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SYNTA PHARMACEUTICALS CORP. INDEX TO FORM 10-Q

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 September 30, 2007

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

(Registrant's telephone number, including area code): **(781) 274-8200**

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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 November 9, 2007, the registrant had 33,880,948 shares of common outstanding.

SYNTA PHARMACEUTICALS CORP.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

SYNTA PHARMACEUTICALS CORP.
(A Development-Stage Company)

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

	September 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 48,339	$ 33,687
Restricted cash	83	540
Marketable securities available-for-sale	—	13,137
Prepaid expenses and other current assets	2,088	263
Total current assets	50,510	47,627
Property and equipment, net	5,421	6,067
Deferred offering costs	—	963
Other assets	82	132
Total assets	$ 56,013	$ 54,789
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 1,970	$ 2,632
Accrued expenses	8,046	6,127
Capital lease obligations—current	2,468	2,330
Other current liabilities	1,340	—
Deferred revenue	—	457
Total current liabilities	13,824	11,546
Capital lease obligations—long-term	3,119	3,170
Total liabilities	16,943	14,716
Convertible preferred stock, at redemption value:		
Series A convertible preferred stock, $0.0001 par value per share. Authorized: no shares at September 30, 2007 and 8,000,000 shares at December 31, 2006; no shares issued and outstanding at September 30, 2007 and 8,000,000 shares issued and outstanding at December 31, 2006	—	41,820
Stockholders' equity (deficit):		
Preferred stock, par value $0.0001 per share. Authorized 5,000,000 shares at September 30, 2007 and no shares at December 31, 2006; no shares issued and outstanding at September 30, 2007 and at December 31, 2006	—	—
Common stock, par value $0.0001 per share. Authorized 100,000,000 shares at September 30, 2007 and 158,000,000 shares at December 31, 2006; 33,832,198 shares issued and outstanding at September 30, 2007 and 22,564,068 shares issued and outstanding at December 31, 2006	3	2
Additional paid-in capital	323,596	234,807
Accumulated other comprehensive income	—	2
Deficit accumulated during the development stage	(284,529)	(236,558)
Total stockholders' equity (deficit)	39,070	(1,747)
Total liabilities and stockholders' equity (deficit)	$ 56,013	$ 54,789

See accompanying notes to unaudited consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.
(A Development-Stage Company)

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

	Three months ended September 30,		Nine months ended September 30,		Period from inception (March 10, 2000) through September 30, 2007
	2007	2006	2007	2006	
Research grant revenue	$ —	$ —	$ —	$ —	$ 1,477
Operating expenses:					
Research and development	11,542	12,561	38,691	40,016	219,137
In-process research and development	—	—	—	—	19,671
General and administrative	3,852	2,016	11,182	6,130	45,524
Other compensation expense(1)	—	—	—	—	9,315
Total operating expenses	15,394	14,577	49,873	46,146	293,647
Loss from operations	(15,394)	(14,577)	(49,873)	(46,146)	(292,170)
Other income:					
Investment income, net	519	650	1,902	1,363	7,641
Net loss	(14,875)	(13,927)	(47,971)	(44,783)	(284,529)
Convertible preferred stock dividends	—	807	—	1,052	1,859
Convertible preferred stock beneficial conversion charge	—	—	58,585	—	58,585
Net loss attributable to common stockholders	$ (14,875)	$ (14,734)	$ (106,556)	$ (45,835)	$ (344,973)
Basic and diluted weighted average common shares outstanding	33,393,159	22,226,942	31,778,715	22,224,060	
Basic and diluted net loss attributable to common stockholders per share	$ (0.45)	$ (0.66)	$ (3.35)	$ (2.06)	

(1) Excluded from general and administrative expense.

See accompanying notes to unaudited consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.
(A Development-Stage Company)

Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine months ended September 30,		Period from inception (March 10, 2000) through September 30,
	2007	2006	2007
Cash flows from operating activities:			
Net loss	$ (47,971)	$ (44,783)	$ (284,529)
Adjustments to reconcile net loss to net cash used in operating activities:			
In-process research and development	—	—	19,671
Common stock issued for licenses	—	—	1,242
Expense deferred offering costs	—	—	1,085
Other stock-related compensation expense	3,901	3,585	25,308
Depreciation and amortization	2,472	2,828	11,429
Changes in operating assets and liabilities, net of acquisitions:			
Restricted cash	457	—	(83)
Prepaid expenses and other current assets	(1,825)	(380)	(1,828)
Other assets	50	1	(14)
Accounts payable	(663)	(1,584)	1,389
Accrued expenses	2,885	(1,636)	6,174
Deferred revenue	(457)	—	—
Net cash used in operating activities	(41,151)	(41,969)	(220,156)
Cash flows from investing activities:			
Cash paid for acquisitions, net of cash acquired	—	—	(5,586)
Advances issued to related parties	—	—	(1,630)
Purchases of marketable securities	(15,014)	(93,249)	(490,210)
Sales and maturities of marketable securities	28,149	114,624	490,210
Repayment of advances from related parties	—	—	1,630
Purchases of property and equipment	(1,484)	(894)	(10,558)
Net cash provided by (used in) investing activities	11,651	20,481	(16,144)
Cash flows from financing activities:			
Proceeds from issuances of common stock and exercise of common stock warrants, net	44,660	—	240,550
Proceeds from issuance of convertible preferred stock, net	—	39,961	39,961
Proceeds from exercise of stock options	39	2	817
Repurchase of common stock from officers	(290)	—	(290)
Proceeds from sale-leaseback of property and equipment	1,689	1,046	9,163
Payment of capital lease obligation	(1,946)	(1,528)	(5,375)
Payment of deferred offering costs	—	—	(187)
Net cash provided by financing activities	44,152	39,481	284,639
Net increase in cash and cash equivalents	14,652	17,993	48,339
Cash and cash equivalents at beginning of period	33,687	23,809	—
Cash and cash equivalents at end of period	$ 48,339	$ 41,802	$ 48,339
Supplemental disclosure of noncash investing and financing activities:			
Acquisition of equipment under capital lease	$ 2,033	$ 1,046	$ 10,872
Convertible preferred stock beneficial conversion charge	58,585	—	58,585
Convertible preferred stock dividends	—	1,052	1,859
Conversion of preferred stock	41,820	—	41,820
Cash paid for interest	403	437	1,270

See accompanying notes to unaudited consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.
(A Development-Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Loss
(in thousands, except share amounts)
(unaudited)

	Common stock								
	Shares	Amount	Additional paid-in capital	Deferred compensation	Stock subscription receivable	Accumulated other comprehensive income (loss)	Deficit accumulated during the development stage	Total stockholders' equity (deficit)	Comprehensive loss
Balance at inception	—	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
Net loss	—	—	—	—	—	—	(78)	(78)	(78)
Balance at December 31, 2000	—	—	—	—	—	—	(78)	(78)	$ (78)
Issuance of common shares to founders	5,100,000	1	1	—	—	—	—	2	
Issuance of common shares	1,700,000	—	3,400	—	(225)	—	—	3,175	
Issuance and remeasurement of stock options for services	—	—	120	(120)	—	—	—	—	
Compensation expense related to stock options for services	—	—	—	26	—	—	—	26	
Net loss	—	—	—	—	—	—	(381)	(381)	(381)
Balance at December 31, 2001	6,800,000	1	3,521	(94)	(225)	—	(459)	2,744	$ (381)
Issuance of common shares	3,563,059	—	38,635	—	—	—	—	38,635	
Issuance of common stock and warrants for Principia	1,234,875	—	15,860	—	—	—	—	15,860	
Proceeds from stock subscription	—	—	—	—	225	—	—	225	
Issuance of common stock for licenses	96,111	—	1,042	—	—	—	—	1,042	
Issuance of common stock for Diagon	786,463	—	8,525	—	—	—	—	8,525	
Issuance and remeasurement of stock options for services	—	—	851	(851)	—	—	—	—	
Compensation expense related to stock options for services	—	—	—	274	—	—	—	274	
Net loss	—	—	—	—	—	—	(36,154)	(36,154)	(36,154)
Balance at December 31, 2002	12,480,508	1	68,434	(671)	—	—	(36,613)	31,151	$ (36,154)
Issuance of common shares, net	5,116,790	1	70,479	—	—	—	—	70,480	
Amount due from stock subscription	—	—	500	—	(500)	—	—	—	
Issuance of common stock for licenses	18,444	—	200	—	—	—	—	200	
Exercise of stock warrants	143,869	—	288	—	—	—	—	288	
Exercise of stock options	39,062	—	423	—	—	—	—	423	
Modification of employee stock options	—	—	1,289	—	—	—	—	1,289	
Issuance and remeasurement of stock options for services	—	—	2,541	(2,541)	—	—	—	—	
Compensation expense related to stock options for services	—	—	—	905	—	—	—	905	
Unrealized gain on marketable securities	—	—	—	—	—	33	—	33	33
Net loss	—	—	—	—	—	—	(27,878)	(27,878)	(27,878)
Balance at December 31, 2003	17,798,673	$ 2	$ 144,154	$ (2,307)	$ (500)	$ 33	$ (64,491)	$ 76,891	$ (27,845)

See accompanying notes to consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.
(A Development-Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Loss (Continued)
(in thousands, except share amounts)
(unaudited)

	Common stock								
	Shares	Amount	Additional paid-in capital	Deferred compensation	Stock subscription receivable	Accumulated other comprehensive income (loss)	Deficit accumulated during the development stage	Total stockholders' equity (deficit)	Comprehensive loss
Issuance of common shares under stock subscription	187,500	$ —	$ 2,493	$ —	$ 500	$ —	$ —	$ 2,993	$
Issuance of common shares, net	3,999,996	—	79,900	—	—	—	—	79,900	
Issuance of common stock in connection with acquisition	138,336	—	2,213	—	—	—	—	2,213	
Issuance of restricted common shares	365,000	—	8,030	(8,030)	—	—	—	—	
Issuance of stock options at less than fair value	—	—	471	(471)	—	—	—	—	
Exercise of stock options	32,421	—	352	—	—	—	—	352	
Exercise of stock warrants	28,773	—	58	—	—	—	—	58	
Issuance and remeasurement of stock options for services	—	—	1,259	(1,259)	—	—	—	—	
Compensation expense related to stock options for services	—	—	—	1,331	—	—	—	1,331	
Compensation expense related to issuance of stock options and restricted stock below fair value	—	—	—	301	—	—	—	301	
Unrealized loss on marketable securities	—	—	—	—	—	(149)	—	(149)	(149)
Net loss	—	—	—	—	—	—	(45,934)	(45,934)	(45,934)
Balance at December 31, 2004	22,550,699	2	238,930	(10,435)	—	(116)	(110,425)	117,956	$ (46,083)
Issuance of restricted common shares	96,589	—	1,425	(1,425)	—	—	—	—	
Forfeitures of restricted common shares	(40,000)	—	(881)	743	—	—	—	(138)	
Exercise of stock warrants	67,138	—	134	—	—	—	—	134	
Issuance of stock options for services	—	—	201	(201)	—	—	—	—	
Forfeitures of stock options for services	—	—	(329)	329	—	—	—	—	
Remeasurement of stock options for services	—	—	(451)	451	—	—	—	—	
Compensation expense related to stock options for services	—	—	—	1,142	—	—	—	1,142	
Compensation expense related to issuance of stock options and restricted stock below fair value	—	—	—	2,171	—	—	—	2,171	
Unrealized gains on marketable securities	—	—	—	—	—	75	—	75	75
Net loss	—	—	—	—	—	—	(68,863)	(68,863)	(68,863)
Balance at December 31, 2005	22,674,426	2	239,029	(7,225)	—	(41)	(179,288)	52,477	$ (68,788)
Eliminate deferred stock compensation	—	—	(7,225)	7,225	—	—	—	—	
Convertible preferred stock dividends	—	—	(1,859)	—	—	—	—	(1,859)	
Forfeitures of restricted common shares	(127,500)	—	—	—	—	—	—	—	
Issuance of common shares for services	4,875	—	69	—	—	—	—	69	
Issuance of restricted common shares	12,142	—	—	—	—	—	—	—	
Exercise of stock options	125	—	2	—	—	—	—	2	
Compensation expense related to stock options for services	—	—	4,791	—	—	—	—	4,791	
Unrealized gains on marketable securities	—	—	—	—	—	43	—	43	43
Net loss	—	—	—	—	—	—	(57,270)	(57,270)	(57,270)
Balance at December 31, 2006	22,564,068	$ 2	$ 234,807	$ —	$ —	$ 2	$ (236,558)	$ (1,747)	$ (57,227)

See accompanying notes to consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.
(A Development-Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Loss (Continued)
(in thousands, except share amounts)
(unaudited)

	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Deficit accumulated during the development stage	Total stockholders' equity (deficit)	Comprehensive loss
	Shares	Amount					
Issuance of common shares in IPO, net	5,000,000	$ —	$ 44,660	$ —	$ —	$ 44,660	$
Conversion of convertible preferred stock	6,278,765	1	41,819	—	—	41,820	
Issuance of restricted common shares	15,661	—	—	—	—	—	
Repurchase of previously restricted common shares	(29,046)	—	(290)	—	—	(290)	
Exercise stock options	2,750	—	39	—	—	39	
Compensation expense related to stock options for services	—	—	3,901	—	—	3,901	
Reclassification of vested stock options granted to non-employee consultants to liabilities	—	—	(1,340)	—	—	(1,340)	
Unrealized gains on marketable securities	—	—	—	(2)	—	(2)	(2)
Net loss	—	—	—	—	(47,971)	(47,971)	(47,971)
Balance at September 30, 2007	33,832,198	$ 3	$ 323,596	$ —	$ (284,529)	$ 39,070	$ (47,973)

See accompanying notes to unaudited consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.

(A Development-Stage Company)

Notes to Unaudited 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 FDA and other government regulations.

