Table of Contents

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 June 30, 2009

OR

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

For the transition period from to

Commission file number: 001-33277

SYNTA PHARMACEUTICALS CORP.

(Exact name of registrant as specified in its charter)

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

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

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

As of July 31, 2009, the registrant had 33,953,300 shares of common stock outstanding.

SYNTA PHARMACEUTICALS CORP.
INDEX TO FORM 10-Q

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

SYNTA PHARMACEUTICALS CORP.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

(unaudited)

	June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 31,883	$ 52,045
Marketable securities	28,661	21,518
Restricted cash	151	151
Collaboration receivable	907	16,000
Prepaid expenses and other current assets	1,405	1,507
Total current assets	63,007	91,221
Property and equipment, net	5,126	5,929
Other assets	68	103
Total assets	$ 68,201	$ 97,253
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 5,995	$ 3,331
Accrued contract research costs	4,635	12,393
Other accrued liabilities	3,568	2,841
Capital lease obligations	1,602	2,170
Collaboration payable	9,960	—
Deferred collaboration revenue	120,599	12,588
Total current liabilities	146,359	33,323
Deferred collaboration revenue—long-term	9,018	114,415
Collaboration payable—long-term	—	6,294
Capital lease obligations—long-term	1,397	2,012
Total long-term liabilities	10,415	122,721
Total liabilities	156,774	156,044
Stockholders' deficit:		
Preferred stock, par value $0.0001 per share		
Authorized: 5,000,000 shares at June 30, 2009 and December 31, 2008; no shares issued and outstanding at June 30, 2009 and December 31, 2008	—	—
Common stock, par value $0.0001 per share		
Authorized: 100,000,000 shares at June 30, 2009 and December 31, 2008; 33,907,084 and 33,919,584 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	3	3
Additional paid-in-capital	336,074	333,862
Accumulated other comprehensive income	15	15
Accumulated deficit	(424,665)	(392,671)
Total stockholders' deficit	(88,573)	(58,791)
Total liabilities and stockholders' deficit	$ 68,201	$ 97,253

See accompanying notes to condensed consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.

Condensed Consolidated Statements of Operations

(in thousands, except share and per share amounts)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Collaboration revenues:				
License and milestone revenue	$ 3,314	$ 1,338	$ 7,387	$ 2,676
Cost sharing reimbursements, net	1,336	(1,969)	1,773	(1,969)
Total collaboration revenues	4,650	(631)	9,160	707
Operating expenses:				
Research and development	10,098	18,342	32,736	34,492
General and administrative	3,005	3,974	7,076	7,607
Restructuring (Note 10)	—	—	1,236	—
Total operating expenses	13,103	22,316	41,048	42,099
Loss from operations	(8,453)	(22,947)	(31,888)	(41,392)
Other income:				
Interest income	43	374	79	1,296
Interest expense	(85)	(121)	(185)	(248)
Other income, net	(42)	253	(106)	1,048
Net loss	$ (8,495)	$ (22,694)	$ (31,994)	$ (40,344)
Basic and diluted weighted average common shares outstanding	33,877,075	33,733,536	33,874,559	33,731,883
Basic and diluted net loss attributable to common stockholders per share	$ (0.25)	$ (0.67)	$ (0.94)	$ (1.20)

See accompanying notes to consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net loss	$ (31,994)	$ (40,344)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	2,212	3,894
Depreciation and amortization	1,344	1,306
Changes in operating assets and liabilities:		
Collaboration receivable	15,093	(257)
Prepaid expenses and other current assets	137	72
Accounts payable	2,664	(1,017)
Accrued expenses	(7,031)	2,144
Deferred collaboration revenue	2,614	(2,676)
Collaboration payable	3,666	2,217
Net cash used in operating activities	(11,295)	(34,661)
Cash flows from investing activities:		
Purchases of marketable securities	(29,756)	—
Sales and maturities of marketable securities	22,613	—
Purchases of property and equipment	(483)	(991)
Net cash used in investing activities	(7,626)	(991)
Cash flows from financing activities:		
Proceeds from sale—leaseback of property and equipment	—	880
Payment of capital lease obligations	(1,241)	(1,429)
Net cash used in financing activities	(1,241)	(549)
Net decrease in cash and cash equivalents	(20,162)	(36,201)
Cash and cash equivalents at beginning of period	52,045	115,577
Cash and cash equivalents at end of period	$ 31,883	$ 79,376
Supplemental disclosure of noncash operating, investing and financing activities:		
Acquisition of equipment under capital leases	$ 58	$ 1,624
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 185	$ 248

See accompanying notes to condensed consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.

Notes to 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 to extend and enhance the lives of patients with severe medical conditions, including cancer and chronic inflammatory diseases.

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

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements as of June 30, 2009 and for the three months and six months ended June 30, 2009 and 2008 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position as of June 30, 2009 and the consolidated results of operations and cash flows for the three months and six months ended June 30, 2009 and 2008. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The results of operations for the three months and six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the year ending December 31, 2009 or for any other interim period or any other future year. For more complete financial information, these condensed financial statements, and the notes hereto, should be read in conjunction with the audited financial statements for the year ended December 31, 2008 included in the Company's Annual Report on Form 10-K.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events,* (SFAS 165) as of the period ended June 30, 2009. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued and requires disclosure of the date through which an entity has evaluated subsequent events. Subsequent events have been evaluated through the filing of the financial statements on Form 10-Q with the SEC on August 4, 2009.

Principles of Consolidation

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

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

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 contract research accruals, recoverability of long-lived and deferred tax assets, measurement of stock-based compensation, and the periods of performance under the GSK Agreement and the Roche Agreement. 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.

Cash and Cash Equivalents

The Company's cash is deposited in a highly rated financial institution in the United States. Cash equivalents include a short-term U.S. Treasury money market fund. The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Changes in cash and cash equivalents may be affected by shifts in investment portfolio maturities, as well as actual cash disbursements to fund operations. The primary objective of the Company's investment activities is to preserve its capital for the purpose of funding operations and the Company does not enter into investments for trading or speculative purposes. Declines in interest rates, however, would reduce future investment income.

Marketable Securities

The Company considers its marketable securities available-for-sale in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Marketable securities consist of investments in high-grade corporate obligations that are guaranteed by the United States government, and government and government agency obligations that are classified as available-for-sale. Since these securities are available to fund current operations they are classified as current assets on the consolidated balance sheets.

During the three months ended June 30, 2009, we adopted Financial Accounting Standards Board (FASB) Staff Position Statement No. 115-2 and SFAS No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ("FSP SFAS No. 115-2 and SFAS No. 124-2"). We adjust the cost of available-for-sale debt securities for amortization of premiums and accretion of discounts to maturity. We include such amortization and accretion in interest and investment income. Realized gains and losses and declines in value, if any, that we judge to be other-than-temporary on available-for-sale securities are reported in interest and investment income. To determine whether an other-than-temporary impairment exists, we consider whether we intend to sell the debt security and, if we do not intend to sell the debt security, we consider available evidence to assess whether it is more likely than not that we will be required to sell the security before the recovery of its amortized cost basis. During the three and six months ended June 30, 2009 and 2008, we determined that no securities were other-than-temporarily impaired.

Marketable securities are stated at fair value, including accrued interest, with their unrealized gains and losses included as a component of accumulated other comprehensive income (loss), which is a

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

separate component of stockholders' deficit. The fair value of these securities is based on quoted market prices. Realized gains and losses are determined on the specific identification method.

During the three months and six months ended June 30, 2009 and 2008, the Company recorded no realized gains or losses on marketable securities.

Revenue Recognition

Collaboration and License Agreements

The Company's principal sources of revenue may include upfront license payments, development milestones, reimbursement of research and development costs, profit sharing payments, sales milestones and royalties from its collaborations. The Company recognizes revenue from these sources in accordance with Staff Accounting Bulletin (SAB) 104, *Revenue Recognition*, or SAB 104, Emerging Issues Task Force (EITF) No. 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, or EITF No. 99-19, EITF No. 00-21, *Revenue Arrangements with Multiple Deliverables*, or EITF No. 00-21, and EITF No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*, or EITF No. 01-09. The application of EITF No. 00-21 requires subjective analysis and requires management to make estimates and assumptions about whether deliverables within multiple-element arrangements are separable from the other aspects of the contractual arrangement into separate units of accounting and to determine the fair value to be allocated to each unit of accounting.

