of the United States, the Company will receive double-digit tiered royalties. Under the GSK Agreement, GSK may, subject to the agreement of the Company, purchase up to $45 million of the Company's common stock in two separate tranches upon the achievement of specified development and regulatory milestones. In the first tranche, GSK would be obligated to buy $25 million of the Company's common stock at the sole discretion of the Company. The Company attributed $260,000 of value to this option to require GSK to purchase its common stock. The second tranche of $20 million of common stock would be subject to the agreement of both the Company and GSK. The per share purchase price under each tranche would be at a specified premium. GSK may terminate the agreement upon not less than three months' written notice at any time prior to the date of the first commercial sale of an elesclomol product and upon not less than six months' written notice at any time on and after such date, in which case GSK may be obligated in certain circumstances to make additional payments to the Company. Under the GSK Agreement, the Company has the right, but not the obligation to participate in various joint governance committees. The agreement was subject to the Hart-Scott-Rodino Act and has received clearance by the U.S. government (see Note 2).

(9) Related Party Transactions

In January 2005, the Company entered into an Agreement and Release with its scientific founder, who is a board member, whereby all outstanding matters regarding various oral understandings and arrangements between the scientific founder and the Company were resolved, including arrangements relating to (1) the assignment by the scientific founder of the benefit of his interests, if any, resulting from the Company's acquisition of the net assets of Cancer Genomics, Inc., Kava Pharmaceuticals, Inc. and SinglePixel Biomedical, Inc. (collectively, CKS), (2) the scientific founder's assignment of inventions, non-competition, non-solicitation and confidentiality agreements with the Company, and (3) a release by the scientific founder of any and all claims that the scientific founder may have had against the Company. Pursuant to this agreement, the Company is paying the scientific founder $500,000, payable in $25,000 installments quarterly for five years. The full amount of the obligation was charged to research and development expense in 2005. Total installment payments in each of the three months ended March 31, 2008 and 2007 were approximately $25,000.

The Company paid its scientific founder and a member of the board consulting fees of approximately $25,000 per month in January and February 2007 pursuant to a consulting agreement dated April 18, 2005. In March 2007, the Company amended the consulting agreement to reduce the fee from $25,000 to $10,000 per month. Total consulting fees paid in the three months ended March 31, 2008 and 2007 were approximately $30,000 and $60,000, respectively.

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

You should read this discussion together with the consolidated financial statements, related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission. These risks could cause our actual results to differ materially from any future performance suggested below.

Overview

We are a biopharmaceutical company focused on discovering, developing, and commercializing small molecule drugs to extend and enhance the lives of patients with severe medical conditions, including cancer and chronic inflammatory diseases. We have a unique chemical compound library, an integrated discovery engine, and a diverse pipeline of clinical- and preclinical-stage drug candidates with distinct mechanisms of action and novel chemical structures. We have three drug candidates in clinical trials, one drug candidate in preclinical studies, and one program in the lead optimization stage of discovery, as well as other programs in earlier stages of discovery. We discovered and developed each of our drug candidates internally using our compound library and discovery capabilities. At present, other than our lead drug candidate, elesclomol, we retain all rights to each of our drug candidates and programs, across all geographic markets and therapeutic indications. We have entered into a partnership with GlaxoSmithKline, or GSK, for the joint development and commercialization of elesclomol.

Our Lead Drug Candidate, Elesclomol (formerly, STA-4783)

Our most advanced clinical-stage drug candidate, elesclomol, is a novel, injectable, small molecule compound that triggers apoptosis, or programmed cell death, in cancer cells, which we believe has potential for the treatment of a broad range of cancer types.

In September 2006, we announced positive results for elesclomol in combination with paclitaxel, a leading chemotherapeutic agent, in a double-blind, randomized, controlled, multicenter Phase 2b clinical trial in patients with stage IV metastatic melanoma. We believe that this is the first blinded clinical trial of a drug candidate for the treatment of metastatic melanoma in 30 years to meet its primary endpoint with statistical significance. In November 2006, we received Fast Track designation from the U.S. Food and Drug Administration, or FDA, for the development of elesclomol for the treatment of metastatic melanoma. In December 2007, we received orphan drug designation for elesclomol in this indication in the United States from the FDA. Orphan drug status is designed to encourage biotechnology and pharmaceutical companies to develop drugs for rare diseases affecting fewer than 200,000 people in the United States. Assuming that elesclomol is approved by the FDA, we will be entitled to seven years of market exclusivity for elesclomol for the treatment of patients with metastatic melanoma.

Based on the results of our Phase 2b trial, we initiated a global, pivotal Phase 3 clinical trial of elesclomol in metastatic melanoma, called the SYMMETRY trial, in the third quarter of 2007. The SYMMETRY trial is being conducted under the terms of a Special Protocol Assessment, or SPA, agreed to by the FDA. The SPA process provides for a written agreement between a clinical trial sponsor and the FDA that the proposed design and planned analyses of the clinical trial is sufficient to support regulatory approval of a drug candidate, unless public health concerns unrecognized at the time of the protocol assessment become evident. The SYMMETRY trial is enrolling patients with stage IV metastatic melanoma who have not received prior chemotherapy but who may have already been treated with non-chemotherapeutic agents, such as biologics. Approximately 630 patients will be

enrolled in the blinded, randomized, controlled study, which generally mirrors the design of our Phase 2b trial and will be conducted at approximately 150 centers worldwide.

As with our prior Phase 2b trial, patients enrolled in the SYMMETRY trial will be randomized to receive either elesclomol plus paclitaxel or paclitaxel alone. The dosage of each agent, the dosing schedule, and the primary endpoint—progression free survival, or PFS—are the same as in our prior Phase 2b trial. The SYMMETRY trial increases the total number of patients enrolled from the prior Phase 2b trial and includes central review of radiology scans, stratification to ensure balance between treatment and control arms, and a no-crossover design for facilitating the assessment of overall survival, or OS.