(2) Summary of Significant Accounting Policies

Basis of Presentation

Since its inception, the Company has devoted its efforts to research, product development, and securing financing and has not earned significant revenue from its planned principal operations. Accordingly, the consolidated financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 7, *Accounting and Reporting by Development-Stage Enterprises.* Beginning in the fourth quarter of 2007, the Company will no longer be required to report under SFAS No. 7 when it begins to recognize revenue under its collaborative development, commercialization and license agreement with GlaxoSmithKline (GSK) entered into in October 2007. (See Note 9.)

The accompanying interim balance sheet as of September 30, 2007, the consolidated statements of operations and cash flows for the three months and nine months ended September 30, 2007 and 2006 and the period from inception (March 10, 2000) through September 30, 2007, and the statement of stockholders' equity (deficit) for the period from inception (March 10, 2000) through September 30, 2007 are unaudited. The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. These statements, however, are condensed and do not include all disclosures required by accounting principles generally accepted in the United States for complete financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2006.

In the opinion of the Company's management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting solely of normal recurring adjustments and accruals necessary for the fair presentation of the Company's financial position at September 30, 2007 and its results of operations and cash flows for the three months and nine months ended September 30, 2007 and 2006 and the period from inception (March 10, 2000) through September 30, 2007. The results for the three months and nine months ended September 30, 2007 are not necessarily indicative of results to be expected for the year ending December 31, 2007 or subsequent interim periods.

The accounting policies underlying these interim financial statements are set forth in the consolidated financial statements for the year ended December 31, 2006.

Principles of Consolidation

The consolidated financial statements include the financial statements of Synta Pharmaceuticals Corp. 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, valuation of acquired in-process research and development, measurement of stock-based compensation, and the fair value of the Company's common stock. The Company bases its estimates on historical experience and various other assumptions that management believes to be reasonable under the circumstances. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123(R), *Share-Based Payment* (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 and nine months ended September 30, 2007 and 2006 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* (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 vesting in the three months and nine months ended September 30, 2007 and 2006. 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.

For the three months and nine months ended September 30, 2007 and 2006, 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 September 30,		Nine months ended September 30,		Period from inception (March 10, 2000) through September 30,
	2007	2006	2007	2006	2007
Risk-free interest rate	4.51%	4.80%	4.64%	4.63%	3.82%
Expected life in years	6.25	6.25	6.25	6.25	5.43
Volatility	75%	75%	75%	75%	35%
Expected dividend yield	—	—	—	—	—
Weighted average grant-date fair value	$ 5.20	$ 9.83	$ 6.14	$ 9.80	$ 5.47

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 accounts for stock options issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force (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.

Certain of the Company's options granted to non-employees that are fully vested and no longer subject to a performance requirement are subject to EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, which requires the stock options held by certain non-employee consultants to be accounted for as liability awards. The fair value of these vested and unexercised awards was recognized as liability awards starting in April 2007 following the registration of stock options under Form S-8, using the Black-Scholes model. As of September 30, 2007, a liability of $1,340,000 was reflected in the balance sheet as other current liabilities. The fair value of the award is re-measured at each financial statement reporting date until the options are exercised or expire. When and if non-employee consultants exercise their Company options or the Company options expire, the corresponding liability will be reclassified to equity. As of September 30, 2007, vested stock options to acquire 345,085 shares of common stock held by non-employee consultants remained unexercised.

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 September 30,		Stock compensation expense for the nine months ended September 30,		Unrecognized stock compensation expense as of September 30,
	2007	2006	2007	2006	2007
Employee stock options	$ 1,035	$ 734	$ 2,980	$ 2,067	$ 10,588
Repriced employee stock options	36	42	105	368	184
Employee options issued below fair value	2	5	7	16	22
Non-employee stock options	(491)	58	(447)	214	93
Restricted stock	412	419	1,256	920	3,427
	$ 994	$ 1,258	$ 3,901	$ 3,585	$ 14,314

There was no income tax benefit related to the Company's stock-based compensation arrangements for employees and non-employee awards and unrecognized stock-based compensation expense will be recognized over a weighted average period of 4.4 years.

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Research and development	$ 704	$ 942	$ 2,863	$ 2,619
General and administrative	290	316	1,038	966
Total	$ 994	$ 1,258	$ 3,901	$ 3,585

Certain of the employee stock options granted by the Company are structured to qualify as incentive stock options (ISOs). Under current tax regulations, the Company does not receive a tax deduction for the issuance, exercise or disposition of ISOs if the employee meets certain holding requirements. If the employee does not meet the holding requirements, a disqualifying disposition occurs, at which time the Company will receive a tax deduction. The Company does not record tax benefits related to ISOs unless and until a qualifying disposition occurs. In the event of a disqualifying disposition, the entire tax benefit is recorded as a reduction of income tax expense. The Company has not recognized any income tax benefit for the share-based compensation arrangement due to the fact that the Company does not believe it is more likely than not it will recognize any deferred tax assets from such compensation cost recognized in the current period.

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* (SFAS 128), 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 common share is the same as

basic net loss per common share as the inclusion of weighted average shares of common stock issuable upon the exercise of stock options and warrants and conversion of convertible preferred stock would be anti-dilutive.

The following table summarizes securities outstanding at each of the periods presented which were not included in the calculation of diluted net loss per share since their inclusion would be anti-dilutive.

	September 30,	
	2007	2006
Common stock options	3,946,522	3,119,706
Unvested restricted stock	166,748	285,000

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FAS 109* (Interpretation No. 48). This interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation No. 48 is effective for fiscal years beginning after December 15, 2006. Earlier application is encouraged if the company has not yet issued financial statements, including interim financial statements, in the period Interpretation No. 48 is adopted. The Company adopted this Interpretation No. 48 effective January 1, 2007 and its adoption had no impact on its consolidated results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which provides guidance for using fair value to measure assets and liabilities. The pronouncement clarifies (1) the extent to which companies measure assets and liabilities at fair value; (2) the information used to measure fair value; and (3) the effect that fair value measurements have on earnings. SFAS No. 157 will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. SFAS No. 157 will be applicable to us as of January 1, 2008. The Company does not believe the adoption of SFAS No. 157 will have a material impact on its overall financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159) including an amendment of SFAS No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for the Company beginning in fiscal 2008. The Company is currently evaluating SFAS No. 159 and the impact that it may have on its results of operations or financial position.

In June 2007, the EITF issued EITF No. 07-03, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities,* (EITF 7-03), which provides guidance for upfront payments related to goods and services of research and development costs. EITF 07-03 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating EITF 7-03 and the impact that it may have on its results of operations or financial position.

(3) Cash, Cash Equivalents and Marketable Securities

A summary of cash, cash equivalents and available-for-sale marketable securities held by the Company as of September 30, 2007 and December 31, 2006 is as follows:

	September 30, 2007			
	Cost	Unrealized gains	Unrealized losses	Fair value
	(in thousands)			
Cash and cash equivalents:				
Cash and money market funds	$ 48,339	$ —	$ —	$ 48,339
Marketable securities:				
Corporate bonds:				
Due within 1 year	—	—	—	—
Total cash and cash equivalents and marketable securities	$ 48,339	$ —	$ —	$ 48,339

	December 31, 2006			
	Cost	Unrealized gains	Unrealized losses	Fair value
	(in thousands)			
Cash and cash equivalents:				
Cash and money market funds	$ 33,687	$ —	$ —	$ 33,687
Marketable securities:				
Corporate bonds:				
Due within 1 year	13,135	2	—	13,137
Total cash and cash equivalents and marketable securities	$ 46,822	$ 2	$ —	$ 46,824

(4) Property and Equipment

Property and equipment consist of the following:

	September 30, 2007	December 31, 2006
	(in thousands)	
Laboratory equipment	$ 10,096	$ 8,724
Leasehold improvements	4,103	3,854
Computers and software	1,076	1,042
Furniture and fixtures	791	677
	16,066	14,297
Less accumulated depreciation and amortization	(10,645)	(8,230)
	$ 5,421	$ 6,067

Depreciation and amortization expenses of property and equipment were approximately $2,472,000, $2,828,000 and $11,429,000 for the nine months ended September 30, 2007 and 2006 and the period from inception (March 10, 2000) through September 30, 2007, respectively.

(5) Stockholders' Equity

Common Stock

Reverse Stock Split

In January 2007, the Board of Directors and the stockholders of the Company approved (i) a 1-for-4 reverse stock split, which was effected on February 2, 2007, subject to a reduction for fractional shares that were paid for in cash, (ii) an adjustment of the authorized common shares to 100,000,000, which became effective upon the completion of the initial public offering ("IPO") of the Company's common stock, and (iii) an adjustment in the number of common shares reserved under the 2006 Stock Option Plan to 2,500,000. All share data shown in the accompanying consolidated financial statements has been retroactively restated to reflect the reverse split. The reverse stock split did not alter the par value of the common stock, which is $0.0001 per share, or modify any voting rights or other terms of the common stock.

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 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. As of December 31, 2006, the Company had approximately $1.0 million in deferred IPO costs related to this offering. All outstanding shares of the Company's 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 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*, 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 Series A convertible preferred stock.

(6) Stock Option Plans

In March 2006, the Company terminated the Synta Pharmaceuticals Corp. 2001 Stock Plan (the 2001 Stock Option Plan) and adopted the Synta Pharmaceuticals Corp. 2006 Stock Plan (the 2006 Stock Option Plan). The 2006 Stock Option Plan provides for the grant of incentive stock options, nonstatutory stock options and restricted stock to employees, officers, directors and consultants to the Company. A total of 2,500,000 shares of common stock have been reserved for issuance under the 2006 Stock Option Plan. The administration of the 2006 Stock Option 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 or a committee thereof, 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.

As of September 30, 2007, the Company had options outstanding to purchase 2,829,461 shares of its common stock, had outstanding 155,000 restricted shares of common stock and had no shares available for future issuance under the 2001 Stock Option Plan.

As of September 30, 2007, the Company had options outstanding to purchase 1,042,061 shares of its common stock, had outstanding 11,748 restricted shares of common stock and had available 1,430,136 shares available for future issuance under the 2006 Stock Option Plan.

As of September 30, 2007, the Company had options outstanding to purchase 75,000 shares of its common stock that were granted outside of the 2001 Stock Plan and 2006 Stock Plan.

General Option Information

The following table summarizes stock option activity during the nine months ended September 30, 2007:

	Shares available for Grant	Options	Weighted average exercise price of options under plan
Outstanding at January 1, 2007	2,326,358	3,044,343	$ 11.90
Granted	(1,052,359)	1,036,698	8.86
Exercised	—	(2,750)	14.00
Cancelled(1)	62,387	(131,769)	11.38
Additional shares reserved(2)	93,750	—	—
Outstanding at September 30, 2007	1,430,136	3,946,522	$ 11.11
Exercisable at September 30, 2007		2,423,626	$ 11.36

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

(2) In January 2007, the Company authorized the increase in shares reserved for future issuance from 2,406,250 to 2,500,000.

Included in the Company's stock options outstanding at September 30, 2007 are 368,430 options issued to non-employee consultants with a weighted average exercise price of $8.45 of which 345,085 are vested. The weighted average period over which $93,000 of unrecognized compensation expense is

expected to be recognized is 3.7 years. The following table summarizes information about outstanding and exercisable stock options at September 30, 2007:

	Options Outstanding				Options Exercisable			
Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price per share	Aggregate intrinsic value	Number exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price per share	Aggregate intrinsic value
$ 2.00	164,762	4.16	$ 2.00	$ 757,905	164,762	4.16	$ 2.00	$ 757,905
6.07-8.75	771,574	9.47	8.57	—	—	—	—	—
10.00-10.84	1,603,843	5.84	10.74	—	1,401,106	5.33	10.84	—
14.00	1,406,343	7.61	14.00	—	857,758	7.29	14.00	—
	3,946,522	7.11	$ 11.11	$ 757,905	2,423,626	5.94	$ 11.36	$ 757,905

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 September 30, 2007 was $3,427,000. The weighted average period over which the balance is expected to be recognized is 1.4 years. Vesting may accelerate upon the U.S. Food and Drug Administration's approval of the Company's first New Drug Application.

General Restricted Shares Information

The following table summarizes restricted stock activity during the nine months ended September 30, 2007:

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2007	291,073	$ 21.15
Granted	15,661	8.30
Vested	(139,986)	21.27
Cancelled	—	—
Outstanding at September 30, 2007	166,748	$ 19.84

In January 2007, the Company repurchased 29,046 shares of its previously restricted common stock 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. In June 2007, these treasury shares were retired.

(7) Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2007	December 31, 2006
	(in thousands)	
Contracted research costs	$ 3,205	$ 3,052
Compensation and benefits	2,201	1,196
Professional fees	2,156	1,451
Other	484	428
	$ 8,046	$ 6,127

(8) Related-Party Transactions

Consulting Agreements and Agreement and Release

The Company paid its scientific founder, who is also a member of its Board of Directors, fees under a consulting agreement and installment payments related to an Agreement and Release. In March 2007, the Company amended the consulting agreement to reduce the fee from $25,000 to $10,000 per month. The Company made payments of approximately $195,000 and $300,000 in the nine months ended September 30, 2007 and 2006, respectively, in connection with both of these agreements.

(9) Subsequent Events

Collaborative Development, Commercialization and License Agreement

In October 2007, the Company and GlaxoSmithKline ("GSK") entered into a collaborative development, commercialization and license agreement for elesclomol, a novel, small-molecule anti-cancer agent. 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 will receive a non-refundable upfront cash payment of $80 million. 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. 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 costs. In the United States, the Company's share of the operating profits from the commercialization and sales of elesclomol will be 40-50%, with the percentage increasing as the level of annual sales increases. Outside of the United States, the Company will receive double-digit tiered royalties. Under the 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 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. The agreement was subject to the Hart-Scott-Rodino Act and has received clearance by the U.S. government.