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

The Company's deliverables under its collaboration agreements, including the related rights and obligations, contractual cash flows and performance periods, are more fully described in Notes 8 and 9. Certain of the deliverables have been combined as a single unit of accounting.

The cash flows associated with the single unit of accounting from the research and development portions of the Company's collaborations are recognized as revenue using a time-based model. Under this model, cash flow streams are recognized as revenue over the estimated performance period. Upon achievement of milestones, as defined in the collaboration agreements, revenue is recognized to the extent the accumulated service time, if any, has occurred. The remainder is deferred and recognized as revenue ratably over the remaining estimated performance period. A change in the period of time expected to complete the deliverable is accounted for as a change in estimate on a prospective basis. Revenue is limited to amounts that are non-refundable and that the Company's collaborators are contractually obligated to pay to the Company.

Collaborative Development, Commercialization and License Agreement with GSK

In October 2007, the Company and GSK entered into the GSK Agreement, as amended in June 2008, for the joint development and commercialization of elesclomol. The GSK Agreement consists of

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

the following key funding streams: an upfront license payment, product development milestones, operational milestones, reimbursements of certain development costs, sales milestones, profit sharing payments and product royalty payments. On June 10, 2009, following the suspension of the SYMMETRY trial, the Company received written notice from GSK of their intent to terminate the GSK Agreement. The termination of the GSK Agreement will be effective no later than September 10, 2009.

The $80 million non-refundable upfront license payment the Company received from GSK in November 2007, together with the $260,000 fair value of an option to require GSK to purchase $25 million of the Company's common stock, is being recognized ratably using the time-based model over the estimated performance period which had been defined as the 15-year period through the earliest expiration date of the related patents, which the Company estimated to be the effective life of the GSK Agreement. The Company is also recognizing product development milestones and operational milestones as collaboration revenue using the time-based model over the same performance period. The Company recognizes as revenue on the date the milestone is achieved the portion of the milestone payment equal to the applicable amount of the performance period that has elapsed as of the date the milestone is achieved, with the balance being deferred and recognized on a straight-line basis over the remaining development period.

As of June 30, 2009, the Company had achieved a total of $50 million in non-refundable operational milestones, including $40 million in the year ended December 31, 2008 that were paid by GSK in the fourth quarter of 2008 and $10 million in January 2009 that was paid by GSK in March 2009. The $50 million in operational milestones achieved to-date include $45 million related to the development of elesclomol for the treatment of metastatic melanoma and $5 million related to the development of elesclomol in another cancer indication. In the three months and six months ended June 30, 2009 and 2008, the Company recognized $2.2 million, $1.3 million, $5.1 million and $2.7 million, respectively, of license and milestone revenue under the GSK Agreement. In the third quarter of 2009, the period the termination will be effective, the Company will have approximately $116 million in remaining deferred revenue from upfront payments and milestones received under the GSK Agreement, all of which will be recorded as non-cash license and milestone revenue as the Company will have no further obligation for deliverables under the GSK Agreement.

Reimbursements of development costs to the Company by GSK are recorded as cost sharing revenue in the period in which the related development costs are incurred. Reimbursements by the Company to GSK for costs GSK incurred under the development program are recorded as a reduction of cost sharing revenue in the period in which the costs are incurred by GSK in accordance with EITF No. 01-09. Reimbursement of GSK's costs in an amount in excess of collaboration revenues otherwise recognized by the Company in a reporting period may result in negative revenue. Based on the guidance of EITF No. 99-19, the Company has determined that it is acting as a principal under the GSK Agreement and, as such, records these amounts as collaboration revenue. In the three months and six months ended June 30, 2009 and 2008, the Company recognized, as a reduction to revenue, $1.3 million, $2.0 million, $3.4 million and $2.0 million, respectively, of net cost sharing reimbursements to GSK under the GSK Agreement as the Company is solely responsible for funding 100% of the development costs of elesclomol for the treatment of metastatic melanoma until a specified limit of expenses has been incurred, after which continuing development costs are shared by GSK with the Company responsible for a modest share of the costs.

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

Collaborative License Agreement with Roche

In December 2008, the Company and Roche entered into the Roche Agreement to discover, develop, and commercialize small-molecule drugs targeting CRACM channels. The Roche Agreement consists of the following key funding streams: an upfront license payment, product development milestones, reimbursements of certain research and development costs, sales milestones and product royalty payments.

The $16 million non-refundable upfront license payment the Company received from Roche in January 2009 is being recognized ratably using the time-based model over the estimated performance period which has been defined as the 3.5-year period through the estimated date of completion of a phase 2a clinical trial for the first licensed compound. In the three months and six months ended June 30, 2009, the Company recognized $1.1 million and $2.3 million, respectively, of license revenue under the Roche Agreement. Reimbursements of research and development costs to the Company by Roche are recorded as cost sharing revenue in the period in which the related research and development costs are incurred. In the three months and six months ended June 30, 2009, the Company recognized $2.6 million and $5.1 million, respectively, of cost sharing revenue under the Roche Agreement. Development milestones will be recognized as collaboration revenue using the time-based model over the same performance period through mid-2012. No development milestones have been achieved as of June 30, 2009.

Royalty revenues are based upon a percentage of net sales. Royalties from the sales of products included in the Roche Agreement will be recorded on the accrual basis when results are reliably measurable, collectability is reasonably assured and all other revenue recognition criteria are met. Sales milestones, which are based upon the achievement of certain agreed-upon sales thresholds, will be recognized in the period in which the respective sales threshold is achieved and collectability is reasonably assured.

Deferred Collaboration Revenue

Consistent with the Company's policy on revenue recognition, deferred collaboration revenue represents cash received and amounts earned and invoiced for licensing and option fees and milestones, as well as cash received and amounts invoiced for research and development services to be performed by the Company. Such amounts are reflected as deferred collaboration revenue until revenue can be recognized under the Company's revenue recognition policy. Deferred collaboration revenue is classified as current if management believes the Company will complete the earnings process and be able to recognize the deferred amount as revenue within 12 months of the balance sheet date. At June 30, 2009, total deferred collaboration revenue was approximately $129.6 million, of which $120.6 million is current and will be recognized as revenue during the next 12 months, including approximately $116 million in remaining deferred revenue from up-front payments and milestones received under the GSK Agreement that will be recorded as non-cash license and milestone revenue in the third quarter of 2009 when the termination becomes effective.

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

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 June 30,		Stock compensation expense for the six months ended June 30,		Unrecognized stock compensation expense as of June 30, 2009
	2009	2008	2009	2008	
Employee stock options	$1,116	$1,316	$2,191	$2,483	$ 6,857
Repriced employee stock options	—	32	—	91	—
Employee options issued below fair value	—	2	—	4	—
Non-employee stock options	—	11	17	579	—
Restricted stock	(69)	396	4	737	134
	$1,047	$1,757	$2,212	$3,894	$ 6,991

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Research and development	$ 784	$1,313	$1,679	$3,045
General and administrative	263	444	533	849
Total	$1,047	$1,757	$2,212	$3,894

For the three months and six months ended June 30, 2009 and 2008, 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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Risk-free interest rate	2.03%	3.38%	2.02%	3.27%
Expected life in years	5.75 years	6.25 years	5.77 years	6.25 years
Volatility	95%	70%	94%	70%
Expected dividend yield	—	—	—	—

The Company uses the Black-Scholes option pricing model as it is 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 for the three months ended June 30, 2009 was based upon the weighted average historical volatility data of the Company's common stock and the historical volatility data from several guideline public biotechnology companies similar in size and value to the Company that also have stock compensation plans with similar terms. Prior to April 1, 2009, expected volatility was based solely on historical data from several guideline similar public biotechnology companies with

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

similar stock compensation plans and terms. The Company will continue using its historical volatility and other similar public entity volatility information until its historical volatility alone is relevant to measure expected volatility for future option grants. The Company estimates the forfeiture rate based on historical data. Based on an analysis of historical forfeitures, the Company has applied a forfeiture rate of 10% to all options that vest upon completion of the first year of service following the date of grant. The analysis will be re-evaluated at least annually and the forfeiture rate will be adjusted as necessary. The risk-free rate for periods within the expected 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 represent 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 awards with graded vesting, the Company allocates compensation costs under SFAS No. 123(R), *Share-Based Payment*, on a straight-line basis over the requisite service period. The Company amortizes 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, *Accounting for Stock-Based Compensation*, or SFAS No. 123, and EITF No. 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees, or in Conjunction with Selling Goods or Services*, which requires valuing and remeasuring such stock options to the current fair value until the performance date has been reached.