Based on our current enrollment projections and event rate targets, we expect to complete enrollment and initiate the primary endpoint analysis of the SYMMETRY trial by the end of 2008. Assuming that the results of the PFS analysis are positive, we plan to submit a new drug application, or NDA, to the FDA in the first half of 2009. If actual enrollment or event rates differ from our current projections, our target dates for completing the PFS analysis and submitting the NDA will likely change.

In October 2007, we entered into a collaborative development, commercialization and license Agreement with GSK for elesclomol, or the GSK Agreement, under which we are eligible to receive up to $1.01 billion in milestones and other payments, as well as share 40-50% of the profits and losses from sales in the United States and receive double-digit tiered royalties from sales outside of the United States. Under the terms of the GSK Agreement, the companies will jointly develop and commercialize elesclomol in the United States, and GSK will have exclusive responsibility for the development and commercialization of elesclomol outside the United States. Pursuant to the agreement, we received a non-refundable upfront cash payment of $80 million in November 2007. We are also eligible to receive potential pre-commercial milestone payments from GSK of up to $585 million, which include both payments for operational progress, such as trial initiation and enrollment, and payments for positive clinical and regulatory outcomes, such as regulatory approval. Of the $585 million in potential payments, $135 million are related to the development in metastatic melanoma and up to $450 million are related to the development of elesclomol in other cancer indications. In addition, we are eligible to receive up to $300 million in potential commercial milestone payments from GSK based on achieving certain net sales thresholds. As of March 31, 2008, no milestones have been achieved to date. We will take the lead role and fund, up to a specified amount, all activities related to seeking FDA approval of elesclomol for the treatment of metastatic melanoma. We will also fund early clinical development of elesclomol in two other cancer indications. All other worldwide development costs will be shared, with us responsible for a modest proportion of those costs. In the United States, our share of the operating profits and losses from the commercialization and sales of elesclomol will be 40-50%, with the percentage increasing as the level of annual sales increases. We may elect not to participate in co-commercialization, in which case we would earn royalties in lieu of profit-sharing. Outside of the United States, we will receive double-digit tiered royalties. Under the GSK Agreement, GSK may, subject to our agreement, purchase up to $45 million of our common stock in two separate tranches upon the achievement of specified development and regulatory milestones. In the first tranche, GSK would be obligated to buy $25 million of our common stock at our sole discretion. We attributed $260,000 of value to this option to require GSK to purchase our common stock. The second tranche of $20 million of common stock would be subject to the agreement of both us and GSK. The per share purchase price under each tranche would be at a specified premium. GSK may terminate the agreement upon not less than three months' written notice at any time prior to the date of the first commercial sale of an elesclomol product and upon not less than six months' written notice at any time on and after such date, in which case GSK may be obligated in certain circumstances to make additional payments to us. Under the GSK Agreement, we have the right, but not the

obligation to participate in various joint governance committees. The agreement was subject to the Hart-Scott-Rodino Act and has received clearance by the U.S. government.

We are also exploring the use of elesclomol in cancers beyond melanoma. We expect to introduce our sodium salt formulation, a water-soluble form of elesclomol, in the second half of 2008 and initiate clinical trials in one or more additional indications before the end of the year. The sodium salt formulation will allow greater flexibility for use in monotherapy as well as in combination with a broad range of commonly-used anti-cancer agents. This, in turn, will enable us to explore the use of elesclomol in the treatment of a wider range of cancers.

Our Other Oncology Drug Candidates and Research Programs

STA-9090. STA-9090 is a novel, injectable, small molecule drug candidate we are developing for the treatment of cancer. STA-9090 inhibits heat shock protein 90, or Hsp90, a chaperone protein that regulates the activity of numerous signaling proteins that trigger uncontrolled proliferation in cancer cells, in particular kinase proteins. Examples of kinase proteins include c-Kit, Bcr-Abl, Her2, EGFR, and others that are the targets of approved direct kinase inhibitors such as Gleevec, Herceptin, Tarceva, and Erbitux. We believe that inhibiting kinases indirectly, by disrupting the chaperone activities of Hsp90, provides two advantages: first, a means to simultaneously attack multiple cancer-promoting kinases; and, second, an ability to kill tumor cells with mutated kinases that have lost responsiveness to a direct kinase inhibitor. We have shown in preclinical experiments that STA-9090 is significantly more potent against certain types of cancer cells than Gleevec, as well as the two Hsp90 inhibitors furthest along in clinical development, 17-AAG and 17-DMAG. STA-9090 is further differentiated from these Hsp90 inhibitors because it is a novel chemical structure that is not a derivative or analog of the natural product geldanamycin. We believe that this creates a distinct activity profile for STA-9090 and is a competitive advantage. We are currently conducting two Phase 1 studies in solid tumors to identify the maximum tolerated dose of STA-9090 based on once- and twice-a-week intravenous dosing schedules, respectively. In addition to an evaluation of safety and tolerability, patients in these studies will be assessed for biological activity based on biomarker responses and clinical response rates based on the RECIST criteria. We expect to initiate a third clinical trial of STA-9090 in hematological cancers in the second half of 2008.

STA-9584. STA-9584 is a novel, injectable, small molecule compound that disrupts the blood vessels that supply tumors with oxygen and essential nutrients. In preclinical experiments, STA-9584 has shown strong anti-tumor activity in a broad range of cancer models, including prostate, lung, breast, melanoma, and lymphoma. In preclinical testing, STA-9584 has been shown to act against established tumor vessels, a mechanism that is differentiated from the mechanism of anti-angiogenesis inhibitors such as Avastin, which prevents the formation of new tumor vessels. This program is currently in preclinical development.