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 in Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading "Risk Factors". 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 that address severe medical conditions with large potential markets, including cancer and chronic inflammatory diseases. We have three drug candidates in clinical trials, one drug candidate in preclinical studies, and one program undergoing lead optimization. In September 2006, we announced positive results for our most advanced drug candidate, elesclomol (formerly STA-4783), in a Phase 2b clinical trial in patients with metastatic melanoma. Based on these positive results, we initiated the SYMMETRY^{SM} trial, our global, pivotal Phase 3 clinical trial of elesclomol for the treatment of metastatic melanoma, in the third quarter of 2007. We received a letter from the FDA responding to our application for a Special Protocol Assessment, or SPA, of our SYMMETRY trial. The SPA process provides for a written agreement between the trial's sponsor and the FDA that the design and planned analyses of the clinical trial can be used in support of regulatory approval. The FDA letter stated that the FDA has completed its review of our SPA application and has determined that the design and planned analysis of our study adequately address the objectives necessary to support a regulatory submission. In October 2007, we announced our collaborative development, commercialization and license agreement with GlaxoSmithKline ("GSK") for elesclomol. In addition, we expect to initiate clinical trials of elesclomol in other cancer types. For our second clinical-stage drug candidate, apilimod, we are currently conducting a Phase 2a clinical trial in patients with rheumatoid arthritis and sponsoring a Phase 2a clinical trial in patients with common variable immunodeficiency, or CVID. For our third clinical-stage drug candidate, STA-9090, we filed an investigational new drug application, or IND, in the third quarter of 2007 and initiated a Phase 1 clinical trial in the fourth quarter of 2007. Our next most advanced drug candidate, STA-9584, is currently in preclinical development. Our CRAC ion channel inhibitor program is currently in the lead optimization stage. All of our drug candidates were discovered and developed internally, using our unique chemical compound library, and the chemistry, biology, and pharmaceutical development assets and capabilities built over the combined history of Synta and its predecessor companies. Except for our collaborative development, commercialization and license agreement with GSK for elesclomol, we have retained all rights to all of our drug candidates and programs across all geographic markets and therapeutic indications.

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. In September 2002, we acquired all of the outstanding stock of Principia Associates, Inc., an operating biopharmaceutical company and a related party, in exchange for our common stock, common stock warrants and forgiveness of notes receivable with an aggregate value of $16.9 million. In July 2002, Principia had acquired all of the outstanding stock of SBR Pharmaceuticals Corp. (formerly Shionogi BioResearch Corp.), an operating biopharmaceutical company, in exchange for cash of $12.5 million. In December 2002, we acquired all of the outstanding stock of Diagon Genetics, Inc., a related party, whose activities consisted of owning the rights to the development of certain intellectual property, in exchange for cash of $5.0 million and $8.5 million of our common stock. In January 2004, we acquired the assets, consisting principally of rights to intellectual property, and assumed certain liabilities of Cancer Genomics, Inc., Kava Pharmaceuticals, Inc. and SinglePixel Biomedical, Inc.,

collectively referred to herein as CKS, all related parties, in a single transaction in exchange for our common stock with a value of $2.2 million.

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 and $44.7 million in net proceeds from our initial public offering, which, together with the exercise of common stock warrants and options, provided aggregate net cash proceeds of approximately $281.3 million through September 30, 2007.

In February 2007, we raised $50.0 million in gross proceeds from the sale of 5,000,000 shares of our common stock in an initial public offering ("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.

In October 2007, we and GSK entered into a collaborative development, commercialization and license agreement for elesclomol, a novel, small-molecule anti-cancer agent. 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, we will receive a non-refundable upfront cash payment of $80 million. 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. 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. Outside of the United States, we will receive double-digit tiered royalties. Under the 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. 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. The agreement was subject to the Hart-Scott-Rodino Act and has received clearance by the U.S. government.

We have devoted substantially all of our capital resources to the research and development of our drug candidates and to the acquisitions of Principia and Diagon. We have never been profitable and, as of September 30, 2007, we had an accumulated deficit of $284.5 million. We expect to incur significant and increasing operating losses for the foreseeable future as we advance our drug candidates from discovery through preclinical 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 as we add personnel and continue operating as a public company. 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 for the foreseeable future. Since our inception, we have recognized $1.5 million of revenue, which was derived entirely from government grants. 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 a collaborative development, commercialization and license agreement with GSK for our lead drug candidate, elesclomol. 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 agreement with GSK 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. From inception through September 30, 2007, we incurred research and development expense in the aggregate of $219.1 million. 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.

For the periods indicated below, research and development expenses for our clinical-stage drug candidates, elesclomol, apilimod, and STA-9090 and our other early-stage and discontinued programs were as follows (in millions):

	Three Months Ended September 30,		Nine months Ended September 30,	
	2007	2006	2007	2006
Elesclomol	$ 7.3	$ 2.2	$ 23.3	$ 4.6
Apilimod	0.3	3.5	1.3	16.5
STA-9090	1.2	3.9	5.6	10.3
Early-stage and discontinued programs	2.7	3.0	8.5	8.6
Total	$ 11.5	$ 12.6	$ 38.7	$ 40.0

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 $60 million to $70 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.

In-Process Research and Development

Our acquisitions of Principia and Diagon in 2002 and the CKS assets in 2004 resulted in in-process research and development charges to our consolidated statements of operations in the respective periods of the acquisitions. The total amount of in-process research and development charges related to these acquisitions was approximately $19.7 million. We used the income approach to estimate the fair value of in-process research and development for the Principia and Diagon acquisitions and the cost approach for the CKS acquisition. Generally, in cases where we acquired assets and assumed liabilities, and where the purchase price exceeded the fair value of net assets acquired, the excess purchase price has been allocated to acquired intangible assets, principally in-process research and development. If the in-process research and development acquired is incomplete and has no alternative future use, we record the value of the in-process research and development as an expense in our consolidated statement of operations in the period of the acquisition.

Under the income approach, each project was analyzed to determine the utilization of core technology; the complexity, cost and time to complete development; any alternative future use or current technological feasibility; and the stage of completion. Future cash flows were estimated, taking into account the expected life cycles of the product and the underlying technology, relevant market sizes and industry trends. The estimated net cash flows from these products were based on management's estimates of related revenues, cost of goods sold, research and development costs, selling, general and administrative costs, and income taxes. Material cash flows from each of the projects valued under the income approach were assumed to commence in the year following project completion. Discount rates and probability factors were determined based on the nature of the technology, the stage of completion of the projects, the complexity of the development effort and the risks associated with reaching technological feasibility of the projects.

We recorded an in-process research and development charge of $13.9 million as a result of the Principia acquisition, principally comprised of an $8.7 million charge related to elesclomol and a $3.7 million charge related to apilimod. The discount rates applied in the valuations ranged from 30% to 40%.

Projects acquired in the Diagon acquisition related to ion channel technology and anti-allergy antibody projects and resulted in in-process research and development valuation of approximately $3.0 million and $1.2 million, respectively. The discount rate applied in the valuations was 30%.

The CKS in-process research and development charge of $1.6 million pertained to the technology related to the treatment of anxiety and general pain. The value of the CKS in-process research and development charge was based on the cost approach. During 2004, after an initial investment to advance the technology, we ceased further funding of the project.

We believe each of the acquired technologies for which in-process research and development was recorded was unique and patents were filed for each of the acquired projects. Completion of these projects will be a complex and costly undertaking, involving continuing research, animal studies and human clinical trials.

General and Administrative

General and administrative expense consists primarily of salaries and related expenses for personnel in executive, finance, business development, investor relations, human resources and administrative functions. Other costs include stock-based compensation costs, legal costs of pursuing patent protection of our intellectual property, fees for general legal, accounting and other professional services, and overhead-related costs not otherwise included in research and development. We anticipate increases in general and administrative expense relating to public-company requirements and initiatives. These increases will likely include legal fees, accounting fees, consulting fees and directors and officers liability insurance premiums, as well as fees for investor relations services.

Convertible Preferred Stock Dividends

Convertible preferred stock dividends consist of cumulative but undeclared dividends that were payable on our Series A convertible preferred stock. The Series A convertible preferred stock accrued dividends at 8% per year. For the year ended December 31, 2006, dividends recorded with respect to the Series A convertible preferred stock totaled $1.9 million. All outstanding shares of our Series A convertible preferred stock and the $1.9 million in accumulated dividends were converted into 6,278,765 shares of our common stock upon completion of the IPO in February 2007. There were no dividends recorded with respect to the Series A convertible preferred stock in the nine months ended September 30, 2007.

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, acquisitions and stock-based compensation. 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 you in understanding and evaluating our reported financial results.

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 and nine months ended September 30, 2007 and 2006, 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 and nine months ended September 30, 2007 and 2006, respectively.

Acquisitions

We apply purchase accounting in our acquisitions. Under purchase accounting, we allocate the purchase price to assets acquired and liabilities assumed based upon our analysis and estimates of fair values. Our analysis generally includes three approaches to estimate the value of acquired assets. The cost approach measures the value of an asset by quantifying the aggregate expenditures that would be required to replace the subject asset, given its future service capability. The market approach employs a comparative analysis of actual transactions in which similar assets have been transferred or in which businesses have been sold whose value is comprised largely of assets similar to the subject assets. The income approach is an estimation of the present value of the future monetary benefits expected to flow to the owner of the asset during its remaining useful life. We generally use the income approach to estimate the fair value of in-process research and development. We perform a discounted cash flow analysis, utilizing anticipated revenues, expenses and net cash flow forecasts related to the technology. Given the high risk associated with the development of new drugs, we probability adjust the revenue and expense forecasts to reflect the risk of failing to advance through the clinical development and regulatory approval process based on the stage of development in the regulatory process. Such a valuation requires significant estimates and assumptions. We believe the fair value assigned to the in-process research and development reflected in our consolidated financial statements is based on reasonable assumptions. However, these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. If the in-process research and development is incomplete and has no alternative future value, we record the full value of the in-process research and development as an expense in the period of the acquisition.

Stock-Based Compensation

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards 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 year ended December 31, 2006 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 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 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, *Accounting for Stock-Based Compensation*, or SFAS 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.

Certain of the Company's options granted to non-employees that are fully vested and no longer subject to a performance requirement are subject to EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, which requires the stock options held by certain non-employee consultants to be accounted for as liability awards. The fair value of these vested and unexercised awards was recognized as liability awards starting in April 2007 following the registration of stock options under Form S-8, using the Black-Scholes model. As of September 30, 2007, a liability of $1,340,000 was reflected in the balance sheet as other current liabilities. The fair value of the award is re-measured at each financial statement reporting date until the options are exercised or expire. When and if non-employee consultants exercise their Company options or the Company options expire, the corresponding liability will be reclassified to equity. As of September 30, 2007, vested stock options to acquire 345,085 shares of common stock held by non-employee consultants remained unexercised.

Our net loss for the three months and nine months ended September 30, 2007 and 2006 includes $1.0 million, $1.3 million, $3.9 million and $3.6 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 September 30, 2007, the total amount of unrecognized stock-based compensation expense is $14.3 million, which will be recognized over a weighted average period of 4.4 years.

Consolidated Results of Operations

Three Months Ended September 30, 2007 Compared with Three Months Ended September 30, 2006

Revenue. There were no revenues for the three months ended September 30, 2007 and 2006.

Research and development. Research and development expense decreased to $11.5 million in the three months ended September 30, 2007 from $12.6 million in the three months ended September 30, 2006. This decrease principally resulted from decreases of $1.9 million in external costs for clinical trials, animal studies and other preclinical testing, clinical product manufacturing, and consulting, and $0.2 million in stock-based compensation, offset by an increase of $1.0 million for personnel costs, related research supplies and operational overhead. In the three months ended September 30, 2007, external costs incurred under our elesclomol program increased by $2.2 million over the same period in 2006, principally due to start-up expenses incurred in connection with 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. In the three months ended September 30, 2007, external costs incurred in connection with apilimod for the treatment of Crohn's disease decreased by $1.3 million over the same period in 2006, as the Phase 2b clinical trial was terminated in June 2006. In addition, external costs incurred in the three months ended September 30, 2007 in connection with the pre-clinical development of STA-9090 decreased by $1.6 million over the same period in 2006, as an IND for STA-9090 was filed in the third quarter of 2007, and the program advanced from the pre-clinical stage into clinical development.

General and administrative. General and administrative expense increased to $3.9 million in the three months ended September 30, 2007 from $2.0 million in the three months ended September 30, 2006. This increase principally resulted from increases of $0.4 million for personnel costs and related overhead in connection with increased headcount and $1.5 million in external professional fees, including investor and medical community relations, public-company reporting requirements, intellectual property and general legal fees, and increased director and officer insurance premiums.

Investment income, net. Net investment income decreased to $0.5 million in the three months ended September 30, 2007 from $0.7 million in the three months ended September 30, 2006.

Net loss. Net loss for the three months ended September 30, 2007 increased to $14.9 million from $13.9 million for the three months ended September 30, 2006. Basic and diluted net loss per share attributable to common stockholders decreased to $0.45 for the three months ended September 30, 2007 from $0.66 for the three months ended September 30, 2006, principally due to an increase in the number of weighted average common shares outstanding resulting 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.

Nine Months Ended September 30, 2007 Compared with Nine Months Ended September 30, 2006

Revenue. There were no revenues for the nine months ended September 30, 2007 and 2006.

Research and development. Research and development expense decreased to $38.7 million in the nine months ended September 30, 2007 from $40.0 million in the nine months ended September 30, 2006. This decrease principally resulted from a decrease of $3.6 million in external costs for clinical trials, animal studies and other preclinical testing, clinical product manufacturing, and consulting, offset by increases of $2.1 million for personnel costs, related research supplies and operational overhead, and $0.2 million in stock-based compensation. In the nine months ended September 30, 2007, external costs incurred under our elesclomol program increased by $7.0 million over the same period in 2006, principally due to start-up expenses incurred in connection with 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. In the nine months ended September 30, 2007, external costs incurred in connection with apilimod for the treatment of Crohn's disease decreased by $7.8 million over the same period in 2006, as the Phase 2b clinical trial was terminated in June 2006. In addition, external costs incurred in the nine months ended September 30, 2007 in connection with the pre-clinical development of STA-9090 decreased by $2.0 million over the same period in 2006, as an IND for STA-9090 was filed in the third quarter of 2007, and the program advanced from the pre-clinical stage into clinical development.