As part of its preparation of its quarterly financial statements for the three months ended March 31, 2008, the Company discovered that it had erroneously accounted for certain of its non-employee stock options during the last three quarters of 2007 under EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock,* which may require stock options held by certain non-employee consultants to be accounted for as liabilities. Under this accounting it had reclassified approximately $1.9 million from additional paid-in capital to liabilities in the second quarter of 2007 and subsequently during the year adjusted the fair value of the liability for changes in the market price of its common stock, resulting in a $553,000 credit to stock-based compensation expense for the year. In accordance with SAB No. 99, *Materiality*, and SAB No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*, the Company assessed the materiality of this error on its financial statements for the year ended December 31, 2007, using both the roll-over method and iron-curtain method as defined in SAB No. 108. The Company concluded the effect of this error was not material to its financial statements for the year ended December 31, 2007 and, as such, these financial statements are not materially misstated. The Company also concluded that providing for the correction of the error in 2008 would not have a material effect on its financial statements for the year ended December 31, 2008. Accordingly, the Company recorded a charge to stock-based compensation of $553,000 and a reclassification of approximately $1.9 million from liabilities to additional paid-in-capital in the three months ended March 31, 2008 to correct this error.

Basic and Diluted Net Loss Per Common Share

Net loss per share is computed based on the guidance of SFAS No. 128, *Earnings Per Share*, requiring companies to report both basic net loss per common share, which is computed using the weighted average number of common shares outstanding during the period, and diluted net loss per

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

common share, which is computed using the weighted average number of common shares outstanding and the weighted average dilutive potential common shares outstanding using the treasury stock method. However, for all periods presented, diluted net loss per share is the same as basic net loss per share as the inclusion of weighted average shares of unvested restricted common stock and common stock issuable upon the exercise of stock options would be anti-dilutive.

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

	June 30,	
	2009	2008
Common stock options	5,109,573	4,582,151
Non-vested restricted common stock	25,000	157,742

Comprehensive Loss

For the three months and six months ended June 30, 2009 and 2008, comprehensive loss was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net loss	$(8,495)	$(22,694)	$(31,994)	$(40,344)
Changes in other comprehensive income (loss):				
Unrealized holding gains (losses) on marketable securities	4	—	—	—
Total comprehensive loss	$(8,491)	$(22,694)	$(31,994)	$(40,344)

Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140* (SFAS No. 166). SFAS No. 166 is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets, the effects of a transfer on its financial position, financial performance, and cash flows and a transferor's continuing involvement, if any, in transferred financial assets. SFAS No. 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company does not expect the adoption of SFAS No. 166 to have a material impact on its financial position or results of operations.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS No. 167). SFAS No. 167 is intended to improve financial reporting by enterprises involved with variable interest entities and to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166, and (2) constituent concerns about the

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (Continued)

application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS No. 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not expect the adoption of SFAS No. 167 to have a material impact on its financial position or results of operations.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162* (SFAS No. 168). The FASB Accounting Standards Codification ("*Codification*") is intended to be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS No. 168 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards will be superseded as described in SFAS No. 168. All other accounting literature not included in the Codification is non-authoritative. The Company does not expect the adoption of SFAS No. 168 to have a material impact on its financial position or results of operations.

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(3) Cash, Cash Equivalents and Marketable Securities

A summary of cash and cash equivalents and available-for-sale marketable securities held by the Company as of June 30, 2009 and December 31, 2008 is as follows:

	June 30, 2009			
	Cost	Unrealized gains	Unrealized losses	Fair value
	(in thousands)			
Cash and cash equivalents (Level 1):				
Cash and money market funds	$31,883	—	—	$31,883
Marketable securities (Level 2):				
Corporate debt securities:				
Due within 1 year	6,246	3	—	6,249
U.S. sponsored entities:				
Due within 1 year	22,400	12	—	22,412
Total marketable securities	28,646	15	—	28,661
Total cash, cash equivalents and marketable securities	$60,529	$ 15	$ —	$60,544

	December 31, 2008			
	Cost	Unrealized gains	Unrealized losses	Fair value
	(in thousands)			
Cash and cash equivalents (Level 1):				
Cash and money market funds	$52,045	—	—	$52,045
Marketable securities (Level 2):				
Corporate debt securities:				
Due within 1 year	8,490	9	—	8,499
U.S. sponsored entities:				
Due within 1 year	13,013	6	—	13,019
Total marketable securities	21,503	15	—	21,518
Total cash, cash equivalents and marketable securities	$73,548	$ 15	$ —	$73,563

(4) Fair Value Measurements

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

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(4) Fair Value Measurements (Continued)

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of June 30, 2009, all of the Company's financial assets that were subject to fair value measurements were valued using observable inputs and the Company had no financial liabilities that were subject to fair value measurement. The Company's financial assets valued based on Level 1 inputs consisted of cash and cash equivalents in a U.S. Treasury money market fund. The Company's financial assets valued based on Level 2 inputs consisted of high-grade commercial paper and government-agency bonds that are guaranteed by the U.S. government.

(5) Property and Equipment

Property and equipment consist of the following:

	June 30, 2009	December 31, 2008
	(in thousands)	
Laboratory equipment	$ 12,314	$ 12,093
Leasehold improvements	4,817	4,667
Computers and software	2,216	2,192
Furniture and fixtures	1,241	1,105
	20,588	20,057
Less accumulated depreciation and amortization	(15,462)	(14,128)
	$ 5,126	$ 5,929

Depreciation and amortization expenses of property and equipment were approximately $651,000 and $628,000 in the three months ended June 30, 2009 and 2008, respectively, and $1,344,000 and $1,306,000 for the six months ended June 30, 2009 and 2008, respectively.

(6) Stock Plans

The Company's 2006 Stock Plan provides for the grant of incentive stock options, nonstatutory stock options and non-vested stock to employees, officers, directors and consultants to the Company. A total of 5,100,000 shares of common stock have been reserved for issuance under the 2006 Stock Plan. In January 2009, the number of shares of common stock reserved for issuance under the 2006 Stock Plan was increased from 3,800,000 to 5,100,000 pursuant to an "evergreen" provision, which provides for an annual increase based on the lesser of 1,300,000 shares, 5% of the Company's then outstanding shares of common stock, or such other amount as the board of directors may determine. The increase was ratified by the board of directors in February 2009. The administration of the 2006 Stock Plan is under the general supervision of the compensation committee of the board of directors. The exercise price of the stock options is determined by the compensation committee or the board of directors, provided that incentive stock options are granted at not less than fair market value of the common stock on the date of grant and expire no later than ten years from the date the option is granted. Options vest over one to four years.

As of June 30, 2009, under its 2001 Stock Plan, the Company had options outstanding to purchase 2,344,334 shares of its common stock and had no shares available for future issuance.

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(6) Stock Plans (Continued)

As of June 30, 2009, under its 2006 Stock Plan, the Company had options outstanding to purchase 2,765,239 shares of its common stock, had outstanding 25,000 restricted shares of common stock and had available 2,263,941 shares available for future issuance.