Autoimmune and Inflammatory Diseases

Apilimod (STA-5326). Apilimod is a novel, orally administered, small molecule drug candidate we are developing for the treatment of autoimmune and other chronic inflammatory diseases. Apilimod inhibits the production of the cytokines interleukin-12, or IL-12, and interleukin-23, or IL-23, and thereby down-regulates the inflammation pathways that underlie certain autoimmune and inflammatory diseases. We are currently conducting a Phase 2a clinical trial of apilimod in patients with rheumatoid arthritis, or RA. The preliminary results of the first 22 patients in the RA Phase 2a trial showed encouraging biomarker and clinical signals suggesting activity of apilimod in this indication. We have elected to enroll an additional cohort in the RA Phase 2a trial to explore a higher dose of apilimod. We expect to complete enrollment of this higher dose cohort in the second half of 2008.

CRAC ion channel inhibitor. We have developed novel, small molecule inhibitors of calcium release activated calcium, or CRAC, ion channels expressed on immune cells. The CRAC ion channel is the primary route for calcium entry into T cells and other immune cells, regulating multiple immune cell processes important for initiating and maintaining an inflammatory immune response. We have demonstrated in preclinical experiments that our CRAC ion channel inhibitors selectively inhibit the production of critical pro-inflammatory cytokines, such as interleukin-2, or IL-2, and TNFa by immune cells, and that these compounds are effective in multiple animal models of immune diseases, including models of arthritis. This program is in the lead optimization stage of discovery.

Initial Public Offering

In February 2007, we raised $50.0 million in gross proceeds from the sale of 5,000,000 shares of our common stock in our initial public offering, or the IPO, at $10.00 per share. The net offering proceeds to us after deducting approximately $5.3 million in expenses for underwriters' discounts, fees and commissions, legal, accounting, printing, listing and filing fees, and miscellaneous expenses were approximately $44.7 million. All outstanding shares of our Series A convertible preferred stock and $1.9 million in accumulated dividends on the Series A convertible preferred stock were converted into 6,278,765 shares of common stock upon the completion of the IPO. In accordance with Emerging Issues Task Force, or EITF, No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*, and EITF No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments,* we recorded a non-cash beneficial conversion charge of approximately $58.6 million in February 2007 in connection with the contingent adjustable conversion feature of the Series A convertible preferred stock.

We were incorporated in March 2000 and commenced operations in July 2001. Since that time, we have been principally engaged in raising capital and in the discovery and development of novel drug candidates.

Since our inception, we have had no revenues from product sales. We have funded our operations principally with $195.4 million in net proceeds from private placements of our common stock, $40.0 million in net proceeds from a private placement of our Series A convertible preferred stock, $44.7 million in net proceeds from our initial public offering, and an $80 million non-refundable upfront payment under the GSK Agreement, which, together with the exercise of common stock warrants and options, provided aggregate net cash proceeds of approximately $361.4 million through March 31, 2008.

We have devoted substantially all of our capital resources to the research and development of our drug candidates. We have never been profitable and, as of March 31, 2008, we had an accumulated deficit of $317.7 million. We expect to incur significant and increasing operating losses for the foreseeable future as we advance our drug candidates from discovery through preclinical development and clinical trials and seek regulatory approval and eventual commercialization. In addition to these increasing research and development expenses, we expect general and administrative costs to increase in connection with additional headcount, public-company requirements and compliance, commercial development and medical community relations, as we, together with GSK, prepare for the potential launch of elesclomol. We will need to generate significant revenues to achieve profitability and may never do so.

Financial Operations Overview

Revenue

We have not yet generated any product revenue and do not expect to generate any product revenue until late 2009 at the earliest, if at all. We will seek to generate revenue from product sales and from future collaborative or strategic relationships, which could include research and development,

milestone payments, profit sharing and royalties. In October 2007, we entered into the GSK Agreement for our lead drug candidate, elesclomol. The $80 million non-refundable upfront payment we received from GSK in November 2007, together with the $260,000 estimated value of an option to require GSK to purchase $25 million of our common stock, is being recognized ratably as collaboration revenue using the time-based model over the estimated performance period, the 15-year period through the earliest expiration date of the related patents, which we estimate to be the effective life of the GSK Agreement (see Revenue Recognition in the Critical Accounting Policies and Estimates section). In the three months ended March 31, 2008, we recognized $1.3 million of collaboration revenue under the GSK Agreement. In the future, we expect any revenue we generate will fluctuate from quarter-to-quarter as a result of the timing and amount of payments received under the GSK Agreement and from future collaborations or strategic relationships, and the amount and timing of payments we receive upon the sale of our drug candidates, to the extent any are successfully commercialized.

Research and Development

Research and development expense consists of costs incurred in connection with developing and advancing our drug discovery technology and identifying and developing our drug candidates. We charge all research and development expenses to operations as incurred.

Our research and development expense consists of:

- internal costs associated with research, preclinical and clinical activities;
- payments to third party contract research organizations, investigative sites and consultants in connection with our preclinical and clinical development programs;
- costs associated with drug formulation and supply of drugs for clinical trials;
- personnel related expenses, including salaries, stock-based compensation, benefits and travel; and
- overhead expenses, including rent and maintenance of our facilities, and laboratory and other supplies.