General and administrative. General and administrative expense increased to $11.2 million in the nine months ended September 30, 2007 from $6.1 million in the nine months ended September 30, 2006. This increase principally resulted from increases of $1.6 million for personnel costs and related overhead in connection with increased headcount, $3.4 million in external professional fees, including investor and medical community relations, public-company reporting requirements, intellectual property and general legal fees, and increased director and officer insurance premiums, and $0.1 million in stock-based compensation.

Investment income, net. Net investment income increased to $1.9 million in the nine months ended September 30, 2007 from $1.4 million in the nine months ended September 30, 2006. The increase in investment income was principally due to the higher average investment balance resulting from net cash proceeds of $44.7 million raised from the sale of our common stock in the IPO in February 2007.

Net loss. Net loss for the nine months ended September 30, 2007 increased to $48.0 million from $44.8 million for the nine months ended September 30, 2006. Basic and diluted net loss per share attributable to common stockholders increased to $3.35 for the nine months ended September 30, 2007 from $2.06 for the nine months ended September 30, 2006. The increase was principally due to the non-cash 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 that converted into common stock upon the completion of the IPO in February 2007, offset in part by an increase in the number of weighted average common shares outstanding resulting 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 and

$44.7 million in net proceeds from the IPO, which, together with the exercise of common stock warrants and options, provided aggregate net cash proceeds of approximately $281.3 million through September 30, 2007. We have also generated funds from government grant revenues, equipment lease financings and investment income.

As of September 30, 2007, we had cash, cash equivalents and marketable securities of $48.3 million, an increase of $1.5 million from $46.8 million as of December 31, 2006. This increase principally reflects $44.7 million of net proceeds from our IPO and our net loss of $48.0 million during the nine months ended September 30, 2007, as adjusted for non-cash charges for depreciation and stock-based compensation, and changes in working capital. Our funds are currently invested in money-market funds.

In October 2007, we and GSK entered into a collaborative development, commercialization and license agreement for elesclomol, a novel, small-molecule anti-cancer agent. Pursuant to the agreement, we will receive a non-refundable upfront cash payment of $80 million. 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 May 31, 2008. As of September 30, 2007, approximately $1.1 million was available under this revolving lease line for future property and equipment expenditures.

Cash Flows

The following table provides information regarding our cash flows and our capital expenditures for the nine months ended September 30, 2007 and 2006 (in thousands).

	2007	2006
Cash provided by (used in):		
Operating activities	$ (41,151)	$ (41,969)
Investing activities	11,651	20,481
Financing activities	44,152	39,481
Capital expenditures (included in investing activities above)	(1,484)	(894)

Our operating activities used cash of $41.2 million and $42.0 million in the nine months ended September 30, 2007 and 2006, 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 provided cash of $11.6 million and $20.5 million in the nine months ended September 30, 2007 and 2006, respectively. Our investing activities in the nine months ended September 30, 2007 included sales and maturities of marketable securities in our investment portfolio in the amount of $28.1 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 $1.5 million. Our investing activities in the nine months ended September 30, 2006 included sales and maturities of marketable securities in our investment portfolio in the amount of $114.6 million, offset by the purchases of

marketable securities in the amount of $93.2 million and purchases of property and equipment in the amount of $0.9 million.

Our financing activities provided $44.2 million and $39.5 million in the nine months ended September 30, 2007 and 2006, respectively. In February 2007, we raised net cash proceeds of $44.7 million from the sale of 5,000,000 shares of common stock in the IPO. In June 2006, we raised gross proceeds of $40.0 million from the sale of 8,000,000 shares of our Series A convertible preferred stock. We raised $1.7 million and $1.0 million in proceeds from the sale and lease-back of property and equipment in the nine months ended September 30, 2007 and 2006, respectively. We repaid $1.9 million and $1.5 million in capital equipment leases in the nine months ended September 30, 2007 and 2006, respectively. 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 10-K for the fiscal year ended December 31, 2006.

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 trials of apilimod for the treatment of rheumatoid arthritis and CVID, 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 a Phase 1 clinical trial of STA-9090 that was initiated in the fourth quarter of 2007, and initiate any additional clinical trials, if supported by 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 for the next several years. 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, together with the $80 million upfront non-refundable cash payment from GSK, 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 the Company's 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, under our agreement with GSK, in 2008. However, we may require significant additional funds earlier than we currently expect 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.

Off-Balance Sheet Arrangements

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

Recently Issued Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FAS 109*, or Interpretation No. 48. This interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation No. 48 is effective for fiscal years beginning after December 15, 2006. We adopted Interpretation No. 48 effective January 1, 2007 and its adoption had no impact on our consolidated results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, or SFAS No. 157, which provides guidance for using fair value to measure assets and liabilities. The pronouncement clarifies (1) the extent to which companies measure assets and liabilities at fair value; (2) the information used to measure fair value; and (3) the effect that fair value measurements have on earnings. SFAS No. 157 will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. SFAS No. 157 will be applicable to us as of January 1, 2008. We do not believe the adoption of SFAS No. 157 will have a material impact on our overall financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159, including an amendment of SFAS No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for us beginning in fiscal 2008. We are currently evaluating SFAS No. 159 and the impact that it may have on our results of operations or financial position.

In June 2007, the EITF issued EITF No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities,* or EITF 7-03, which provides guidance for upfront payments related to goods and services of research and development costs. EITF 07-03 is effective for fiscal years beginning after December 15, 2007. We are currently evaluating EITF 7-03 and the impact that it may have on our results of operations or financial position.

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 in Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading "Risk Factors."

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.

We are exposed to market risk related to changes in interest rates. As of September 30, 2007, we had cash, cash equivalents and marketable securities of $48.3 million consisting of cash and highly liquid, short-term investments. Our cash is deposited in and invested through highly rated financial institutions in North America. Our marketable securities are subject to interest rate risk and will fall in value if market interest rates increase. If market interest rates were to increase immediately and uniformly by 10% from levels at September 30, 2007, we estimate that the fair value of our investments will decline by an immaterial amount, and therefore, our exposure to interest rate changes is not significant.

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.

The disclosure contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 is replaced and superseded by the following:

If any of the following risks occurs, our business, business prospects, financial condition, results of operations, or cash flows could be materially harmed.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant losses since our inception, and we expect to incur losses for the foreseeable future and may never reach profitability.

Since inception we have incurred significant operating losses and, as of September 30, 2007, we had an accumulated deficit of $284.5 million, which includes research and development expense of $219.1 million. We expect to continue to incur significant operating expenses and capital expenditures and anticipate that our expenses and losses will increase substantially in the foreseeable future as we:

- complete the SYMMETRY trial, our 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 additional 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 the GSK agreement;
- complete the current Phase 2a clinical trials of apilimod for the treatment of rheumatoid arthritis and CVID, and possibly initiate Phase 2 clinical trials of apilimod in additional inflammatory disease indications;
- initiate additional Phase 3 clinical trials of elesclomol and one or more Phase 3 clinical trials of apilimod, if supported by Phase 2 results;
- complete a Phase 1 clinical trial of STA-9090 that was initiated in the fourth quarter of 2007, and initiate any additional clinical trials, if supported by Phase 1 results;
- complete preclinical development of STA-9584 and initiate clinical trials, if supported by positive preclinical data;
- advance our preclinical 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, acquisitions 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.

We must generate significant revenue to achieve and maintain profitability. Even if we succeed in developing and commercializing one or more of our drug candidates, we may not be able to generate sufficient revenue and we may never be able to achieve or maintain profitability.

Our operating history may make it difficult to evaluate the success of our business to date and to assess our future viability.

We commenced operations in July 2001 and are a development-stage company. Our operations to date have been limited to organizing and staffing our company, acquiring, developing, and securing our technology, and undertaking preclinical studies and clinical trials of our drug candidates. We have not yet demonstrated an ability to obtain regulatory approval, formulate and manufacture a commercial-scale product, or conduct sales and marketing activities necessary for successful product commercialization. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history or had previously discovered, developed, and/or commercialized an approved product.

If we fail to obtain the capital necessary to fund our operations, we will be unable to successfully develop and commercialize our lead drug candidates.

Although we have raised substantial capital to date, we may require additional capital in order to complete clinical development and commercialize our drug candidates, elesclomol, apilimod, STA-9090, and STA-9584, and to conduct the research and development and clinical and regulatory activities necessary to bring other drug candidates to market. 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 $60 million to $70 million. We may not have sufficient capital, however, to fully fund certain other activities, including activities related to the continued clinical development of our other lead drug candidates and advancement of our other programs. Our future capital requirements will depend on many factors that are currently unknown to us, including:

- our ability to fulfill our obligations and otherwise maintain our agreement with GSK;
- the progress and results of 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;
- the progress and results of any additional Phase 2 clinical trials of elesclomol in other cancer types we may initiate;
- the costs of performing and funding pre-commercialization activities, and establishing sales and marketing functions and commercial manufacturing arrangements for elesclomol, consistent with our obligations under our agreement with GSK;
- the progress and results of the current Phase 2a clinical trials of apilimod for the treatment of rheumatoid arthritis and CVID and any future Phase 2 clinical trials we may initiate for other inflammatory disease indications;
- the progress and results of, any additional Phase 3 clinical trials of elesclomol in other cancer types and any Phase 3 clinical trials of apilimod we may initiate in the future based on the results of Phase 2 clinical trials;

- the progress and results of our Phase 1 clinical trial of STA-9090 initiated in the fourth quarter of 2007, and any additional clinical trials we may initiate in the future based on the results of the Phase 1 clinical trial;
- the results of our preclinical studies and testing of STA-9584 and our CRAC ion channel inhibitor program, and our decision to initiate clinical trials, if supported by the preclinical results;
- the costs, timing, and outcome of regulatory review of elesclomol, apilimod, STA-9090 and our preclinical drug candidates;
- the scope, progress, results, and cost of preclinical development, clinical trials, and regulatory review of any new drug candidates we may discover or acquire;
- the costs of preparing, filing, and prosecuting patent applications and maintaining, enforcing, and defending intellectual property-related claims;
- our ability to establish additional strategic collaborations and licensing or other arrangements on terms favorable to us;
- the costs to satisfy our obligations under potential future collaborations; and
- the timing, receipt, and amount of sales or royalties, if any, from elesclomol, apilimod, STA-9090, STA-9584, and our other potential products.

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.

There can be no assurance that additional funds will be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available on a timely basis, 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.

Based on our current operating plans, we expect our existing funds, together with the $80 million non-refundable upfront cash payment from GSK, 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 positive clinical regulatory outcomes leading to the approval by the FDA of elesclomol for the treatment of metastatic melanoma could extend the Company's 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, under our agreement with GSK, in 2008. However, our operating plans may change as a result of many factors currently unknown to us, and we may need additional funds sooner than planned. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

Raising additional capital may cause dilution to existing stockholders, restrict our operations or require us to relinquish rights.

We may seek the additional capital necessary to fund our operations through public or private equity offerings, debt financings, and collaborative and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, existing stockholders ownership interests will be diluted and the terms may include liquidation or other preferences that adversely affect their rights as a stockholder. Pursuant to the terms of our collaboration with GSK, GSK may, subject to our agreement, purchase up to $45 million of our common stock in two separate tranches upon the future achievement of specified development and regulatory milestones. In the first tranche, GSK would be obligated at Synta's sole discretion to purchase $25 million of Synta's common stock. In the second tranche, which is subject to agreement by both GSK and Synta, GSK would purchase $20 million of Synta's common stock. The per share purchase price under each tranche is at a specified premium. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through collaboration and licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies or drug candidates, or grant licenses on terms that are not favorable to us.

Risks Related to the Development and Regulatory Approval of Our Drug Candidates

Our success is largely dependent on the success of our lead drug candidate, elesclomol, as well as our other drug candidates, and we cannot be certain that we will be able to obtain regulatory approval for or successfully commercialize any of these drug candidates.

We have invested a significant portion of our time and financial resources in the development of our lead drug candidate, elesclomol, for the treatment of cancer. We have also invested a significant amount of time and financial resources in the development of our other drug candidates, apilimod, STA-9090 and STA-9584. We anticipate that our success will depend largely on the receipt of regulatory approval and successful commercialization of these drug candidates. The future success of these drug candidates will depend on several factors, including the following:

- our ability to provide acceptable evidence of their safety and efficacy;
- receipt of marketing approval from the FDA and any similar foreign regulatory authorities;
- successful formulation of an efficacious and commercially viable form of apilimod;

- obtaining and maintaining commercial manufacturing arrangements with third-party manufacturers or establishing commercial-scale manufacturing capabilities;

- establishing an internal sales force or collaborating with pharmaceutical companies or contract sales organizations to market and sell any approved drug; and

- acceptance of any approved drug in the medical community and by patients and third-party payors.

Many of these factors are beyond our control. Accordingly, there can be no assurance that we will ever be able to generate revenues through the sale of an approved product.

If we do not obtain the required regulatory approval, we will be unable to market and sell our drug candidates.

Elesclomol, apilimod, STA-9090, STA-9584, and any other drug candidates we may discover or acquire and seek to commercialize are subject to extensive governmental regulations relating to development, clinical trials, manufacturing, and commercialization. Rigorous preclinical testing and clinical trials and an extensive regulatory approval process are required to be successfully completed in the United States and in many foreign jurisdictions before a new drug can be sold. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain, and subject to unanticipated delays. The time required to obtain approval by the FDA is unpredictable but typically exceeds five years following the commencement of clinical trials, depending upon the complexity of the drug candidate. We initiated clinical development of elesclomol, apilimod and STA-9090 in 2002, 2003 and 2007, respectively, and thus far, these drug candidates have been studied in only a relatively small number of patients. 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. Apilimod is currently in Phase 2a clinical trials for the treatment of rheumatoid arthritis and CVID. We initiated a Phase 1 clinical trial of STA-9090 in the fourth quarter of 2007. STA-9584 is in preclinical development.