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 and non-employee directors. Restricted stock awards are subject to forfeiture if employment or service terminates during the prescribed retention period. The remaining unrecognized compensation expense on restricted stock at June 30, 2009 was $134,000. The weighted average period over which the balance is expected to be recognized is 2.1 years. Restricted shares issued to non-employee directors vest over the service period.

General Option Information

The following table summarizes stock option activity for the six months ended June 30, 2009:

	Shares	Weighted average exercise price of shares under plan
Outstanding at January 1, 2009	4,691,246	$ 10.41
Granted	1,065,029	2.83
Exercised	—	—
Cancelled	(646,702)	9.09
Outstanding at June 30, 2009	5,109,573	$ 9.00
Exercisable at June 30, 2009	3,053,679	$ 11.09

The weighted-average grant date fair values of options granted during the three months and six months ended June 30, 2009 and 2008 was $1.90, $4.67, $2.01 and $5.18, respectively.

As of June 30, 2009, the total amount of unrecognized stock-based compensation expense was $7.0 million, which will be recognized over a weighted average period of 2.1 years.

Included in the Company's stock options outstanding at June 30, 2009 were 247,805 options issued to non-employee consultants with a weighted average exercise price of $8.46 of which all were vested. The compensation expense was recorded over the respective vesting periods and was subject to variable accounting treatment prior to vesting, whereby the Company remeasured the fair value of the options at the end of each reporting period. Changes in the fair value may result in an expense or a credit in each reporting period. Compensation expense related to these options was approximately $0 and $11,000 in the three months ended June 30, 2009 and 2008, respectively, and $17,000 and $579,000, including the $553,000 correction referred to in Note 2, in the six months ended June 30, 2009 and 2008, respectively.

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(6) Stock Plans (Continued)

General Restricted Shares Information

The following table summarizes restricted stock activity during the six months ended June 30, 2009:

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2009	172,620	$ 18.49
Granted	—	—
Vested	(135,120)	20.91
Cancelled	(12,500)	14.00
Outstanding at June 30, 2009	25,000	$ 7.69

(7) Accrued Expenses

Other accrued liabilities consist of the following:

	June 30, 2009	December 31, 2008
	(in thousands)	
Compensation and benefits	$1,395	$ 759
Professional fees	1,407	1,311
Restructuring	112	—
Other	654	771
	$3,568	$ 2,841

(8) Collaborative Development, Commercialization and License Agreement with GSK

In October 2007, as amended in June 2008, the Company and GSK entered into the GSK Agreement for the joint development and commercialization of elesclomol.

On June 10, 2009, following the suspension of the SYMMETRY trial, the Company received written notice from GSK of their intent to terminate the GSK Agreement. The termination of the GSK Agreement will be effective no later than September 10, 2009. In accordance with the termination provisions of the GSK Agreement, all rights to the elesclomol program will be returned to the Company as of the effective date of termination. The Company may continue to develop elesclomol alone or with another partner and may pay GSK a low single-digit royalty on any potential future sales of elesclomol. The Company believes that it will not incur any termination costs or penalties as a result of the termination of the GSK Agreement.

Pursuant to the GSK Agreement, the Company received a non-refundable upfront license payment of $80 million in November 2007. As of June 30, 2009, the Company had achieved a total of $50 million in non-refundable operational milestones, including $40 million in the year ended December 31, 2008 that were paid by GSK in the fourth quarter of 2008 and $10 million in the three months ended March 31, 2009 that was paid by GSK in March 2009. Certain costs incurred by GSK through June 30, 2009, which related to the development of elesclomol in metastatic melanoma, were the Company's responsibility and have been recognized as a reduction of revenue under the GSK

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

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

collaboration in the statement of operations. However, these costs were not required to be paid to GSK until after the final completion of the SYMMETRY trial, as defined in the GSK Agreement.

(9) Collaborative License Agreement with Roche

In December 2008, the Company and Roche entered into the Roche Agreement to discover, develop, and commercialize small-molecule drugs targeting CRACM channels. The goal is to develop a novel category of oral, disease-modifying agents for the treatment of rheumatoid arthritis, asthma, chronic obstructive pulmonary disease, or COPD, allergy, transplant rejection, and other autoimmune diseases and inflammatory conditions.

Under the terms of the agreement, Roche will fund research to be conducted by the Company during an initial two-year research period, which may be extended for additional one year terms by mutual agreement of the parties. Roche will receive worldwide rights to develop and commercialize certain products identified prior to the end of this research period. The Company retains co-development rights by conducting preclinical development and early clinical trials, and co-promotion rights in the United States in indications other than rheumatoid arthritis. All preclinical, clinical, and commercial costs will be paid by Roche.

Pursuant to the agreement, the Company received a non-refundable upfront license payment of $16 million in January 2009, which was recorded as a collaboration receivable as of December 31, 2008. Roche will pay all of the Company's research costs, with a minimum of $9 million in committed research support, and all of the Company's preclinical and clinical development costs for compounds nominated for clinical development. As of June 30, 2009 the Company has received approximately $4.2 million in research and development support under the Roche Agreement.

The Company is eligible to receive additional payments, for each of three licensed products, should specified development and commercialization milestones be successfully achieved. Development milestones across multiple indications of up to $245 million could be earned for the first product, and up to half of this amount could be earned for each of the second and third products. Commercialization milestones of up to $170 million could be earned for each of three products. In addition, all commercial costs will be paid by Roche. The Company will receive tiered royalties on sales of all approved, marketed products. Roche may terminate the agreement on a licensed compound-by-licensed compound basis upon providing advance written notice, but may not do so with respect to all licensed compounds until after a specified date.

(10) Restructuring

On March 12, 2009, the Company committed to a restructuring plan that consisted primarily of an immediate workforce reduction of approximately 90 positions, to a total of approximately 130 positions, to better align its workforce to its revised operating plans following the suspension of its SYMMETRY clinical trial. In the first quarter of 2009, the Company recorded a restructuring charge of approximately $1.2 million for severance and estimated benefits continuation costs and outplacement services. The restructuring charges were recorded in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, or (SFAS No. 146). In addition, the Company paid approximately $0.2 million in unused paid-time off that had been recognized as expense prior to the restructuring, including $0.1 million in the year ended December 31, 2008 and $0.1 million in the first quarter of 2009. As of June 30, 2009, approximately $1.3 million of the total estimated $1.4 million in

SYNTA PHARMACEUTICALS CORP.

Notes to Consolidated Financial Statements (Continued)

(10) Restructuring (Continued)

restructuring related payments had been paid. The remaining payments are anticipated to be paid by the end of the third quarter of 2009.

To conserve additional capital resources, the Company will not renew one of its office building leases expiring in August 2009 and will consolidate its operations within its three other facilities. The Company does not anticipate a material impairment charge in connection with the facility consolidation.

The following table summarizes the restructuring activity as of June 30, 2009:

	Restructuring Charge	Payments	Restructuring Liability at June 30, 2009
Workforce reduction	$ 1,236	$(1,123)	$ 113

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

You should read this discussion together with the consolidated financial statements, related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission. These risks could cause our actual results to differ materially from any future performance suggested below.

Overview

We are a biopharmaceutical company focused on discovering, developing, and commercializing small molecule drugs to extend and enhance the lives of patients with severe medical conditions, including cancer and chronic inflammatory diseases. We have three clinical-stage drug candidates and several drug candidates in the preclinical and discovery stages, each of which has a distinct chemical structure, mechanism of action, and market opportunity. Each of our drug candidates was discovered and developed internally using our proprietary, unique chemical compound library and integrated discovery engine.

We believe that our chemical compound library and research capabilities, our demonstrated ability to generate new drug candidates, our ability to effectively enroll and conduct large-scale clinical trials, and our ability to enter into partnerships with leading multinational pharmaceutical companies are important competitive advantages. We believe that our pipeline of novel drug candidates, together with these competitive advantages, provide us with both near-term and long-term sustainable growth opportunities.