We do not know if we will be successful in developing our drug candidates. While expenses associated with the completion of our current clinical programs are expected to be substantial and increase, we believe that accurately projecting total program-specific expenses through commercialization is not possible at this time. The timing and amount of these expenses will depend upon the costs associated with potential future clinical trials of our drug candidates, and the related expansion of our research and development organization, regulatory requirements, advancement of our preclinical programs and product manufacturing costs, many of which cannot be determined with accuracy at this time based on our stage of development. This is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of unanticipated events arising during clinical development, including with respect to:

- the number of clinical sites included in the trial;
- the length of time required to enroll suitable subjects;
- the number of subjects that ultimately participate in the trials; and
- the efficacy and safety results of our clinical trials and the number of additional required clinical trials.

Our expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals and the expense of filing, prosecuting, defending or enforcing any patent claims or

other intellectual property rights. In addition, we may obtain unexpected or unfavorable results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of some drug candidates or focus on others. A change in the outcome of any of the foregoing variables in the development of a drug candidate could mean a significant change in the costs and timing associated with the development of that drug candidate. For example, if the FDA or other regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in any of our clinical trials, we would be required to expend significant additional financial resources and time on the completion of clinical development. Additionally, future commercial and regulatory factors beyond our control will evolve and therefore impact our clinical development programs and plans over time.

Despite this uncertainty, however, our development strategy for our lead clinical-stage drug candidate, elesclomol, is currently based on a number of assumptions that allow us to make broad estimates of certain clinical trial expenses. We initiated the SYMMETRY trial, our global, pivotal Phase 3 clinical trial of elesclomol for the treatment of metastatic melanoma, in the third quarter of 2007, and we expect the remaining costs necessary for the NDA submission, including the cost of the clinical trial, clinical drug supplies, registration manufacturing and regulatory activities necessary to compile the NDA submission, together with the costs of related nonclinical toxicology and other testing to support the trial, will be in the range of $55 million to $65 million. We do not expect to receive regulatory approval of any of our drug candidates until 2009 at the earliest, if at all.

Beyond our three lead drug candidates, we anticipate that we will select drug candidates and research projects for further development on an ongoing basis in response to their preclinical and clinical success, as well as commercial potential.

General and Administrative

General and administrative expense consists primarily of salaries and related expenses for personnel in executive, finance, business and commercial development, investor and medical community relations, human resources and administrative functions. Other costs include stock-based compensation costs, directors' and officers' liability insurance premiums, legal costs of pursuing patent protection of our intellectual property, fees for general legal, accounting, public-company requirements and compliance, and other professional services, as well as overhead-related costs not otherwise included in research and development. We anticipate increases in costs of commercial development and medical community relations, as we, together with GSK, prepare for the potential launch of elesclomol.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. We are required to make estimates and judgments with respect to accrued expenses, including long-term contract accruals, the recoverability of long-lived and deferred tax assets, measurement of stock-based compensation and the period of performance under the GSK Agreement. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources and the reported amounts of revenues and expenses. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following accounting policies and estimates are most critical to aid in the understanding and evaluating our reported financial results.

Revenue Recognition

Collaboration and License Agreements

Our principal sources of revenue may include upfront payments, development milestone payments, reimbursements of development costs, profit sharing payments, sales milestones and royalties from our collaborations. We recognize revenue from these sources in accordance with Staff Accounting Bulletin 104, "*Revenue Recognition*", or SAB 104, Emerging Issues Task Force, or EITF, No. 99-19, "*Reporting Revenue Gross as a Principal Versus Net as an Agent*", or EITF No. 99-19, and EITF No. 00-21, "*Revenue Arrangements with Multiple Deliverables*", or EITF No. 00-21. The application of EITF No. 00-21 requires subjective analysis and requires management to make estimates and assumptions about whether deliverables within multiple-element arrangements are separable from the other aspects of the contractual arrangement into separate units of accounting and to determine the fair value to be allocated to each unit of accounting.

We entered into the GSK Agreement with GSK in October 2007. We evaluated the multiple deliverables within the GSK Agreement in accordance with the provisions of EITF No. 00-21 to determine whether the delivered elements that are our obligation have value to GSK on a stand-alone basis and whether objective reliable evidence of fair value of the undelivered items exists. Deliverables that meet these criteria are considered a separate unit of accounting. Deliverables that do not meet these criteria are combined and accounted for as a single unit of accounting. The appropriate recognition of revenue is then applied to each separate unit of accounting.

Our deliverables under the GSK Agreement, including the related rights and obligations, contractual cash flows and performance periods, are more fully described in Note 8 in the accompanying consolidated financial statements, and are considered a single unit of accounting.

The GSK Agreement consists of the following key funding streams: a non-refundable upfront payment, product development milestone payments, reimbursements of certain development costs, sales milestone payments, profit sharing payments and product royalty payments. The cash flows associated with the single unit of accounting from the development portion of the GSK Agreement are recognized as revenue using a time-based model. Under this model, cash flow streams are recognized as revenue over the estimated performance period. Upon receipt of cash payments for milestones, revenue is recognized to the extent the accumulated service time, if any, has occurred. The remainder is deferred and recognized as revenue ratably over the remaining estimated performance period. A change in the period of time expected to complete the deliverable is accounted for as a change in estimate on a prospective basis. Revenue is limited to amounts that are nonrefundable and that GSK is contractually obligated to pay us.

The $80 million non-refundable upfront payment we received from GSK in November 2007, together with the $260,000 estimated value of an option to require GSK to purchase $25 million of our common stock, is being recognized ratably as collaboration revenue using the time-based model over the estimated performance period, the 15-year period through the earliest expiration date of the related patents, which we estimate to be the effective life of the GSK Agreement. We are also recognizing product development milestone payments and reimbursements of development costs as collaboration revenue using the time-based model over the same performance period through November 2022. Based on the guidance of EITF No. 99-19, we have determined that we are acting as a principal under the GSK Agreement and, as such, have recorded these amounts as collaboration revenue. In the three months ended March 31, 2008, we recognized $1.3 million of collaboration revenue under the GSK Agreement.