We have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approvals, including approval by the FDA. In connection with the clinical trials of elesclomol, apilimod, STA-9090 and STA-9584 and any other drug candidate we may seek to develop in the future, we face risks that:

- the drug candidate may not prove to be efficacious;

- the dosing of the drug candidate in a particular clinical trial may not be at an optimal level (for example, we are uncertain whether the Phase 2 clinical trial results for elesclomol in sarcoma and non-small cell lung cancer and Phase 2 clinical trial results for apilimod in psoriasis and Crohn's disease were the result of suboptimal dosing amounts and/or dosing schedules);

- patients may die or suffer other adverse effects for reasons that may or may not be related to the drug candidate being tested;

- the results may not confirm the positive results of earlier clinical trials; and

- the results may not meet the level of statistical significance required by the FDA or other regulatory agencies for marketing approval.

Of the large number of drugs in development, only a small percentage result in the submission of a new drug application, or NDA, to the FDA and even fewer are approved for commercialization. Furthermore, even if we do receive regulatory approval to market a commercial product, any such approval may be subject to limitations on the indicated uses for which we may market the product.

We will need to demonstrate the safety and efficacy of elesclomol in one or more Phase 3 clinical trials in order to obtain FDA approval for use in the treatment of metastatic melanoma, and there can be no assurance that elesclomol will achieve positive results in further clinical testing.

Positive results in early clinical trials of a drug candidate may not be replicated in later clinical trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials even after achieving promising results in earlier-stage development. Although our Phase 2b clinical trial of elesclomol for the treatment of metastatic melanoma achieved the primary endpoint of increasing progression-free survival, there can be no assurance that the SYMMETRY trial, our global, pivotal Phase 3 trial for the treatment of metastatic melanoma, will achieve positive results. A number of factors could contribute to a lack of positive results in the SYMMETRY trial. For example, in our Phase 2b clinical trial, the majority of patients had been treated with prior chemotherapy, whereas our SYMMETRY trial will enroll only patients who have received no prior treatment with chemotherapy. In addition, the clinical investigators involved in the Phase 2b clinical trial used their judgment to determine when a patient's melanoma had progressed, using the criteria defined in the trial protocol and, among other factors, either CT or magnetic resonance imaging scans of a patient's tumors. In our Phase 2b clinical trial, each clinical trial site determined when patients enrolled at the site experienced a progression of their melanoma. In some past clinical trials by other companies involving similar subjective judgments, it has been reported that the variation among clinical trial sites in determining progression contributed to positive results. In the SYMMETRY trial, we will use a single centralized radiological reading center to review all patient scans, which could cause the results of our SYMMETRY trial to differ from those observed in our Phase 2b clinical trial.

Furthermore, although we did not identify any confounding factors in the Phase 2b clinical trial of elesclomol for the treatment of metastatic melanoma, we did not evaluate every factor that may have potentially influenced the trial results and can give no assurance that there were no such confounding factors. In the SYMMETRY trial, we will seek to stratify, or evenly allocate to each trial arm, patients having certain strong prognostic factors, such as elevated lactate dehydrogenase, or LDH, levels and liver metastases. However, we may not be able to effectively stratify all such prognostic factors evenly. Although we found that patients with elevated LDH and liver metastases were evenly distributed between the elesclomol plus paclitaxel arm and the paclitaxel control arm in our Phase 2b clinical trial, we noted that the M-grade distribution of patients was uneven. M-grade is a measure of disease progression that is generally viewed as a prognostic factor. In our Phase 2b clinical trial, 53% of the patients in the elesclomol plus paclitaxel group were classified by the clinical investigator as M1c, the most advanced stage of metastatic melanoma, compared to 75% in the paclitaxel alone group. However, we believe that M-grade distribution between the treatment and control arms did not impact the positive results of that trial. A statistical analysis that we conducted evaluating the impact of multiple variables, including LDH levels, liver metasteses and M-grade classification, showed that, firstly, investigator-reported M-grade was not a prognostic factor in this study, and secondly, that the M-grade distribution between the two arms did not contribute to the positive outcome of this clinical trial. Despite this analysis, we cannot provide complete assurance that the M-grade distribution did not have an impact on the Phase 2b trial results or that if evenly distributed in a future trial, that the clinical trial results would not be altered.

If we do not receive positive results in our SYMMETRY trial, we may not be able to obtain regulatory approval or commercialize elesclomol for this indication and our development of elesclomol for other indications may be delayed or cancelled.

Even if our SYMMETRY trial of elesclomol for the treatment of metastatic melanoma achieves the primary endpoint of increasing progression-free survival, the FDA may not find the increase to be clinically meaningful or the FDA might still require us to establish an overall survival benefit prior to registration.

The primary endpoint of our recently-completed Phase 2b clinical trial of elesclomol for treating metastatic melanoma was progression-free survival, and progression-free survival is also the primary endpoint of our global, pivotal Phase 3 SYMMETRY trial of elesclomol for the treatment of metastatic melanoma. Progression-free survival, which measures for each patient the time from assignment to a treatment group until the earlier of tumor progression or death, is an endpoint that the FDA and/or its Oncologic Drug Advisory Committee, or ODAC, have previously indicated may be acceptable for registration in melanoma and other cancer types in clinical trials by other companies. However, no therapy for the treatment of melanoma has been approved to date based on a progression-free survival endpoint. In our initial meeting and later discussions with the FDA on the design of our SYMMETRY trial for elesclomol, the FDA accepted our use of progression-free survival as the primary endpoint in this trial and overall survival, or OS, as the secondary endpoint, although the FDA noted that the magnitude of an increase in progression-free survival would need to be clinically meaningful in order to support approval of elesclomol based on the progression-free survival endpoint. We can give no assurances, however, that the FDA or any other regulatory body will not require a different primary endpoint, such as overall survival, or additional efficacy endpoints for registration. If the FDA requires a different or any additional efficacy endpoints, we may be required to conduct larger or longer Phase 3 clinical trials than currently planned to achieve a statistically significant result to enable approval of elesclomol for the treatment of metastatic melanoma.

Further, we applied to the FDA for Special Protocol Assessment, or SPA, of the SYMMETRY trial of elesclomol for the treatment of metastatic melanoma. The Special Protocol Assessment process provides for a written agreement between the trial's sponsor and the FDA that the design and planned analyses of the clinical trial can be used in support of regulatory approval. Following discussions with the FDA, we received a response letter stating that the FDA has completed its review of our SPA application and has determined that the design and planned analyses of our study adequately address the objectives necessary to support a regulatory submission. However, the FDA is not obligated to approve elesclomol as a result of the SPA, even if the clinical outcome is positive. Therefore, we cannot provide assurance that positive results in the SYMMETRY trial will be sufficient for FDA approval of elesclomol.

In addition, in order to detect a statistically significant result in our SYMMETRY trial for the primary endpoint of progression-free survival, we believe that we will need to enroll and evaluate between 250 and 300 patients. However, based on our communications with the FDA and our medical advisors, we intend to use overall survival as a secondary endpoint, and estimate that we will need to enroll approximately 630 patients to detect a statistically significant benefit in this endpoint. We plan to conduct a final analysis for the progression-free survival primary endpoint on the smaller number of patients needed to detect the statistically significant result after the clinical study is fully enrolled. Although we do not currently expect any delay in the availability of the progression-free survival results beyond that point, there can be no assurance that future discussions with the FDA will not result in further delay of the analysis or in the release of this data. In addition, even if the SYMMETRY trial shows statistically and clinically meaningful benefits in the progression-free survival primary endpoint, the FDA may decide to wait to review data relative to the overall survival secondary endpoint before considering elesclomol for approval. In our Phase 2b trial of elesclomol for metastatic melanoma, during a post-hoc analysis of patients as originally randomized, we noted trends toward an overall survival benefit for patients randomized to the elesclomol plus paclitaxel arm (median OS = 12.0 months) as compared to those patients randomized to the paclitaxel alone arm (median OS = 7.8 months), but the difference did not achieve statistical significance. Although we are encouraged by the increased overall survival trend we observed in our Phase 2b clinical trial of elesclomol for

metastatic melanoma, we note that overall survival was not a pre-defined endpoint of that trial, the analysis we performed was not prospectively defined and the results might have been influenced by a number of confounding factors, including the cross-over design of the trial, prior treatments and further treatments received following treatment on our trial. We can give no assurance that we will obtain positive overall survival data in the SYMMETRY trial that are sufficient to achieve the secondary endpoint of the trial, or establish an overall survival benefit trend at all. If the FDA were to approve elesclomol based on the data from the progression-free survival endpoint and the results of the overall survival secondary endpoint are not positive, the FDA may limit the use of elesclomol or even withdraw it from the market.

If the FDA requires additional clinical data prior to registration, we may need to conduct more, larger or longer Phase 3 clinical trials than currently planned.

Prior to approving a new drug, the FDA typically requires that the efficacy of the drug be demonstrated in two double-blind, controlled studies. In light of the unmet medical need in metastatic melanoma and the results of our Phase 2b clinical trial, we believe that we will be required to conduct only a single Phase 3 clinical trial of elesclomol. However, the FDA has indicated that the trial must provide compelling evidence of clinically meaningful benefit in order to warrant consideration for marketing approval, and the FDA has noted that a trial that is merely statistically positive may not provide sufficient evidence to support an NDA filing or approval of a drug candidate. If the FDA determines that the results of our SYMMETRY trial do not have a clinically meaningful benefit, or if the FDA requires us to conduct additional Phase 3 clinical trials of elesclomol prior to seeking approval, we will incur significant additional development costs and commercialization of elesclomol may be prevented or delayed.

If the current formulation and method of administering elesclomol is not commercially feasible, we may not be able to commercialize elesclomol without reformulation and conducting additional clinical trials.

To date, all of our clinical trials have been conducted using the free acid form of elesclomol, which we intend to continue to use in our clinical trials planned for 2007, as well as in our initial commercial product. Because this free acid form of elesclomol is not water soluble, prior to administration, it must be dissolved in an organic solvent. In the completed Phase 2b clinical trial in metastatic melanoma, this was achieved by combining the elesclomol with a volume of organic solvent included in the paclitaxel solution and agitating the resulting mixture with a sonication machine for up to 45 minutes. Once the elesclomol was fully dissolved, the resulting solution was added to the remaining paclitaxel solution, and the combined elesclomol/paclitaxel solution was administered to the patient. We have improved the process for preparing the active pharmaceutical ingredient, or API, and drug product of elesclomol, such that elesclomol can now be dissolved in the paclitaxel solution without sonication. We believe these improved procedures replicate the results of the prior methods and are suitable for preparing drug product for clinical trials and commercialization. These improved procedures will be used in our SYMMETRY trial and any Phase 2 clinical trials that we may initiate in additional cancer indications using the free form of elesclomol. We have taken steps to ensure that the medical personnel responsible for formulating elesclomol are properly trained to carry out the new dissolution process. Although we believe that the changes in the procedures for preparing and dissolving elesclomol prior to administration will not affect the efficacy or pharmaceutical properties of the treatment, there can be no assurance that the results of future trials will not be affected by these changes. In addition, in order to use the free acid form of elesclomol with other oncology products, including taxanes other than paclitaxel, it must be dissolved in an organic solvent, which may cause additional toxicity due to the presence of the organic solvent.

We have developed a water soluble salt form of elesclomol that does not need to be dissolved in an organic solvent and therefore may be used more easily with other oncology products. We intend to

explore the use of this new salt form of elesclomol in future clinical trials in order to expand its potential use in combination with other chemotherapies, but it is also our intention to use the free acid form of elesclomol in certain currently planned clinical trials as well as in our initial commercial product. If the free acid form does not prove to be commercially feasible and we are required to commercialize the salt form of elesclomol, it will require additional formulation development efforts and clinical studies which would delay the commercialization of this drug candidate. Once the soluble salt form is available, we plan to conduct a pharmacokinetic "bridging study" to demonstrate bioequivalence between the new salt form and the former free acid form of elesclomol.

While we believe elesclomol may have applicability to a broad range of solid tumor cancers, including tumor types other than melanoma, our clinical trials of elesclomol in non-small cell lung cancer and soft tissue sarcoma have shown negative or inconclusive results.

Based on our understanding of the mechanism of action and the preclinical activity we have seen with elesclomol, which included showing activity in a broad range of cancer types, we intend to conduct clinical trials of elesclomol in a number of other cancer indications in addition to melanoma. In addition to our Phase 2b clinical trial in metastatic melanoma, we have also conducted Phase 2 clinical trials of elesclomol in sarcoma and non-small cell lung cancer. The results of the soft tissue sarcoma clinical trial did not definitively establish evidence of clinical activity. In the non-small cell lung cancer clinical trial, no improvement was observed in time-to-progression between combination treatment with elesclomol and a standard first-line combination therapy. Although we are currently analyzing these data further to assess future development of elesclomol in sarcoma and non-small cell lung cancer, including assessing the possibility for a potential future clinical trial in non-small cell lung cancer at a more frequent dosing schedule and higher dose than previously tested, there can be no assurances that we will continue the development of elesclomol in these indications or that elesclomol will prove effective in and be approved for treating these or other forms of cancer.

Because our drug candidates are in an early stage of development, there is a high risk of failure, and we may never succeed in developing marketable products or generating product revenue.