We were incorporated in March 2000 and commenced operations in July 2001. Since that time, we have been principally engaged in the discovery and development of novel drug candidates. Prior to our initial public offering, or IPO, in 2007, we funded our operations principally with $235.4 million in net proceeds from private placements of our common stock and Series A convertible preferred stock. In February 2007, we raised $50.0 million in gross proceeds from the sale of 5,000,000 shares of our common stock in our IPO at $10.00 per share. The net offering proceeds to us were approximately $44.7 million. All outstanding shares of our Series A convertible preferred stock and accumulated dividends on the Series A convertible preferred stock were converted into shares of common stock upon the completion of the IPO.

In addition to raising capital from financing activities, we have also received substantial capital from partnering activities. In October 2007, we entered into a global collaborative development, commercialization and license agreement, or the GSK Agreement, with GlaxoSmithKline, or GSK, for the joint development and commercialization of elesclomol, one of our oncology drug candidates. On June 10, 2009, following the suspension of our global Phase 3 clinical trial of elesclomol plus paclitaxel in metastatic melanoma, called the SYMMETRY trial, we received written notice from GSK of their intent to terminate the GSK Agreement. In December 2008, we entered into a collaborative license agreement, or the Roche Agreement, with Hoffmann-La Roche, or Roche, for our CRACM inhibitor program, which is currently in the lead optimization stage. As of June 30, 2009, we have received $150.2 million in nonrefundable partnership payments under these agreements with GSK and with Roche, including $96 million in upfront payments, $50 million in operational milestones and $4.2 million in research and development funding, which, together with the net cash proceeds from equity financings and the exercise of common stock warrants and options, provided aggregate net cash proceeds of approximately $431.6 million. We have also generated funds from government grants, equipment lease financings and investment income. Currently, we are actively engaged in partnership discussions for a number of our programs, which we expect will provide us with additional financial resources.

We have devoted substantially all of our capital resources to the research and development of our drug candidates. Since our inception, we have had no revenues from product sales. We have never been profitable and, as of June 30, 2009, we had an accumulated deficit of $424.7 million. We expect to incur significant operating losses for the foreseeable future as we advance our drug candidates from discovery through preclinical development and clinical trials, and seek regulatory approval and eventual commercialization. We will need to generate significant revenues to achieve profitability and may never do so.

Oncology Programs

We have two clinical-stage programs and one preclinical-stage program in oncology:

STA-9090

STA-9090 is a novel, small molecule Hsp90 inhibitor drug candidate that we are developing for the treatment of a variety of both solid tumor and hematological cancers. Inhibition of Hsp90 is an area of great interest in the oncology community because of the broad role played by Hsp90 in maintaining the function of many cancer-promoting proteins. STA-9090 has a unique chemical structure that is distinct from Hsp90 inhibitors such as 17-AAG (geldanamycin) and other ansamycin derivatives. STA-9090 has shown potency 10 to 100 times greater than the ansamycin family as well as activity against a wider range of kinases. STA-9090 has also shown the ability to inhibit multiple kinases with comparable potency to, and a broader activity profile than, specific kinase inhibitors such as imatinib (Gleevec), erlotinib (Tarceva), and sunitinib (Sutent). We believe that this creates a distinct activity profile for STA-9090 and is a competitive advantage.

STA-9090 Ongoing Clinical Trials

In November, 2007 and January, 2008 we initiated two Phase 1, open-label studies in patients with solid-tumor cancers to identify the maximum tolerated dose, or MTD, of STA-9090 based on twice- and once-a-week intravenous dosing schedules, respectively. In addition to an evaluation of safety and tolerability, patients in each of these studies will be assessed for tumor response based on the industry standard Response Evaluation Criteria in Solid Tumors, or RECIST, criteria. In March 2009, we initiated a Phase 1/2 open-label clinical study of STA-9090 in patients with hematologic cancers, with a twice-a-week dosing schedule. Later in 2009, we plan to initiate a Phase 1/2 trial in hematologic cancers with a once-a-week dosing schedule as well as one or more Phase 2 studies in solid-tumor cancers.

In April, 2009, data presented at the American Association for Cancer Research (AACR) demonstrated the superior potency of STA-9090 when compared to 17-AAG preclinically in both *in vivo* and *in vitro* experiments in lung cancer. The experiments demonstrated that STA-9090 retained activity in cell lines that were resistant to treatment with 17-AAG and greater efficacy and an increased therapeutic index relative to 17-AAG in mouse models of Tarceva-resistant non-small cell lung cancer.

In our Phase 1 solid-tumor trials, we have escalated multiple dose-level cohorts in each study and have to date observed an acceptable safety profile. We have also seen biomarker activity that has increased with increasing doses of STA-9090. In addition to the acceptable safety profile and encouraging signs of biological activity, we have seen two confirmed responses as defined by RECIST criteria, a number of instances of tumor shrinkage not yet qualifying as confirmed RECIST responses, and a number of cases of prolonged stable disease. These responses and cases of stable disease occurred in a patient population that is generally refractory or resistant to treatments with other agents. We believe that these data are encouraging and suggest the clinical activity of STA-9090.

2nd Generation Hsp90 Inhibitors

Earlier this year, we initiated preclinical development of a follow-on, small molecule, injectable Hsp90 inhibitor. This compound has a unique chemical structure that we believe enhances certain desirable properties. In addition, we are currently working on a new series of Hsp90 inhibitor compounds that may be orally administered. These compounds are in the lead optimization stage.

Elesclomol

Elesclomol is a first-in-class, investigational drug candidate that triggers apoptosis (programmed cell death) in cancer cells. Cancer cells operate at high levels of reactive oxygen species (ROS), or oxidative stress. Elesclomol is believed to act by increasing the level of oxidative stress in cancer cells even further, beyond sustainable levels, inducing apoptosis. This mechanism of action, called oxidative stress induction, represents a novel way of selectively targeting and killing cancer cells.

In preclinical models, elesclomol showed potent anti-cancer activity against a broad range of cancer cell types, as well as an ability to enhance the efficacy of certain chemotherapy agents with minimal additional toxicity. In September 2006, we reported that in a 21-center, double-blind, randomized, controlled Phase 2b clinical trial in 81 patients with metastatic melanoma, elesclomol in combination with paclitaxel met the primary endpoint—doubling the median time patients survived without their disease progressing—compared to paclitaxel alone (p=0.035).

In November 2007, we announced the initiation of a Phase 3 clinical trial, the SYMMETRY trial, to evaluate treatment with elesclomol plus paclitaxel vs. paclitaxel alone in approximately 630 patients with metastatic melanoma. In February 2009, we suspended our global Phase 3 SYMMETRY trial following a meeting of the independent data monitoring committee, or DMC. The DMC noted that while an interim review of the primary endpoint of progression-free survival, or PFS, showed trends that favored the elesclomol arm of the study; the interim analysis of the secondary endpoint of overall survival, or OS, favored the control arm. Following our review of the data and further discussion with the DMC, we decided to suspend the SYMMETRY trial and our other ongoing elesclomol trials, including our trial in prostate cancer and our single-agent dose-escalating trial, pending further analysis of the SYMMETRY trial results. All trials with elesclomol currently remain on clinical hold. In our analysis of the SYMMETRY trial results to date, we have not identified any target organ toxicities or adverse events related to elesclomol that might explain an imbalance of deaths between the two arms. We have identified that while in the overall patient population the PFS improvement from treatment with elesclomol did not achieve statistical significance, in a large, prospectively-defined patient subgroup, treatment with elesclomol did show a statistically significant improvement in PFS. These results were presented at the American Society of Clinical Oncology meeting in May 2009. Because the OS data from the SYMMETRY trial were not mature at the time of the DMC analysis, in that a relatively small fraction of the total survival events had occurred, we expect to wait for additional survival data, and a review of the collected data with medical advisors, to decide on the future direction of this program, including whether or not to restart the program in melanoma and/or other cancer indications. We expect to complete these reviews and make preliminary decisions on future direction later in 2009.