Profit sharing payments are based upon a formula that provides for a range of 40-50% of net profits earned on U.S. sales of products included in the GSK Agreement. Royalty revenues are based upon a percentage of sales in non-U.S. territories. Profit sharing payments and royalties from the sales of products included in the GSK Agreement will be recorded on the accrual basis when results are reliably measurable, collectability is reasonably assured and all other revenue recognition criteria are met. Sales milestones, which are based upon the achievement of certain agreed-upon sales thresholds, will be recognized in the period in which the respective sales threshold is achieved and collectability is reasonably assured.

Deferred Collaboration Revenue

Consistent with our policy on revenue recognition, deferred collaboration revenue represents cash received in advance for licensing fees, option fees, consulting, research and development contracts and related cost sharing and supply agreements. Such payments are reflected as deferred collaboration revenue until revenue can be recognized under our revenue recognition policy. Deferred collaboration revenue is classified as current if management believes we will complete the earnings process and be able to recognize the deferred amount as revenue within 12 months of the balance sheet date. At March 31, 2008, total deferred collaboration revenue was approximately $78.2 million, of which $5.4 million was current and will be recognized as revenue during the next 12 months.

Accrued Expenses

As part of the process of preparing financial statements, we are required to estimate accrued expenses. This process involves identifying services which have been performed on our behalf, and estimating the level of service performed and the associated cost incurred for such service as of each balance sheet date in our financial statements. Given our current business, the primary area of uncertainty concerning accruals which could have a material effect on our business is with respect to service fees paid to contract manufacturers in conjunction with the production of clinical drug supplies and to contract research organizations in connection with our preclinical studies and clinical trials. In connection with all of the foregoing service fees, our estimates are most affected by our understanding of the status and timing of services provided. The majority of our service providers, including contract research organizations, invoice us in arrears for services performed. In the event that we do not identify some costs which have begun to be incurred, or we under or over estimate the level of services performed or the costs of such services in a given period, our reported expenses for such period would be too low or too high. We currently reflect the over or under accrual of expenses directly in our operations in the period the amount was determined.

Our arrangements with contract research organizations in connection with clinical trials often provide for payment prior to commencing the project or based upon predetermined milestones throughout the period during which services are expected to be performed. We recognize expense relating to these arrangements based on the various services provided over the estimated time to completion. The date on which services commence, the level of services performed on or before a given date, and the cost of such services are often determined based on subjective judgments. We make these judgments based upon the facts and circumstances known to us based on the terms of the contract or our ongoing monitoring of service performance. In the three months ended March 31, 2008 and 2007, respectively, we had arrangements with multiple contract research organizations whereby these organizations commit to performing services for us over multiple reporting periods. We currently recognize and plan to continue to recognize the expenses associated with these arrangements based on our expectation of the timing of the performance of components under these arrangements by these organizations. Generally, these components consist of the costs of setting up the trial, monitoring the trial, closing the trial and preparing the resulting data.

With respect to financial reporting periods presented in this Quarterly Report on Form 10-Q, and based on our receipt of invoices from our third party providers, the timing of our actual costs incurred have not differed materially from our estimated timing of such costs. In light of the foregoing, we do not believe our estimates of future expenses and our practice of making judgments concerning the accrual of expenses are reasonably likely to change in the future. There were no changes in our estimates and accruals for contract service fees that had a material effect on our net losses in the three months ended March 31, 2008 and 2007, respectively.

Stock-Based Compensation

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards, or SFAS, No. 123R, *Share-Based Payment,* or SFAS No. 123R, for stock-based awards to employees, using the modified prospective method of transition for awards granted after January 17, 2005 (valued using the fair value method), and using the prospective method for awards granted prior to January 17, 2005 (valued using the minimum value method). Therefore, compensation cost recognized in the three months ended March 31, 2008 and 2007 includes: (1) compensation costs related to the vesting of stock options granted after January 17, 2005 but prior to January 1, 2006, based on the grant date fair value method estimated in accordance with the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation,* or SFAS No. 123, adjusted for estimated forfeitures, (2) compensation costs related to the continued vesting of nonvested restricted stock awards granted prior to January 1, 2006, and (3) compensation costs for all share-based payments granted or modified subsequent to January 1, 2006, based on the provisions of SFAS No. 123R.

We continue to use the Black-Scholes option pricing model as the most appropriate valuation method for our option grants. The Black-Scholes model requires inputs for risk-free interest rate, dividend yield, volatility and expected lives of the options. Since we do not have a significant history of stock trading activity, expected volatility is based on historical data from several public companies similar in size and value to us. We will continue to use a weighted average approach using historical volatility and other similar public entity volatility information until historical volatility of our common stock is relevant to measure expected volatility for future option grants. We estimate the forfeiture rate based on historical data. Our options generally vest 25% after one year of service and quarterly over three years thereafter. Based on an analysis of historical forfeitures, we applied a forfeiture rate of 10% to all options that vest upon completion of the first year of service following the date of grant. The analysis will be re-evaluated at least annually and the forfeiture rate will be adjusted as necessary. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected lives for options granted represents the period of time that options granted are expected to be outstanding. Since January 1, 2006, we have used the simplified method for determining the expected lives of options.

For awards with graded vesting, we allocate compensation costs under SFAS No. 123R on a straight-line basis over the requisite service period. Accordingly, we amortized the fair value of each option over each option's service period, which is generally the vesting period.

We account for stock options issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF No. 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees, or in Conjunction with Selling Goods or Services,* which requires valuing and remeasuring such stock options to the current fair value until the performance date has been reached.