We have no drug candidates that have received regulatory approval for commercial sale. We do not expect to have any commercial products on the market until at least 2009, if at all. We are exploring human diseases at the cellular level and attempting to develop drug candidates that intervene with cellular processes. Drug development is an uncertain process that involves trial and error, and we may fail at numerous stages along the way. Success in preclinical studies of a drug candidate may not be predictive of similar results in humans during clinical trials, and successful results from early or small clinical trials of a drug candidate may not be replicated in later and larger clinical trials. For example, although preclinical data and Phase 2a clinical trial results suggested that apilimod had activity in psoriasis and Crohn's disease, our Phase 2b clinical trials of apilimod in those indications did not demonstrate clinical benefit. Accordingly, the results from preclinical studies and the completed and ongoing clinical trials for our drug candidates may not be predictive of the results we may obtain in later stage clinical trials.

If clinical trials for our drug candidates, including elesclomol and apilimod, are prolonged or delayed, we may be unable to commercialize our drug candidates on a timely basis, which would require us to incur additional costs and delay our receipt of any revenue from potential product sales.

We cannot predict whether we will encounter problems with any of our completed, ongoing or planned clinical trials that will cause us or any regulatory authority to delay or suspend those clinical trials or delay the analysis of data derived from them. A number of events, including any of the following, could delay the completion of our ongoing and planned clinical trials and negatively impact

our ability to obtain regulatory approval for, and to market and sell, a particular drug candidate, including our clinical drug candidates elesclomol and apilimod:

- conditions imposed on us by the FDA or any foreign regulatory authority regarding the scope or design of our clinical trials;
- delays in obtaining, or our inability to obtain, required approvals from institutional review boards or other reviewing entities at clinical sites selected for participation in our clinical trials;
- insufficient supply or deficient quality of our drug candidates or other materials necessary to conduct our clinical trials;
- delays in obtaining regulatory agency agreement for the conduct of our clinical trials;
- lower than anticipated enrollment and retention rate of subjects in clinical trials;
- negative or inconclusive results from clinical trials, or results that are inconsistent with earlier results, that necessitate additional clinical studies (for example, due to patient-to-patient pharmacokinetic variability);
- serious and unexpected drug-related side effects experienced by patients in clinical trials; or
- failure of our third-party contractors to comply with regulatory requirements or otherwise meet their contractual obligations to us in a timely manner.

Commercialization of our drug candidates may be delayed by the imposition of additional conditions on our clinical trials by the FDA or the requirement of additional supportive studies by the FDA. In addition, clinical trials require sufficient patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the trial protocol, the proximity of patients to clinical sites, the availability of effective treatments for the relevant disease, the conduct of other clinical trials that compete for the same patients as our clinical trials, and the eligibility criteria for our clinical trials. For example, competing trials for melanoma treatments or the emergence of new approved therapies may make it more difficult to enroll patients in our SYMMETRY trial on the schedule currently planned. We are aware of other ongoing clinical trials of drug candidates for the treatment of metastatic melanoma, including Nexavar, Sutent, ipilimumab, and ticilimumab. Enrollment efforts and future results with respect to these trials could also adversely impact patient enrollment in our SYMMETRY trial. We have had satisfactory patient enrollment in our clinical trials to date. However, in our SYMMETRY trial, we expect to enroll approximately 630 patients with stage IV metastatic melanoma, which is significantly more patients than we enrolled in our Phase 2b clinical trial for elesclomol. Future delays in patient enrollment can result in increased costs and longer development times. Our failure to enroll patients in our clinical trials could delay the completion of the clinical trial beyond our current expectations. In addition, the FDA could require us to conduct clinical trials with a larger number of subjects than we have projected for any of our drug candidates. We may not be able to enroll a sufficient number of patients in a timely or cost-effective manner. Furthermore, enrolled patients may drop out of our clinical trials, which could impair the validity or statistical significance of the clinical trials.

We do not know whether our clinical trials will begin as planned, will need to be restructured, or will be completed on schedule, if at all. Delays in our clinical trials will result in increased development costs for our drug candidates. In addition, if our clinical trials are delayed, our competitors may be able to bring products to market before we do and the commercial viability of our drug candidates, including our drug candidates elesclomol and apilimod, could be limited.

Failure to comply with foreign regulatory requirements governing human clinical trials and marketing approval for drugs could prevent us from selling our drug candidates in foreign markets, which may adversely affect our operating results and financial condition.

The requirements governing the conduct of clinical trials, product licensing, pricing, and reimbursement for marketing our drug candidates outside the United States vary greatly from country to country and may require additional testing. While GSK has exclusive responsibility to develop elesclomol outside the United States, we also expect that our future clinical development of apilimod, STA-9090 and other drug candidates will involve a number of clinical trials in foreign jurisdictions, particularly in Europe. We have no experience in obtaining foreign regulatory approvals. The time required to obtain approvals outside the United States may differ from that required to obtain FDA approval. We or GSK may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other countries or by the FDA. Failure to comply with these regulatory requirements or obtain required approvals could impair our and GSK's ability to develop foreign markets for our drug candidates and may have a material adverse effect on our results of operations and financial condition.

Our drug candidates will remain subject to ongoing regulatory review even if they receive marketing approval, and if we fail to comply with continuing regulations, we could lose these approvals and the sale of any approved commercial products could be suspended.

Even if we receive regulatory approval to market a particular drug candidate, the manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, and record keeping related to the product will remain subject to extensive regulatory requirements. If we fail to comply with the regulatory requirements of the FDA and other applicable domestic and foreign regulatory authorities or previously unknown problems with any approved commercial products, manufacturers, or manufacturing processes are discovered, we could be subject to administrative or judicially imposed sanctions, including:

- restrictions on the products, manufacturers, or manufacturing processes;
- untitled or warning letters;
- civil or criminal penalties;
- fines;
- injunctions;
- product seizures or detentions;
- import bans;
- voluntary or mandatory product recalls and related publicity requirements;
- suspension or withdrawal of regulatory approvals;
- total or partial suspension of production; and
- refusal to approve pending applications for marketing approval of new products or supplements to approved applications.

If side effects increase or are identified during the time our drug candidates are in development or after they are approved and on the market, we may be required to perform lengthy additional clinical trials, change the labeling of any such products, or withdraw any such products from the market, any of which would hinder or preclude our ability to generate revenues.

In our completed Phase 2b clinical trial of elesclomol for metastatic melanoma, there were four patients with possible or probable drug-related serious adverse events related to treatment with elesclomol. The first event involved a patient who developed lichenoid dermatitis, a severe rash-like condition, which was considered by the investigator to be possibly related to treatment. The second event involved a patient who experienced atrial fibrillation with rapid ventricular response. This event was also considered by the investigator to be possibly related to treatment. The third event involved an infection which, despite a normal absolute neutrophil count, or ANC, was considered by the investigator to be possibly related to treatment. The fourth event involved severe dehydration that was considered by the investigator to be probably related to treatment. If the incidence of these events increases or if other effects are identified after any of our drug candidates are approved and on the market:

- regulatory authorities may withdraw their approvals;
- we may be required to reformulate any such products, conduct additional clinical trials, make changes in labeling of any such products, or implement changes to or obtain new approvals of our or our contractors' manufacturing facilities;
- we may experience a significant drop in the sales of the affected products;
- our reputation in the marketplace may suffer; and
- we may become the target of lawsuits, including class action suits.

Any of these events could harm or prevent sales of the affected products or could substantially increase the costs and expenses of commercializing and marketing any such products.

We have also observed significant toxicities in preclinical animal studies of our clinical drug candidate, STA-9090. As a result of these observed toxicities, we believe that dosing in our Phase 1 clinical trial may be at a sub-optimal or therapeutically ineffective starting dose, which may delay the completion of the Phase 1 clinical trial and the initiation of any future STA-9090 clinical trials. If significant toxicities occur at a clinical dose of STA-9090 which is not sufficiently efficacious, we may not be able to demonstrate an adequate therapeutic index to obtain regulatory approval for STA-9090.

While we choose to test our drug candidates in specific clinical indications based in part on our understanding of their mechanisms of action, our understanding may be incorrect or incomplete and, therefore, our drugs may not be effective against the diseases tested in our clinical trials.

Our rationale for selecting the particular therapeutic indications for each of our drug candidates is based in part on our understanding of the mechanism of action of these drug candidates. However, our understanding of the drug candidate's mechanism of action may be incomplete or incorrect, or the mechanism may not be clinically relevant to diseases treated. In such cases, our drug candidates may prove to be ineffective in the clinical trials for treating those diseases.

We deal with hazardous materials and must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

Our activities involve the controlled storage, use, and disposal of hazardous materials, including cytotoxic agents, genotoxic agents, infectious agents, corrosive, explosive and flammable chemicals, and various radioactive compounds. We are subject to federal, state, and local laws and regulations governing the use, manufacture, storage, handling, and disposal of these hazardous materials. Although we believe that our safety procedures for the handling and disposing of these materials comply with the standards prescribed by these laws and regulations, we cannot eliminate the risk of accidental contamination or injury from these materials.

In the event of an accident, state or federal authorities may curtail our use of these materials, and we could be liable for any civil damages that result, which may exceed our financial resources and may seriously harm our business. We currently maintain insurance covering hazardous waste clean up costs in an amount of up to $250,000 per site. Because we believe that our laboratory and materials handling policies and practices sufficiently mitigate the likelihood of materials liability or third-party claims, we currently carry no insurance covering such claims. While we believe that the amount of insurance we carry is sufficient for typical risks regarding our handling of these materials, it may not be sufficient to cover pollution conditions or other extraordinary or unanticipated events. Additionally, an accident could damage, or force us to shut down, our operations. In addition, if we develop a manufacturing capacity, we may incur substantial costs to comply with environmental regulations and would be subject to the risk of accidental contamination or injury from the use of hazardous materials in our manufacturing process.

Risks Related to Our Dependence on Third Parties

We have recently entered into an agreement with GSK relating to the development and commercialization of elesclomol. If this agreement is unsuccessful or terminated by GSK for any reason, our ability to commercialize elesclomol on a timely basis, or at all, could be affected and our business could be materially harmed.

On October 8, 2007, we entered into a Collaborative Development, Commercialization and License Agreement with GSK for the joint development and commercialization of elesclomol. We do not have a history of working together with GSK and cannot predict the success of this collaboration. The agreement involves a complex allocation of responsibilities, costs and benefits and provides for milestone payments to us upon the achievement of specified operational progress, positive clinical and regulatory outcomes and sales milestones.

With respect to responsibilities and control over decisions, we and GSK will establish a series of joint committees which will be responsible for the development and commercialization of elesclomol. Under the committee structure, if the committees are unable to reach a decision, the matter is referred to senior executives of each of the parties. Each party has ultimate decision making authority with respect to a specified set of issues. For certain other specified issues, the matter must be resolved by consensus of the parties, and for all other issues, the matter must be resolved through arbitration. Accordingly, GSK's failure to devote sufficient resources to the development and commercialization of elesclomol or the failure of the parties to reach consensus on the conduct of development or commercialization activities with respect to elesclomol may delay its clinical development, which could lead to the delay in payment of clinical and regulatory milestones under the collaboration agreement and may delay commercialization of elesclomol.

In addition, the agreement provides that 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 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 Synta.

Loss of GSK as a collaborator in the development or commercialization of elesclomol, any dispute over the terms of, or decisions regarding, the agreement, or any other adverse developments in our relationship with GSK could result in our inability to fully develop and/or commercialize elesclomol, or at all, and could materially harm our business and could accelerate our need for additional capital.

We rely on third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, including failing to meet established deadlines for the completion of such clinical trials.

We do not have the ability to independently conduct clinical trials for our drug candidates, and we rely on third parties such as contract research organizations, medical institutions, and clinical investigators to perform this function. Our reliance on these third parties for clinical development activities reduces our control over these activities. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. To date, our contract research organizations and other similar entities with which we are working have performed well; however, if these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be delayed in obtaining regulatory approvals for our drug candidates and may be delayed in our efforts to successfully commercialize our drug candidates for targeted diseases.

We have no manufacturing capacity and depend on third-party manufacturers to produce our clinical trial drug supplies.

We do not currently operate manufacturing facilities for clinical or commercial production of elesclomol, apilimod or STA-9090, or any of our preclinical drug candidates. We have limited experience in drug manufacturing, and we lack the resources and the capabilities to manufacture any of our drug candidates on a clinical or commercial scale. As a result, we currently rely on third-party manufacturers to supply, store, and distribute drug supplies for our clinical trials and anticipate future reliance on a limited number of third-party manufacturers until we increase the number of manufacturers with whom we contract. Any performance failure on the part of our existing or future manufacturers could delay clinical development or regulatory approval of our drug candidates or commercialization of any approved products, producing additional losses and depriving us of potential product revenue.

Our drug candidates require precise, high quality manufacturing. Failure by our contract manufacturers to achieve and maintain high manufacturing standards could result in patient injury or death, product recalls or withdrawals, delays or failures in testing or delivery, cost overruns, or other problems that could seriously hurt our business. Contract manufacturers may encounter difficulties involving production yields, quality control, and quality assurance. These manufacturers are subject to ongoing periodic unannounced inspection by the FDA and corresponding state and foreign agencies to ensure strict compliance with current Good Manufacturing Practice, or cGMP, and other applicable government regulations and corresponding foreign standards; however, we do not have control over third-party manufacturers' compliance with these regulations and standards.

If for some reason our contract manufacturers cannot perform as agreed, we may be unable to replace such third-party manufacturers in a timely manner and the production of our drug candidates would be interrupted, resulting in delays in clinical trials and additional costs. Switching manufacturers may be difficult because the number of potential manufacturers is limited and the FDA must approve any replacement manufacturer prior to manufacturing our drug candidates. Such approval would require new testing and compliance inspections. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our drug candidates after receipt of FDA approval. It may be difficult or impossible for us to find a replacement manufacturer on acceptable terms quickly, or at all.

We are using a single manufacturer for the supply of elesclomol powder-filled vials for the SYMMETRY trial, our global, pivotal Phase 3 clinical trial for the treatment of metastatic melanoma and potentially, for commercial supply, and the failure of this manufacturer to supply sufficient quantities of elesclomol powder-filled vials could have a material adverse effect on our business.