GSK Elesclomol Alliance

In October 2007, as amended in June 2008, we entered into the GSK Agreement for the joint development and commercialization of elesclomol under which we received nonrefundable payments through June 30, 2009, including an $80 million upfront license fee and $50 million in operational milestone payments. On June 10, 2009, following the suspension of the SYMMETRY trial, we received written notice from GSK of their intent to terminate the GSK Agreement. The termination of the GSK Agreement will be effective no later than September 10, 2009. In accordance with the termination

provisions of the GSK Agreement, all rights to the elesclomol program will be returned to us as of the effective date of termination. We may continue to develop elesclomol alone or with another partner and may pay GSK a low single-digit royalty on any potential future sales of elesclomol. We believe that we will not incur any termination costs or penalties as a result of the termination of the GSK Agreement and that the requirement to pay the accumulated GSK expenses does not survive termination of the GSK Agreement. We expect to write-off approximately $10 million of collaboration payables in the third quarter of 2009.

STA-9584

STA-9584 is a novel, injectable, small molecule compound that both disrupts the blood vessels that supply tumors with oxygen and essential nutrients, and has direct cytotoxic effects. In preclinical testing, STA-9584 has been shown to target both new and established tumor blood vessels, in contrast to the mechanism of action of angiogenesis inhibitors such as Avastin, which only prevent the formation of new tumor vasculature. STA-9584 has shown strong anti-tumor activity in a broad range of preclinical cancer models, including prostate, lung, breast, melanoma, and lymphoma. This program is currently in preclinical development.

Our Inflammatory Disease Programs

We have one clinical-stage program and one preclinical-stage program focusing on treatments for inflammatory diseases. Both of our inflammatory disease programs focus on oral, disease-modifying drug candidates that act through novel mechanisms and could potentially target multiple indications.

Apilimod (STA-5326)

Apilimod is a novel, orally administered, small molecule drug candidate we are developing for the treatment of autoimmune and other chronic inflammatory diseases. Apilimod inhibits the production of the cytokines interleukin-12, or IL-12, and interleukin-23, or IL-23, and thereby down-regulates the inflammation pathways that underlie certain autoimmune and inflammatory diseases. We submitted the initial investigational new drug application, or IND, for apilimod in March 2003.

We are currently conducting a Phase 2a clinical trial of apilimod in patients with rheumatoid arthritis, or RA. The RA study completed initial enrollment of 22 patients and the preliminary results showed encouraging biomarker and clinical signals suggesting activity of apilimod in this indication. We have elected to enroll an additional cohort in this trial to explore a higher dose of apilimod. We expect to have results from this higher dose cohort by the end of 2009. We are also exploring the possibility of using apilimod in a topical formulation to treat inflammatory diseases of the skin, such as psoriasis.

In addition to apilimod, we have also identified several other small molecule IL-12/23 inhibitors that we believe have comparable activity to apilimod with significantly improved pharmaceutical properties. We believe that these new compounds represent a promising opportunity to develop next-generation drug candidates that could be administered orally at higher doses than apilimod and potentially address a wider range of serious inflammatory diseases with high unmet medical needs.

CRACM Ion Channel Inhibitors

We have developed novel, small molecule inhibitors of calcium release activated calcium modulator, or CRACM, ion channels expressed on immune cells. The CRACM ion channel is the primary route for calcium entry into T cells and other immune cells, regulating multiple immune cell processes important for initiating and maintaining an inflammatory immune response. Our CRACM ion channel inhibitors have shown strong anti-inflammatory activity in preclinical studies both *in vitro* and *in vivo,* inhibiting T cell and mast cell activity, including cytokine release, degranulation, and immune cell proliferation. Potential applications include a wide range of inflammatory diseases and disorders for

which modulating T cell and mast cell function has been shown to be critical, including rheumatoid arthritis, asthma, chronic obstructive pulmonary disease, or COPD, allergy, transplant rejection, and other autoimmune diseases and inflammatory conditions. This program is in the lead optimization stage. In December 2008, we entered into a global partnership with Roche to further develop our CRACM inhibitors. We anticipate filing an IND with the FDA and initiating clinical trials in late 2010 or early 2011.

Roche CRACM Inhibitor Alliance

In December 2008, we entered into the Roche Agreement to discover, develop, and commercialize small-molecule drugs targeting CRACM channels. The goal is to develop a novel category of oral, disease-modifying agents for the treatment of rheumatoid arthritis, asthma, chronic obstructive pulmonary disease, or COPD, allergy, transplant rejection, and other autoimmune diseases and inflammatory conditions. Under the terms of the agreement, Roche will fund research to be conducted by us during an initial two-year research period. Roche will receive worldwide rights to develop and commercialize certain products identified prior to the end of this research period. We retain certain co-development and co-promotion rights. All preclinical, clinical, and commercial costs will be paid by Roche.

Pursuant to the agreement, we received a nonrefundable upfront license payment of $16 million in January 2009, which was recorded as a collaboration receivable as of December 31, 2008. Roche will pay all of our research costs, with a minimum of $9 million in committed research support, and all of our development costs for compounds nominated for clinical development. As of June 30, 2009, we have received approximately $4.2 million in research and development support under the Roche Agreement. We are eligible to receive additional payments, for each of three licensed products, should specified development and commercialization milestones be successfully achieved. Development milestones across multiple indications of up to $245 million could be earned for the first product, and up to half of this amount could be earned for each of the second and third products. Commercialization milestones of up to $170 million could be earned for each of three products. In addition, all commercial costs will be paid by Roche. We will receive tiered royalties on sales of all approved, marketed products. Roche may terminate the agreement on a licensed compound-by-licensed compound basis upon providing advance written notice, but may not do so with respect to all licensed compounds until after a specified date.

Financial Operations Overview

Revenue

We have not yet generated any product revenue and do not expect to generate any product revenue in the foreseeable future, if at all. Our revenues have been generated primarily through partnership agreements with GSK and Roche. The terms of these agreements include payment to us of upfront license fees, milestone payments, research and development cost sharing, royalties and profit sharing. We will seek to generate revenue from product sales and from future collaborative or strategic relationships. Upfront license payments and milestones are recognized ratably as collaboration revenue using the time-based model over the estimated performance period and any changes in the estimated performance period could result in substantial changes to the period over which these revenues are recognized (see "Critical Accounting Policies and Estimates—Revenue Recognition"). 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 Roche Agreement and from future collaborations or strategic relationships, and the amount and timing of payments we receive upon the sale of our drug candidates, to the extent any are successfully commercialized.

Research and Development

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

Our research and development expense consists of:

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

We do not know if we will be successful in developing our drug candidates. 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.

In 2009, we anticipate that our overall research and development expenses, including personnel costs and external costs in connection with clinical development activities, will decrease due to the suspension of our elesclomol program and subsequent restructuring. However, certain program costs are expected to increase as we advance clinical development of our STA-9090 program, as well as advance development of our CRACM program.

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

General and Administrative

General and administrative expense consists primarily of salaries and related expenses for personnel in executive, finance, business and commercial development, investor and medical community relations, human resources and administrative functions. Other costs include stock-based compensation costs, directors' and officers' liability insurance premiums, legal costs of pursuing patent protection of our intellectual property, fees for general legal, accounting, public-company requirements and compliance, and other professional services, as well as overhead-related costs not otherwise included in research and development. In 2009, we anticipate that our overall general and administrative expenses, including personnel costs and external commercial development costs, will decrease due to the suspension of our elesclomol program and subsequent restructuring.

Restructuring

On March 12, 2009, we committed to a restructuring plan that consisted primarily of an immediate workforce reduction of approximately 90 positions, to a total of approximately 130 positions, to better align our workforce to our revised operating plans following the suspension of our SYMMETRY clinical trial. In the first quarter of 2009, we recorded a restructuring charge of approximately $1.2 million for severance and estimated benefits continuation costs and outplacement services. The restructuring charges were recorded in accordance with Statement of Financial Accounting Standards, or SFAS, No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. In addition, we paid approximately $0.2 million in unused paid-time off that had been recognized as expense prior to the restructuring, including $0.1 million in the year ended December 31, 2008 and $0.1 million in the first quarter of 2009. As of June 30, 2009, approximately $1.3 million of the total estimated $1.4 million in restructuring related payments had been paid. The remaining payments are anticipated to be paid by the end of the third quarter of 2009.