Our net loss for the three months ended March 31, 2008 and 2007 includes $2.1 million and $1.4 million, respectively, of compensation costs and no income tax benefit related to our stock-based compensation arrangements for employee and non-employee awards. As of March 31, 2008, the total amount of unrecognized stock-based compensation expense was $17.3 million, which will be recognized over a weighted average period of 2.9 years.

Consolidated Results of Operations

Three Months Ended March 31, 2008 Compared with Three Months Ended March 31, 2007

Collaboration Revenue

	Three Months Ended March 31,		2008 to 2007 Change	
	2008	2007	$	%
	(dollars in millions)			
Collaboration revenue	$ 1.3	$ —	$ 1.3	—%

In October 2007, we entered into a collaborative development, commercialization and license agreement with GSK for elesclomol. Under the terms of the GSK Agreement, the companies will jointly develop and commercialize elesclomol in the United States, and GSK will have exclusive responsibility for the development and commercialization of elesclomol outside the United States. The $80 million non-refundable upfront payment we received from GSK in November 2007, together with the $260,000 estimated value of an option to require GSK to purchase $25 million of our common stock, is being recognized ratably as collaboration revenue using the time-based model over the estimated performance period, the 15-year period through the earliest expiration date of the related patents, which we estimate to be the effective life of this agreement (see Notes 2 and 8 in the accompanying consolidated financial statements).

Research and Development Expense

	Three Months Ended March 31,		2008 to 2007 Change	
	2008	2007	$	%
	(dollars in millions)			
Clinical-stage drug candidates				
Elesclomol	$ 10.9	$ 7.1	$ 3.8	54%
Apilimod	0.2	0.9	(0.7)	(78)%
STA-9090	1.8	2.5	(0.7)	(28)%
Total clinical-stage drug candidates	12.9	10.5	2.4	23%
Early stage and discontinued programs	3.3	3.0	0.3	10%
Total research and development	$ 16.2	$ 13.5	$ 2.7	20%

In the three months ended March 31, 2008, costs incurred under our elesclomol program increased by $3.8 million over the three months ended March 31, 2007, including a $1.8 million increase for personnel costs, related research supplies, operational overhead and stock compensation, and a $2.0 million increase for external costs. These increases were principally due to expenses incurred in connection with the advancement of the SYMMETRY trial, our global, pivotal Phase 3 clinical trial of elesclomol for the treatment of metastatic melanoma, which was initiated in the third quarter of 2007, advancement of the sodium salt formulation in support of planned clinical trials beginning in the second half of 2008 and further clinical development of elesclomol in other cancer types.

In the three months ended March 31, 2008, costs incurred in connection with apilimod decreased by $0.7 million over the three months ended March 31, 2007, including a $0.1 million decrease for personnel costs, related research supplies, operational overhead and stock compensation, and a $0.6 million decrease for external costs. These decreases were principally due to the completion in 2007 of the Phase 2a clinical trial of apilimod in patients with RA.

In the three months ended March 31, 2008, costs incurred under our STA-9090 program decreased by $0.7 million over the three months ended March 31, 2007, including a $0.6 million decrease for personnel costs, related research supplies, operational overhead and stock compensation, and a $0.1 million decrease for external costs. These decreases were principally due to the advancement of the program from preclinical development into clinical development upon the initiation of two Phase 1 clinical trials in the fourth quarter of 2007.

In addition, in the three months ended March 31, 2008, costs incurred under our early-stage and discontinued programs increased by $0.3 million over the three months ended March 31, 2007, including a $0.5 million increase for personnel costs, related research supplies, operational overhead and stock compensation, offset by a $0.2 million decrease for external costs.

General and Administrative Expense

	Three Months Ended March 31,		2008 to 2007 Change	
	2008	2007	$	%
	(dollars in millions)			
General and administrative	$ 3.6	$ 3.5	$ 0.1	3%

The increase in general and administrative expense principally resulted from an increase of $0.2 million for personnel costs and related overhead in connection with increased headcount and stock compensation, offset by a $0.1 million decrease in external professional fees.

Investment Income, Net

	Three Months Ended March 31,		2008 to 2007 Change	
	2008	2007	$	%
	(dollars in millions)			
Investment income, net	$ 0.8	$ 0.7	$ 0.1	14%

The increase in net investment income was principally due to the higher average cash balances resulting from the $80 million non-refundable upfront payment received from GSK in November 2007.

Net Loss

	Three Months Ended March 31,		2008 to 2007 Change	
	2008	2007	$	%
	(dollars in millions except for net loss per share)			
Net loss	$ (17.7)	$ (16.4)	$ (1.3)	(8)%
Basic and diluted net loss per share attributable to common stockholders	$ (0.52)	$ (2.61)		

The decrease in the basic and diluted net loss per share attributable to common stockholders in 2008 was principally due to a non-recurring beneficial conversion charge of approximately $58.6 million that was recognized in February 2007 in connection with the contingent adjustable conversion feature of the Series A convertible preferred stock, and an increase in the number of weighted average common shares outstanding during the three months ended March 31, 2008. This activity resulted from the sale of 5,000,000 shares of common stock and the conversion of the Series A preferred stock and accumulated dividends into 6,278,765 shares of common stock in connection with the IPO.

Liquidity and Capital Resources

Sources of Liquidity

We have incurred significant operating losses since our inception. We have funded our operations principally with $195.4 million in net proceeds from private placements of our common stock, $40.0 million in net proceeds from a private placement of our Series A convertible preferred stock, $44.7 million in net proceeds from the IPO, and the $80 million non-refundable upfront payment under the GSK Agreement, which, together with the exercise of common stock warrants and options, provided aggregate net cash proceeds of approximately $361.4 million through March 31, 2008. We have also generated funds from government grant revenues, equipment lease financings and investment income.