We are using a single manufacturer for the supply of elesclomol powder-filled vials for the SYMMETRY trial, our global, pivotal Phase 3 clinical trial for the treatment of metastatic melanoma and potentially, for commercial supply, if approved. This process involves highly specialized processing, including the automated filling of vials with elesclomol under sterile conditions. We believe that this manufacturer may be one of a limited number of third-party contract manufacturers currently capable of conducting this process on our behalf. We have entered into a Clinical Supply Agreement and a Quality Agreement with this manufacturer for the production of elesclomol drug product, which we believe will satisfy our manufacturing requirements for the SYMMETRY trial and additional Phase 2 clinical trials of elesclomol for other cancer indications. Although the Clinical Supply Agreement notes that the parties have a mutual desire to enter into good faith negotiations for commercial supply services, if circumstances allow, there are no terms in this contract for commercial supply of elesclomol, and we cannot assure that we will be able to enter into a commercial supply agreement with this manufacturer on commercially reasonable terms, or at all. Any performance failure on the part of this manufacturer or the failure to enter an appropriate commercial supply agreement on reasonable terms in the future, if circumstance so require, could delay clinical development, regulatory approval or commercialization of elesclomol, which could have a material adverse effect on our business. Moreover, although we believe we have identified a suitable backup manufacturer for elesclomol powder-filled vials, we do not have an agreement with this manufacturer and there can be no assurance that we will be able to enter into such an agreement on favorable terms, if at all.

We anticipate continued reliance on third-party manufacturers if we are successful in obtaining marketing approval from the FDA and other regulatory agencies for any of our drug candidates.

To date, our drug candidates have been manufactured in relatively small quantities for preclinical testing and clinical trials by third-party manufacturers. If the FDA or other regulatory agencies approve any of our drug candidates for commercial sale, we expect that we would continue to rely, at least initially, on third-party manufacturers to produce commercial quantities of our approved drug candidates. These manufacturers may not be able to successfully increase the manufacturing capacity for any of our approved drug candidates in a timely or economic manner, or at all. Significant scale-up of manufacturing may require additional validation studies, which the FDA must review and approve. If they are unable to successfully increase the manufacturing capacity for a drug candidate, particularly elesclomol, or we are unable to establish our own manufacturing capabilities, the commercial launch of any approved products may be delayed or there may be a shortage in supply.

If we do not establish additional collaborations, we may have to alter our development plans.

Our drug development programs and potential commercialization of our drug candidates will require substantial additional cash to fund expenses. Although we have established a collaboration with GSK relating to the joint development and commercialization of elesclomol, our strategy also includes potentially selectively collaborating with leading pharmaceutical and biotechnology companies to assist us in furthering development and potential commercialization of some of our other drug candidates. We may enter into one or more of such collaborations in the future, especially for target indications in which the potential collaborator has particular therapeutic expertise or that involve a large, primary care market that must be served by large sales and marketing organizations or for markets outside of North America. We face significant competition in seeking appropriate collaborators and these collaborations are complex and time-consuming to negotiate and document. We may not be able to negotiate collaborations on acceptable terms, or at all. If that were to occur, we may have to curtail the

development of a particular drug candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of our sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms, or at all. If we do not have sufficient funds, we will not be able to bring our drug candidates to market and generate product revenue.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our drug candidates, we may be unable to generate product revenue or co-commercialize elesclomol under our arrangement with GSK.

Although we have entered into a collaborative development, commercialization and license agreement with GSK for elesclomol, we do not currently have an organization for the sales, marketing, and distribution of pharmaceutical products. In order to co-commercialize elesclomol in the United States under our arrangement with GSK or market any other products that may be approved by the FDA, we must build our sales, marketing, managerial, and other non-technical capabilities or make arrangements with third parties to perform these services. If we are unable to establish adequate sales, marketing, and distribution capabilities, whether independently or with third parties, our share in elesclomol profits with GSK may be diminished or we may not be able to generate product revenue and we may not become profitable.

Risks Related to Our Intellectual Property

If our patent position does not adequately protect our drug candidates or any future products, others could compete against us more directly, which would harm our business

As of September 30, 2007, our patent portfolio consisted of a total of 569 patents and patent applications worldwide. We own or license a total of 24 issued U.S. patents and 90 U.S. patent applications, as well as 455 foreign patents and patent applications. We have issued U.S. composition-of-matter patents claiming the chemical structures of elesclomol and apilimod.

Our commercial success will depend in part on our ability to obtain additional patents and protect our existing patent position as well as our ability to maintain adequate protection of other intellectual property for our technologies, drug candidates, and any future products in the United States and other countries. If we do not adequately protect our intellectual property, competitors may be able to use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. The laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems in protecting our proprietary rights in these countries.

The patent positions of biotechnology and pharmaceutical companies, including our patent position, involve complex legal and factual questions, and, therefore, validity and enforceability cannot be predicted with certainty. Patents may be challenged, deemed unenforceable, invalidated, or circumvented. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies, drug candidates, and any future products are covered by valid and enforceable patents or are effectively maintained as trade secrets.

In addition, although we do not believe that any of the patents or patent applications that we currently license are material to our business, we may in the future license intellectual property that is material to us. In such cases, we may be dependent upon the licensors to obtain, maintain and enforce patent protection for the licensed intellectual property. These licensors may not successfully prosecute patent applications or may fail to maintain issued patents. The licensors may also determine not to pursue litigation against other companies that infringe the patents, or may pursue such litigation less

aggressively than we would. If any of the foregoing occurs, and the terms of any such future license do not allow us to assume control of patent prosecution, maintenance and enforcement, any competitive advantage we may have due to the license may be diminished or eliminated.

The degree of future protection for our proprietary rights is uncertain, and we cannot ensure that:

- we or our licensors were the first to make the inventions covered by each of our pending patent applications;
- we or our licensors were the first to file patent applications for these inventions;
- others will not independently develop similar or alternative technologies or duplicate any of our technologies;
- any of our or our licensors' pending patent applications will result in issued patents;
- any of our or our licensors' patents will be valid or enforceable;
- any patents issued to us or our licensors and collaborators will provide a basis for commercially viable products, will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies or drug candidates that are patentable; or
- the patents of others will not have an adverse effect on our business.

Although third parties may challenge our rights to, or the scope or validity of our patents, to date we have not received any communications from third parties challenging our patents or patent applications covering our drug candidates.

We typically file for patent protection first on the composition-of-matter of our drug candidates and also claim their activities and methods for their production and use to the extent known at that time. As we learn more about the mechanisms of action and new methods of manufacture and use of these drug candidates, we generally file additional patent applications for these new inventions. Although our patents may prevent others from making, using, or selling similar products, they do not ensure that we will not infringe the patent rights of third parties. For example, because we sometimes identify the mechanism of action or molecular target of a given drug candidate after identifying its composition-of-matter and therapeutic use, we may not be aware until the mechanism or target is further elucidated that a third party has an issued or pending patent claiming biological activities or targets that may cover our drug candidate. If such a patent exists or is granted in the future, we cannot provide assurances that a license will be available on commercially reasonable terms, or at all.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, sponsored researchers, and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Litigation or other proceedings or third-party claims of intellectual property infringement would require us to spend time and money and could prevent us from developing or commercializing our drug candidates.

Our commercial success will depend in part on not infringing upon the patents and proprietary rights of other parties and enforcing our own patents and proprietary rights against others. Certain of our research and development programs are in highly competitive fields in which numerous third parties have issued patents and patent applications with claims closely related to the subject matter of our programs. We are not currently aware of any litigation or other proceedings or claims by third parties that our drug candidates, technologies or methods infringe their intellectual property.

However, while it is our practice to conduct freedom to operate searches and analyses, we cannot guarantee that we have identified every patent or patent application that may be relevant to the research, development or commercialization of our drug candidates. In the case of patent applications, we assess the likelihood of claims in pending, third party patent applications being allowed which may interfere with our freedom to operate relative to our drug candidates. We cannot provide assurances that our assessments in this regard will be correct and that patent claims covering our drug candidates that were assessed a low likelihood of issuance by us will not issue to a third party in the future. Moreover, there can be no assurance that third parties will not assert against us patents that we believe are not infringed by us or are invalid. For example, we are aware of a U.S. patent and a related European patent that claim generic chemical structures, pharmaceutical formulations and methods of treatment relating to compounds similar to STA-9090 and a U.S. patent that claims methods of treating certain cancers using Hsp90 inhibitors. The claims of these patents may be relevant to the commercialization of our drug candidate, STA-9090. However, based on our analysis of these patents, we do not believe that the manufacture, use, importation or sale of STA-9090 would infringe any valid claim of these patents. However, we cannot guarantee that these patents would not be asserted against us and, if asserted, that a court would find these patents to be invalid or not infringed.

In the event of a successful infringement action against us with respect to any third party patent rights, we may be required to:

- pay substantial damages;
- stop developing, commercializing, and selling the infringing drug candidates or approved products;
- stop utilizing the infringing technologies and methods in our drug candidates or approved products;
- develop non-infringing products, technologies, and methods; and
- obtain one or more licenses from other parties, which could result in our paying substantial royalties or our granting of cross licenses to our technologies.

We may not be able to obtain licenses from other parties at a reasonable cost, or at all. If we are not able to obtain necessary licenses at a reasonable cost, or at all, we could encounter substantial delays in product introductions while we attempt to develop alternative technologies, methods, and products, which we may not be able to accomplish.

We may be subject to claims that we have wrongfully hired an employee from a competitor or that we or our employees have wrongfully used or disclosed alleged confidential information or trade secrets of their former employers.

As is commonplace in our industry, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we have previously been subject to a claim by an alleged competitor that a prospective employee we sought to hire was bound by an ongoing

non-competition obligation which prevented us from hiring this employee. We may be subject in the future to claims that our employees or prospective employees are subject to a continuing obligation to their former employers (such as non-competition or non-solicitation obligations) or claims that our employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Risks Related to the Commercialization of Our Drug Candidates

If physicians and patients do not accept our future products or if the markets for indications for which any drug candidate is approved is smaller than expected, we may be unable to generate significant revenue, if any.

Even if elesclomol, apilimod, STA-9090, STA-9584 or any other drug candidates we may develop or acquire in the future obtain regulatory approval, they may not gain market acceptance among physicians, healthcare payors, patients, and the medical community. Physicians may elect not to recommend these drugs for a variety of reasons including:

- timing of market introduction of competitive products, including other melanoma treatments currently in development (such as Nexavar, Sutent, ispinesib, ipilimumab, ticilimumab, volociximab, M-Vax and MDX-1379, as well as forms of chemotherapy);
- demonstration of clinical safety and efficacy compared to other products;
- cost-effectiveness;
- availability of reimbursement from managed care plans and other third-party payors;
- convenience and ease of administration;
- prevalence and severity of adverse side effects;
- other potential advantages of alternative treatment methods; and
- ineffective marketing and distribution support of our products.

If our approved drugs fail to achieve market acceptance, we may not be able to generate significant revenue and our business would suffer.

In addition, we have initiated a Phase 3 clinical trial for our most advanced clinical-stage candidate, elesclomol, in patients with stage IV metastatic melanoma. We currently estimate that there are relatively few people with metastatic melanoma in the United States. Accordingly, even if we are successful in obtaining regulatory approval to market elesclomol for this indication, the market for this indication may not be sufficient to generate significant revenue and our business would suffer.

If the government and third-party payors fail to provide adequate coverage and reimbursement rates for our future products, if any, our revenue and prospects for profitability will be harmed.

In both domestic and foreign markets, our sales of any future products will depend in part upon the availability of reimbursement from third-party payors. Such third-party payors include government health programs such as Medicare, managed care providers, private health insurers, and other organizations. These third-party payors are increasingly attempting to contain healthcare costs by demanding price discounts or rebates and limiting both coverage and the amounts that they will pay for new drugs, and, as a result, they may not cover or provide adequate payment for our drugs. We might need to conduct post-marketing studies in order to demonstrate the cost-effectiveness of any future products to such payors' satisfaction. Such studies might require us to commit a significant amount of management time and financial and other resources. Our future products might not ultimately be

considered cost-effective. Adequate third-party reimbursement might not be available to enable us to maintain price levels sufficient to realize an appropriate return on investment in product development.

U.S. and foreign governments continue to propose and pass legislation designed to reduce the cost of healthcare. For example, in some foreign markets, the government controls the pricing and profitability of prescription pharmaceuticals. In the United States, we expect that there will continue to be federal and state proposals to implement similar governmental controls. In addition, recent changes in the Medicare program and increasing emphasis on managed care in the United States will continue to put pressure on pharmaceutical product pricing. Cost control initiatives could decrease the price that we would receive for any products in the future, which would limit our revenue and profitability. Accordingly, legislation and regulations affecting the pricing of pharmaceuticals might change before our drug candidates are approved for marketing. Adoption of such legislation could further limit reimbursement for pharmaceuticals.

For example, the Medicare Prescription Drug Improvement and Modernization Act of 2003, or MMA, changes the way Medicare will cover and pay for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly and disabled and introduced new reimbursement methodologies, based on average sales prices for drugs that are administered in an in-patient setting or by physicians, such as elesclomol, if approved. In addition, this legislation provides authority for limiting the number of drugs that will be covered in any therapeutic class. Although we do not know what the full impact of the new reimbursement methodologies will have on the prices of new drugs, we expect that there will be added pressure to contain and reduce costs. These cost reduction initiatives and other provisions of this legislation could decrease the coverage and price that we receive for any approved products and could seriously harm our business. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates, and any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors.

If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, we could be forced to pay substantial damage awards.