To conserve additional capital resources, we will not renew one of our office building leases expiring in August 2009 and will consolidate our operations within our three other facilities. We do not anticipate a material impairment charge in connection with the facility consolidation.

Critical Accounting Policies and Estimates

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

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

Revenue Recognition

Collaboration and License Agreements

Our principal sources of revenue may include upfront license payments, development milestones, reimbursement of research and development costs, profit sharing payments, sales milestones and royalties from our collaborations. We recognize revenue from these sources in accordance with Staff Accounting Bulletin, or SAB, 104, *Revenue Recognition*, or SAB 104, Emerging Issues Task Force, or EITF, No. 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, or EITF No. 99-19, EITF No. 00-21, *Revenue Arrangements with Multiple Deliverables*, or EITF No. 00-21, and EITF No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*, or EITF No. 01-09. The application of EITF No. 00-21 requires subjective analysis and requires management to make estimates and assumptions about whether deliverables within multiple-element arrangements are separable from the other aspects of the contractual arrangement into separate units of accounting and to determine the fair value to be allocated to each unit of accounting.

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

Our deliverables under our collaboration agreements, including the related rights and obligations, contractual cash flows and performance periods, are more fully described in Notes 8 and 9 of the accompanying consolidated financial statements. Certain of the deliverables have been combined as a single unit of accounting.

The cash flows associated with the single unit of accounting from the research and development portions of our collaborations are recognized as revenue using a time-based model. Under this model, cash flow streams are recognized as revenue over the estimated performance period. Upon achievement of milestones, as defined in the collaboration agreements, revenue is recognized to the extent the accumulated service time, if any, has occurred. The remainder is deferred and recognized as revenue ratably over the remaining estimated performance period. A change in the period of time expected to complete the deliverable is accounted for as a change in estimate on a prospective basis. Revenue is limited to amounts that are nonrefundable and that our collaborators are contractually obligated to pay us.

Collaborative Development, Commercialization and License Agreement with GSK

In October 2007, we and GSK entered into the GSK Agreement, as amended in June 2008, for the joint development and commercialization of elesclomol. The GSK Agreement consists of the following key funding streams: an upfront license payment, product development milestones, operational milestones, reimbursements of certain development costs, sales milestones, profit sharing payments and product royalty payments. On June 10, 2009, following the suspension of the SYMMETRY trial, we received written notice from GSK of their intent to terminate the GSK Agreement. The termination of the GSK Agreement will be effective no later than September 10, 2009.

The $80 million nonrefundable upfront license payment we received from GSK in November 2007, together with the $260,000 fair value of an option to require GSK to purchase $25 million of our common stock, is being recognized ratably using the time-based model over the estimated performance period which had been defined as the 15-year period through the earliest expiration date of the related patents, which we estimated to be the effective life of the GSK Agreement. We are also recognizing

product development milestones and operational milestones as collaboration revenue using the time-based model over the same performance period. We recognize as revenue on the date the milestone is achieved the portion of the milestone payment equal to the applicable amount of the performance period that has elapsed as of the date the milestone is achieved, with the balance being deferred and recognized on a straight-line basis over the remaining development period. As of June 30, 2009, we had achieved a total of $50 million in nonrefundable operational milestones, including $40 million in the year ended December 31, 2008 that were paid by GSK in the fourth quarter of 2008 and $10 million in the three months ended March 31, 2009 that was paid by GSK in March 2009. The $50 million in operational milestones achieved to-date include $45 million related to the development of elesclomol for the treatment of metastatic melanoma and $5 million related to the development of elesclomol in another cancer indication. In the three months and six months ended June 30, 2009 and 2008, we recognized $2.2 million, $1.3 million, $5.1 million and $2.7 million, respectively, of license and milestone revenue under the GSK Agreement. In the third quarter of 2009, the period the termination will be effective, we will have approximately $116 million in remaining deferred revenue from upfront payments and milestones received under the GSK Agreement, all of which will be recorded as non-cash license and milestone revenue as we will have no further obligation for deliverables under the GSK Agreement.

Reimbursements of development costs to us by GSK are recorded as cost sharing revenue in the period in which the related development costs are incurred. Reimbursements by us to GSK for costs GSK incurs under the development program are recorded as a reduction of cost sharing revenue in the period in which the costs are incurred by GSK in accordance with EITF No. 01-09. Reimbursement of GSK's costs in an amount in excess of collaboration revenues otherwise recognized by us in a reporting period may result in negative revenue. Based on the guidance of EITF No. 99-19, we have determined that we are acting as a principal under the GSK Agreement and, as such, record these amounts as collaboration revenue. In the three months and six months ended June 30, 2009 and 2008, we recognized, as a reduction to revenue, $1.3 million, $2.0 million, $3.4 million and $2.0 million, respectively, of net cost sharing reimbursements to GSK under the GSK Agreement as we are solely responsible for funding 100% of the development costs of elesclomol for the treatment of metastatic melanoma until a specified limit of expenses has been incurred, after which continuing development costs are shared by GSK with us responsible for a modest share of the costs. We believe that the requirement to pay the accumulated GSK expenses does not survive termination of the GSK Agreement and we expect to write-off approximately $10 million of collaboration payables in the third quarter of 2009.

Collaborative License Agreement with Roche

In December 2008, we and Roche entered into the Roche Agreement to discover, develop, and commercialize small-molecule drugs targeting CRACM channels. The Roche Agreement consists of the following key funding streams: an upfront license payment, product development milestones, reimbursements of certain research and development costs, sales milestones and product royalty payments.

The $16 million nonrefundable upfront license payment that we received from Roche in January 2009 is being recognized ratably using the time-based model over the estimated performance period which has been defined as the 3.5-year period through the estimated date of completion of a phase 2a clinical trial for the first licensed compound. In the three months and six months ended June 30, 2009, we recognized $1.1 million and $2.3 million, respectively, of license revenue under the Roche Agreement. Reimbursements of research and development costs to us by Roche are recorded as cost sharing revenue in the period in which the related research and development costs are incurred. In the three months and six months ended June 30, 2009, we recognized $2.6 million and $5.1 million, respectively, of cost sharing revenue under the Roche Agreement. Development milestones will be

recognized as collaboration revenue using the time-based model over the same performance period through mid-2012. No development milestones have been achieved as of June 30, 2009.

Royalty revenues are based upon a percentage of net sales. Royalties from the sales of products included in the Roche Agreement will be recorded on the accrual basis when results are reliably measurable, collectibility is reasonably assured and all other revenue recognition criteria are met. Sales milestones, which are based upon the achievement of certain agreed-upon sales thresholds, will be recognized in the period in which the respective sales threshold is achieved and collectability is reasonably assured.

Deferred Collaboration Revenue

Consistent with our policy on revenue recognition, deferred collaboration revenue represents cash received and amounts earned and invoiced for licensing and option fees and milestones, as well as cash received and amounts invoiced for research and development services to be performed by us. Such amounts are reflected as deferred collaboration revenue until revenue can be recognized under our revenue recognition policy. Deferred collaboration revenue is classified as current if management believes we will complete the earnings process and be able to recognize the deferred amount as revenue within 12 months of the balance sheet date. As of June 30, 2009, total deferred collaboration revenue was approximately $129.6 million, of which $120.6 million is current and will be recognized as revenue during the next 12 months, including approximately $116 million in remaining deferred revenue from upfront payments and milestones received under the GSK Agreement that will be recorded as license and milestone revenue in the third quarter of 2009 when the termination becomes effective.

Accrued Expenses and Accrued Contract Research Liabilities

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 understated or overstated. 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 six months ended June 30, 2009 and 2008, 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 six months ended June 30, 2009 and 2008, respectively.