As of March 31, 2008, we had cash and cash equivalents of $99.2 million, a decrease of $16.4 million from $115.6 million as of December 31, 2007. This decrease principally reflects our net loss of $17.7 million during the three months ended March 31, 2008, as adjusted for non-cash charges for depreciation and stock-based compensation, and changes in working capital.

In October 2007, we entered into the GSK Agreement with GSK and received a non-refundable upfront cash payment of $80 million in November 2007. We are also eligible to receive potential pre-commercial milestone payments from GSK of up to $585 million, which include both payments for operational progress, such as trial initiation and enrollment, and payments for positive clinical and regulatory outcomes, such as regulatory approval. Of the $585 million in potential payments, $135 million are related to the development in metastatic melanoma and up to $450 million are related to the development of elesclomol in other cancer indications. In addition, we are eligible to receive up to $300 million in potential commercial milestone payments from GSK based on achieving certain net sales thresholds. Based on our current operating plans, we expect to receive between $40 million and $50 million in operational progress milestone payments in 2008.

Under our equipment lease agreement, we may periodically directly lease, or sell and lease back up to a maximum outstanding balance of $6.0 million of equipment and leasehold improvements. In June 2007, this agreement was extended through June 2008. As of March 31, 2008, approximately $1.6 million was available under this revolving lease line for future property and equipment expenditures.

Cash Flows

The following table provides information regarding our cash position, cash flows and capital expenditures for the three months ended March 31, 2008 and 2007.

	Three Months Ended March 31,	
	2008	2007
	(dollars in millions)	
Cash, cash equivalents and marketable securities	$ 99.2	$ 77.9
Working capital	80.7	67.1
Cash flows provided by (used in):		
Operating activities	(15.7)	(13.2)
Investing activities	(0.4)	11.6
Financing activities	(0.3)	44.7
Capital expenditures (included in investing activities)	(0.4)	(0.5)

Our operating activities used cash of $15.7 million and $13.2 million in the three months ended March 31, 2008 and 2007, respectively. The use of cash in these periods principally resulted from our

losses from operations, as adjusted for non-cash charges for depreciation and stock-based compensation, and changes in our working capital accounts.

Our investing activities used cash of $0.4 million in the three months ended March 31, 2008 in connection with purchases of property and equipment. Our investing activities provided cash of $11.6 million in the three months ended March 31, 2007, resulting from sales and maturities of marketable securities in our investment portfolio in the amount of $27.1 million, offset by the purchases of marketable securities in the amount of $15.0 million and purchases of property and equipment in the amount of $0.5 million.

Our financing activities used cash of $0.3 million in the three months ended March 31, 2008 and provided $44.7 million in the three months ended March 31, 2007. In February 2007, we raised net cash proceeds of $44.7 million from the sale of 5,000,000 shares of our common stock in the IPO. We raised $0.4 million and $0.9 million in proceeds from the sale and lease-back of property and equipment in the three months ended March 31, 2008 and 2007, respectively. We repaid $0.6 million in capital equipment leases in each of the three months ended March 31, 2008 and 2007. In January 2007, we repurchased 29,046 shares of our previously restricted common stock in the amount of $0.3 million from certain officers and non-officer employees in order to fund the minimum statutory tax withholding requirements related to the vesting of 80,000 shares of restricted common stock.

Contractual Obligations and Commitments

There have been no material changes to the contractual obligations and commitments included in our Annual Report on Form-10K for the fiscal year ended December 31, 2007.

Funding Requirements

We expect to incur substantial expenses and generate significant operating losses as we continue to advance our drug candidates into preclinical studies and clinical trials and as we:

- complete the SYMMETRY trial, our global, pivotal Phase 3 clinical trial of elesclomol for the treatment of metastatic melanoma, that was initiated in the third quarter of 2007, and initiate Phase 2 clinical trials of elesclomol in other cancer types;
- begin to perform and fund pre-commercialization activities, and establish sales and marketing functions and commercial manufacturing arrangements for elesclomol, consistent with our obligations under our agreement with GSK;
- complete the current Phase 2a clinical trial of apilimod for the treatment of RA, and possibly initiate Phase 2 clinical trials of apilimod in other inflammatory disease indications;
- initiate additional Phase 3 clinical trials of elesclomol in other cancer types and one or more Phase 3 clinical trials of apilimod, if supported by Phase 2 results;
- complete two Phase 1 clinical trials of STA-9090 that were initiated in the fourth quarter of 2007, and possibly initiate additional clinical trials, if supported by positive preclinical data or Phase 1 results;
- complete preclinical development of STA-9584 and initiate clinical trials, if supported by positive preclinical data;
- advance our CRAC ion channel inhibitor program into clinical trials, if supported by positive preclinical data;
- discover, develop, and seek regulatory approval for backups of our current drug candidates and other new drug candidates;

- identify additional compounds or drug candidates and acquire rights from third parties to those compounds or drug candidates through licenses, acquisition or other means;
- commercialize any approved drug candidates;
- hire additional clinical, scientific, and management personnel; and
- add operational, financial, and management information systems and personnel.

Our funding requirements will depend on a number of factors, including:

- the progress of our research and development programs, including the completion of preclinical studies and clinical trials for our current drug candidates and the results from these studies and trials;
- the number of drug candidates we advance into later-stage clinical trials and the scope of our research and development programs;
- our ability to discover additional drug candidates using our drug discovery technology and advance them into clinical development;
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims for our drug discovery technology and drug candidates and avoiding infringing the intellectual property of others;
- the time and costs involved in obtaining regulatory approvals for our drug candidates;
- our ability to establish and maintain collaborative arrangements, including our agreement with GSK;
- the potential in-licensing of other products or technologies or the acquisition of complementary businesses;
- the cost of manufacturing, marketing and sales activities, if any; and
- the timing, receipt and amount of revenue, if any, from our drug candidates.