The use of any of our drug candidates in clinical trials, and the sale of any approved products, might expose us to product liability claims. We currently maintain product liability insurance coverage in an amount of up to $10.0 million, which we believe is adequate for our clinical trials currently in progress. We monitor the amount of coverage we maintain as the size and design of our clinical trials evolve and intend to adjust the amount of coverage we maintain accordingly. However, there can be no assurance that such insurance coverage will fully protect us against some or all of the claims to which we might become subject. We might not be able to maintain adequate insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against potential losses. In the event a claim is brought against us, we might be required to pay legal and other expenses to defend the claim, as well as uncovered damages awards resulting from a claim brought successfully against us. Furthermore, whether or not we are ultimately successful in defending any such claims, we might be required to direct financial and managerial resources to such defense and adverse publicity could result, all of which could harm our business.

If we inadvertently violate the guidelines pertaining to promotion and advertising of our clinical candidates or approved products, we may be subject to disciplinary action by the FDA's Division of Drug Marketing, Advertising, and Communications or other regulatory bodies.

The FDA's Division of Drug Marketing, Advertising, and Communications, or DDMAC, is responsible for reviewing prescription drug advertising and promotional labeling to ensure that the information contained in these materials is not false or misleading. There are specific disclosure requirements and the applicable regulations mandate that advertisements cannot be false or misleading

or omit material facts about the product. Prescription drug promotional materials must present a fair balance between the drug's effectiveness and the risks associated with its use. Most warning letters from DDMAC cite inadequate disclosure of risk information.

DDMAC prioritizes its actions based on the degree of risk to the public health, and often focuses on newly introduced drugs and those associated with significant health risks. There are two types of letters that DDMAC typically sends to companies which violate its drug advertising and promotional guidelines: notice of violation letters, or untitled letters, and warning letters. In the case of an untitled letter, DDMAC typically alerts the drug company of the violation and issues a directive to refrain from future violations, but does not typically demand other corrective action. A warning letter is typically issued in cases that are more serious or where the company is a repeat offender. Although we have not received any such letters from DDMAC, we may inadvertently violate DDMAC's guidelines in the future and be subject to a DDMAC untitled letter or warning letter, which may have a negative impact on our business.

Risks Related to Our Industry

We may not be able to keep up with the rapid technological change in the biotechnology and pharmaceutical industries, which could make any future approved products obsolete and reduce our revenue.

Biotechnology and related pharmaceutical technologies have undergone and continue to be subject to rapid and significant change. Our future will depend in large part on our ability to maintain a competitive position with respect to these technologies. Our competitors may render our technologies obsolete by advances in existing technological approaches or the development of new or different approaches, potentially eliminating the advantages in our drug discovery process that we believe we derive from our research approach and proprietary technologies. In addition, any future products that we develop, including our clinical drug candidates, elesclomol, apilimod and STA-9090, and our preclinical drug candidate, STA-9584, may become obsolete before we recover expenses incurred in developing those products, which may require that we raise additional funds to continue our operations.

Our market is subject to intense competition. If we are unable to compete effectively, our drug candidates may be rendered noncompetitive or obsolete.

We are engaged in segments of the pharmaceutical industry that are highly competitive and rapidly changing. Many large pharmaceutical and biotechnology companies, academic institutions, governmental agencies, and other public and private research organizations are pursuing the development of novel drugs that target cancer and chronic inflammatory diseases. We face, and expect to continue to face, intense and increasing competition as new products enter the market and advanced technologies become available. In addition to currently approved drugs, there are a significant number of drugs that are currently under development and may become available in the future for the treatment of cancer and chronic inflammatory diseases. We would expect our drug candidates to compete with marketed drugs and drug candidates currently under development, including the following:

- *Elesclomol.* If approved, we would expect elesclomol to compete with currently approved drugs for the treatment of metastatic melanoma, including dacarbazine/DTIC marketed by Bayer, and generic versions thereof, the injectable protein interleukin 2, or IL-2, marketed by Chiron, and the injectable protein interferon alfa-2b, marketed by Schering-Plough. Elesclomol may also compete with drug candidates currently in clinical development by other companies, including: (1) kinase inhibitors such as Nexavar, being developed by Bayer and Onyx, Sutent, being developed by Pfizer, and ispinesib, being developed by Cytokinetics and GlaxoSmithKline; (2) the anti-CTLA-4 monoclonal antibodies, ipilimumab and ticilimumab; (3) the anti-integrin

volociximab; (4) cancer vaccines such as M-Vax and MDX-1379; and (5) derivatives, analogs, or reformulations of known chemotherapies, such as Abraxane, or other cytotoxic chemotherapies. In addition, elesclomol may compete against drugs not currently approved for the treatment of metastatic melanoma, but which are commonly used "off-label" to treat this disease, such as taxanes, temozolomide, vincristine, carmustine, melphalan, and platinum-chemotherapeutics, such as cisplatin and carboplatin.

- *Apilimod.* If approved, we would expect apilimod to compete with other treatments of chronic inflammatory diseases, including (1) large-molecule, injectable TNFa antagonists, such as Remicade, marketed by Johnson & Johnson, Enbrel, marketed by Amgen and Wyeth Pharmaceuticals, and Humira, marketed by Abbott Laboratories, (2) broadly immunosuppressive small molecule agents, including corticosteroids, methotrexate, and azathioprine, and (3) CNTO-1275 and ABT-874, two injectable antibody-based clinical candidates targeting IL-12 currently in clinical trials that are being developed by Johnson & Johnson and Abbott Laboratories, respectively.

- *STA-9090.* If approved, we would expect STA-9090 to compete with the currently approved therapies for the treatment of cancers, and other cancer treatments currently under development, including 17-AAG, being developed by Kosan, and other agents that inhibit Hsp90, including Hsp90 inhibitors being developed by AstraZenica/Medimmune/Infinity, BiogenIdec, and Novartis/Vernalis.

- *STA-9584.* If approved, we would expect STA-9584 to compete with the currently approved therapies for the treatment of cancers, and other cancer treatments currently under development, including other vascular disrupting agents, such as ABT-751, being developed by Abbott; AS1404, being developed by Antisoma, CA4P, being developed by Oxigene, EXEL-0999, being developed by Exelixis, and ZD6126, being developed by Angiogene.

Many of our competitors have:

- significantly greater financial, technical and human resources than we have and may be better equipped to discover, develop, manufacture and commercialize drug candidates;

- more extensive experience in preclinical testing and clinical trials, obtaining regulatory approvals and manufacturing and marketing pharmaceutical products;

- drug candidates that have been approved or are in late-stage clinical development; and/or

- collaborative arrangements in our target markets with leading companies and research institutions.

Competitive products may render our products obsolete or noncompetitive before we can recover the expenses of developing and commercializing our drug candidates. Furthermore, the development of new treatment methods and/or the widespread adoption or increased utilization of any vaccine for the diseases we are targeting could render our drug candidates noncompetitive, obsolete or uneconomical. If we successfully develop and obtain approval for our drug candidates, we will face competition based on the safety and effectiveness of our drug candidates, the timing of their entry into the market in relation to competitive products in development, the availability and cost of supply, marketing and sales capabilities, reimbursement coverage, price, patent position and other factors. If we successfully develop drug candidates but those drug candidates do not achieve and maintain market acceptance, our business will not be successful.

Risks Related to Employee Matters and Managing Growth

Our future success depends on our ability to retain our chief executive officer and other key executives and to attract, retain, and motivate qualified personnel.

We are highly dependent on Safi R. Bahcall, Ph.D., our President and Chief Executive Officer, and the other principal members of our executive and scientific teams listed under Item 10 "Directors and Executive Officers of the Registrant" of our Annual Report on Form 10-K for the year ended December 31, 2006. All of the agreements with these principal members of our executive and scientific teams provide that employment is at-will and may be terminated by the employee at any time and without notice. Although we do not have any reason to believe that we may lose the services of any of these persons in the foreseeable future, the loss of the services of any of these persons might impede the achievement of our research, development, and commercialization objectives. Recruiting and retaining qualified scientific personnel and possibly sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific personnel from universities and research institutions. We do not maintain "key person" insurance on any of our employees. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

We expect to expand our development, clinical research, and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational, and financial systems, expand our facilities, and continue to recruit and train additional qualified personnel. Due to our limited resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

If we make strategic acquisitions, we will incur a variety of costs and might never realize the anticipated benefits.

All of our acquisitions to date have been of related parties. Accordingly, we have very limited experience in independently identifying acquisition candidates and integrating the operations of truly independent acquisition candidates with our company. Currently we are not a party to any acquisition agreements, nor do we have any understanding or commitment with respect to any such acquisition. If appropriate opportunities become available, however, we might attempt to acquire approved products, additional drug candidates, or businesses that we believe are a strategic fit with our business. If we pursue any transaction of that sort, the process of negotiating the acquisition and integrating an acquired product, drug candidate, or business might result in operating difficulties and expenditures and might require significant management attention that would otherwise be available for ongoing development of our business, whether or not any such transaction is ever consummated. Moreover, we might never realize the anticipated benefits of any acquisition. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities, or impairment expenses related to goodwill, and impairment or amortization expenses related to other intangible assets, which could harm our financial condition.

Risks Related to Our Common Stock

Our stock price has been and is likely to continue to be volatile and the market price of our common stock may drop.

Prior to our February 2007 initial public offering, there was not a public market for our common stock. There is a limited history on which to gauge the volatility of our stock price; however, since the closing of our initial public offering through September 30, 2007, our stock price has fluctuated from a low of $4.93 to a high of $11.25. In addition, the stock market has recently experienced significant volatility, particularly with respect to pharmaceutical, biotechnology, and other life sciences company stocks. The volatility of pharmaceutical, biotechnology, and other life sciences company stocks often does not relate to the operating performance of the companies represented by the stock. Some of the factors that may cause the market price of our common stock to fluctuate include:

- progress in and results from the SYMMETRY trial, our global, pivotal Phase 3 clinical trial of elesclomol for the treatment of metastatic melanoma;
- plans for, progress in, and results from any other future clinical trials of elesclomol;
- results of our current Phase 2a or any future clinical trials of apilimod we may initiate;
- results of our current Phase 1 clinical trial of STA-9090, and results from any other future clinical trials of STA-9090;
- results of clinical trials conducted by others on drugs that would compete with our drug candidates;
- failure or delays in advancing STA-9584 or our CRAC ion channel inhibitor program, or other drug candidates we may discover or acquire in the future, into clinical trials;
- failure or discontinuation of any of our research programs;
- developments relating to our agreement with GSK or any future collaborations we may enter into;
- issues in manufacturing our drug candidates or approved products;
- regulatory developments or enforcement in the United States and foreign countries;
- developments or disputes concerning patents or other proprietary rights;
- introduction of technological innovations or new commercial products by us or our competitors;
- changes in estimates or recommendations by securities analysts, if any cover our common stock;
- public concern over our drug candidates or any approved products;
- litigation;
- future sales of our common stock;
- general market conditions;
- changes in the structure of healthcare payment systems;
- failure of any of our drug candidates, if approved, to achieve commercial success;
- economic and other external factors or other disasters or crises;
- period-to-period fluctuations in our financial results; and
- overall fluctuations in U.S. equity markets.

These and other external factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management.

Insiders have substantial control over us which could delay or prevent a change in corporate control or result in the entrenchment of management and/or the board of directors.

Our directors, executive officers and principal stockholders, together with their affiliates and related persons, beneficially own, in the aggregate, approximately 50% of our outstanding common stock. These stockholders, if acting together, may have the ability to determine the outcome of matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, these persons, acting together, may have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership may harm the market price of our common stock by:

- delaying, deferring, or preventing a change in control;
- entrenching our management and/or the board of directors;
- impeding a merger, consolidation, takeover, or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Provisions of our charter, bylaws, and Delaware law may make an acquisition of us or a change in our management more difficult.

Certain provisions of our restated certificate of incorporation and restated bylaws could discourage, delay, or prevent a merger, acquisition, or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. Stockholders who wish to participate in these transactions may not have the opportunity to do so. Furthermore, these provisions could prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions:

- allow the authorized number of directors to be changed only by resolution of our board of directors;
- establish a classified board of directors, providing that not all members of the board of directors be elected at one time;
- authorize our board of directors to issue without stockholder approval blank check preferred stock that, if issued, could operate as a "poison pill" to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that is not approved by our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit stockholder action by written consent;
- establish advance notice requirements for stockholder nominations to our board of directors or for stockholder proposals that can be acted on at stockholder meetings;
- limit who may call stockholder meetings; and

- require the approval of the holders of 80% of the outstanding shares of our capital stock entitled to vote in order to amend certain provisions of our restated certificate of incorporation and restated bylaws.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may, unless certain criteria are met, prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a prescribed period of time.

We do not anticipate paying cash dividends, and accordingly, our stockholders must rely on stock appreciation for any return on their investment.

We currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be the sole source of gain on an investment in our common stock for the foreseeable future.

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

(a) *Unregistered Sales of Equity Securities.*

None.

(b) *Use of Proceeds.*

The Registration Statement on Form S-1 (Reg. No. 333-138894) in connection with our initial public offering was declared effective by the SEC on February 6, 2007. In the initial public offering, we sold 5,000,000 shares of our common stock at an initial public offering price per share of $10.00. The net offering proceeds to us after deducting total expenses were approximately $44,700,000. As of September 30, 2007, approximately $38.0 million of the net proceeds of the offering had been used to fund operations. The remaining net proceeds have been invested in money market accounts. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus dated February 6, 2007 filed with the SEC pursuant to Rule 424(b)(4).

(c) *Issuer Purchases of Equity Securities.*

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*

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: November 13, 2007

By: /s/ SAFI R. BAHCALL

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

Date: November 13, 2007

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

CERTIFICATION

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)) 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) [reserved] / [paragraph omitted pursuant to SEC Release Nos. 33-8760 and 34-54942];

   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.

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: November 13, 2007

/s/ SAFI R. BAHCALL

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

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Exhibit 31.2

CERTIFICATION

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)) 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) [reserved] / [paragraph omitted pursuant to SEC Release Nos. 33-8760 and 34-54942];

   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.

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: November 13, 2007

/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 31.2

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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 September 30, 2007 (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: November 13, 2007

/s/ SAFI R. BAHCALL

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

Dated: November 13, 2007

/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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