We do not anticipate that we will generate product revenue until late 2009 at the earliest, if at all. We expect our continuing operating losses to result in increases in cash used in operations over the next several years. Based on our current operating plans, we expect our existing funds, excluding expected milestone payments, will be sufficient to fund operations through at least 2008. Payment to us by GSK of milestones for our operational progress and achievement of certain success criteria leading to the approval by the FDA of elesclomol for the treatment of metastatic melanoma could extend our cash availability, as could payments of milestones in connection with the development of elesclomol in other cancer indications and achievement of certain net sales thresholds. Based on our current operating plans, we expect to receive between $40 million and $50 million in operational progress milestone payments in 2008 under our agreement with GSK. However, we may require significant additional funds earlier than we currently expect in order to conduct additional clinical trials and seek regulatory approval of our drug candidates. Because of the numerous risks and uncertainties associated with the development and commercialization of our drug candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated clinical trials.

Additional funding may not be available to us on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of our stockholders. For example, if we raise additional funds by issuing equity securities or by selling debt securities, if convertible, further dilution to our existing stockholders may result. To the extent our capital resources are insufficient to

meet our future capital requirements, we will need to finance our future cash needs through public or private equity offerings, collaboration agreements, debt financings or licensing arrangements.

If adequate funds are not available, we may be required to terminate, significantly modify or delay our research and development programs, reduce our planned commercialization efforts, or obtain funds through collaborators that may require us to relinquish rights to our technologies or drug candidates that we might otherwise seek to develop or commercialize independently. We may elect to raise additional funds even before we need them if the conditions for raising capital are favorable.

Cash, Cash Equivalents and Marketable Securities

As of March 31, 2008, we had cash and cash equivalents of $99.2 million consisting of cash deposited in a highly rated financial institution in the United States and in a short-term U.S. Treasury money market fund. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations and we do not enter into investments for trading or speculative purposes. We believe that we did not have material exposure to high-risk investments, such as mortgage-backed securities, auction rate securities or other special investment vehicles, or SIV's, within our money-market fund investments. We also believe that we do not have any material exposure to changes in fair value asa result of changes in interest rates. Declines in interest rates, however, would reduce future investment income.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Certain Factors That May Affect Future Results of Operations

The Securities and Exchange Commission, or SEC, encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Quarterly Report on Form 10-Q contains such "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Words such as "may," "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those described in the forward-looking statements. These risks include, but are not limited to those set forth under the heading "Risk Factors" contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007 that we have filed with the SEC.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this Quarterly Report on Form 10-Q might not occur. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to Synta or to any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Sensitivity. As of March 31, 2008, we had cash and cash equivalents of $99.2 million consisting of cash deposited in a highly rated financial institution in the United States and in a short-term U.S. Treasury money market fund. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations and we do not enter into investments for trading or speculative purposes. We believe that we did not have material exposure to high-risk investments such as mortgage-backed securities, auction rate securities or other special investment vehicles, or SIV's, within our money-market fund investments. We believe that we do not have any material exposure to changes in fair value as a result of changes in interest rates. Declines in interest rates, however, would reduce future investment income. During the three months ended March 31, 2008, we had investment income of $0.9 million. If overall interest rates fell by 10% during the three months ended March 31, 2008, our interest income would have decreased by less than $0.1 million, assuming consistent investment levels.

Capital Market Risk. We currently have no product revenues and depend on funds raised through other sources. One possible source of funding is through further equity offerings. Our ability to raise funds in this manner depends upon capital market forces affecting our stock price.

Item 4T. Controls and Procedures.

(a) *Evaluation of Disclosure Controls and Procedures*. Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that, based on such evaluation, our disclosure controls and procedures were adequate and effective. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) *Changes in Internal Controls*. There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not a party to any material legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits

10.1	Non-Qualified Stock Option Agreement, dated February 27, 2008, by and between the Registrant and Keith R. Gollust (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-33277)).
31.1	Certification of principal executive officer under Section 302(a) of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer under Section 302(a) of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the principal executive officer and the principal financial officer under Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

SYNTA PHARMACEUTICALS CORP.

Date: May 14, 2008 By: /s/ SAFI R. BAHCALL

Safi R. Bahcall, Ph.D.
President and Chief Executive Officer
(principal executive officer)

Date: May 14, 2008 By: /s/ KEITH S. EHRLICH

Keith S. Ehrlich, C.P.A.
Vice President Finance and Administration,
Chief Financial Officer
(principal accounting and financial officer)

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Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, Safi R. Bahcall, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synta Pharmaceuticals Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2008

/s/ SAFI R. BAHCALL

Safi R. Bahcall, Ph.D.
President and Chief Executive Officer
(principal executive officer)

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Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, Keith S. Ehrlich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synta Pharmaceuticals Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2008

/s/ KEITH S. EHRLICH

Keith S. Ehrlich, C.P.A.
Vice President, Finance and Administration,
Chief Financial Officer

(principal accounting and financial officer)

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Exhibit 32.1

CERTIFICATIONS UNDER SECTION 906

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Synta Pharmaceuticals Corp., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended March 31, 2008 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2008

/s/ SAFI R. BAHCALL

Safi R. Bahcall, Ph.D.
President and Chief Executive Officer
(principal executive officer)

Dated: May 14, 2008

/s/ KEITH S. EHRLICH

Keith S. Ehrlich, C.P.A.
Vice President, Finance and Administration,
Chief Financial Officer
(principal accounting and financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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