Stock-Based Compensation

We continue to use the Black-Scholes option pricing model as it is 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 have a limited history of stock activity, expected volatility for the three months ended June 30, 2009 was based upon the weighted-average historical volatility data of our common stock and the historical volatility data from several guideline public biotechnology companies similar in size and value to us that also have stock compensation plans with similar terms. Prior to April 1, 2009, expected volatility was based solely on historical data from several similar guideline public biotechnology companies with similar stock compensation plans and terms. We will continue using our historical volatility and other similar public entity volatility information until our historical volatility alone 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 expected 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 represent 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, *Share-Based Payment,* on a straight-line basis over the requisite service period. Accordingly, we amortize 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*, and EITF No. 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees, or in Conjunction with Selling Goods or Services,* which requires valuing and remeasuring such stock options to the current fair value until the performance date has been reached.

Our net loss for the three months and six months ended June 30, 2009 and 2008 includes $1.0 million, $1.8 million, $2.2 million and $3.9 million of compensation costs, respectively, and no income tax benefit related to our stock-based compensation arrangements for employee and non-employee awards. As of June 30, 2009, the total amount of unrecognized stock-based compensation expense was $7.0 million, which will be recognized over a weighted average period of 2.1 years.

Consolidated Results of Operations

Three Months Ended June 30, 2009 Compared with Three Months Ended June 30, 2008

Collaboration Revenue

	Three Months Ended June 30,		2009 to 2008 Change	
	2009	2008	$	%
	(dollars in millions)			
License and milestone revenue—GSK	$ 2.2	$ 1.3	$0.9	69%
License and milestone revenue—Roche	1.1	—	1.1	—%
	3.3	1.3	2.0	154%
Cost sharing reimbursements, net—GSK	(1.3)	(1.9)	0.6	32%
Cost sharing reimbursements, net—Roche	2.7	—	2.7	—%
	1.4	(1.9)	3.3	174%
Total collaboration revenue	$ 4.7	$(0.6)	$5.3	883%

In October 2007, we entered into a collaborative development, commercialization and license agreement with GSK for elesclomol. In the three months ended June 30, 2009, license and milestone revenue increased by $0.9 million over the three months ended June 30, 2008 due to the timing of achieving $50 million to-date in operational milestones between the third quarter of 2008 and the first quarter of 2009 for the development of elesclomol for the treatment of metastatic melanoma and another cancer indication. In addition, in the three months ended June 30, 2009, net cost sharing reimbursements to GSK decreased by $0.6 million as a result of the suspension of the SYMMETRY trial in February 2009. (See Notes 2 and 8 in the accompanying condensed consolidated financial statements.)

In December 2008, we entered into a collaborative license agreement with Roche to discover, develop, and commercialize small-molecule drugs targeting CRACM channels. In the three months ended June 30, 2009, we recognized $1.1 million of license revenue in connection with the $16 million nonrefundable upfront license payment we received from Roche in January 2009. Reimbursements of research and development costs to us by Roche are recorded as cost sharing revenue in the period in which the related research and development costs are incurred. In the three months ended June 30, 2009, we recognized $2.7 million of cost sharing revenue under the Roche Agreement. (See Notes 2 and 9 in the accompanying condensed consolidated financial statements.)

Research and Development Expense

	Three Months Ended June 30,		2009 to 2008 Change	
	2009	2008	$	%
	(dollars in millions)			
Clinical-stage drug candidates				
Elesclomol	$ 2.9	$13.0	$(10.1)	(78)%
STA-9090	3.5	1.4	2.1	150%
Apilimod	0.1	0.1	—	—%
Total clinical-stage drug candidates	6.5	14.5	(8.0)	(55)%
CRACM	2.4	1.8	0.6	33%
Other early stage programs	1.2	2.0	(0.8)	(40)%
Total research and development	$10.1	$18.3	$ (8.2)	(45)%

In the three months ended June 30, 2009, costs incurred under our elesclomol program decreased by $10.1 million over the three months ended June 30, 2008, including decreases of $3.4 million for personnel costs, related research supplies and operational overhead, $0.7 million for stock compensation, and $6.0 million for external costs. On February 26, 2009, we suspended the SYMMETRY trial, as well as the additional ongoing clinical studies using the sodium salt, water soluble formulation of elescomol, including the Phase 1/2 trial of elesclomol in combination with docetaxel and prednisone in prostate cancer that was initiated in the fourth quarter of 2008 and the monotherapy Phase 1 trial in solid tumors that was initiated in January 2009. Subsequently, on March 12, 2009, we committed to a restructuring that consisted primarily of an immediate workforce reduction.

In the three months ended June 30, 2009, costs incurred under our STA-9090 program increased by $2.1 million over the three months ended June 30, 2008, including a $1.8 million increase for personnel costs, related research supplies, operational overhead and stock compensation, and a $0.3 million increase for external costs. In March 2009, we commenced a Phase 1/2 trial in hematological cancers and are planning to start additional clinical trials in STA-9090 later this year.

In the three months ended June 30, 2009, there was no change in the costs incurred in connection with apilimod over the three months ended June 30, 2008.

In the three months ended June 30, 2009, costs incurred under our CRACM program increased by $0.6 million over the three months ended June 30, 2008, including a $0.7 million increase for personnel costs, related research supplies, operational overhead and stock compensation, offset by a $0.1 million decrease for external costs.

In addition, in the three months ended June 30, 2009, costs incurred under our other early-stage programs decreased by $0.8 million over the three months ended June 30, 2008, including decreases of $0.6 million for personnel costs, related research supplies, operational overhead and stock compensation, and $0.2 million for external costs.

General and Administrative Expense

	Three Months Ended June 30,		2009 to 2008 Change	
	2009	2008	$	%
	(dollars in millions)			
General and administrative	$3.0	$4.0	$(1.0)	(25)%

The decrease in general and administrative expense principally resulted from a decrease of $0.7 million for personnel costs and related overhead in connection with decreased headcount and stock compensation due in part to the workforce reduction in the first quarter of 2009, as well as a decrease of $0.3 million for external professional fees, including intellectual property and general legal fees, public-company reporting and compliance requirements, director and officer insurance premiums, investor and medical-community relations, commercial development and corporate taxes.

Investment Income, net

	Three Months Ended June 30,		2009 to 2008 Change	
	2009	2008	$	%
	(dollars in millions)			
Investment income, net	$(0.1)	$0.3	$(0.4)	(133)%

The decrease in net investment income was principally due to declining interest rates and lower average cash balances.

Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008

Collaboration Revenue

	Six Months Ended June 30,		2009 to 2008 Change	
	2009	2008	$	%
	(dollars in millions)			
License and milestone revenue—GSK	$ 5.1	$ 2.7	$ 2.4	89%
License and milestone revenue—Roche	2.3	—	2.3	—%
	7.4	2.7	4.7	174%
Cost sharing reimbursements, net—GSK	(3.3)	(2.0)	(1.3)	(65)%
Cost sharing reimbursements, net—Roche	5.1	—	5.1	—%
	1.8	(2.0)	3.8	190%
Total collaboration revenue	$ 9.2	$ 0.7	$ 8.5	1,214%

In October 2007, we entered into a collaborative development, commercialization and license agreement with GSK for elesclomol. In the six months ended June 30, 2009, license and milestone revenue increased by $2.4 million over the six months ended June 30, 2008 due to the timing of achieving $50 million to-date in operational milestones between the third quarter of 2008 and the first quarter of 2009 for the development of elesclomol for the treatment of metastatic melanoma and another cancer indication. In addition, in the six months ended June 30, 2009, we recognized, as a reduction to revenue, an increase of $1.3 million of net cost sharing reimbursements to GSK over the six months ended June 30, 2008 due primarily to the timing of services performed by GSK.

In December 2008, we entered into a collaborative license agreement with Roche to discover, develop, and commercialize small-molecule drugs targeting CRACM channels. In the six months ended June 30, 2009, we recognized $2.3 million of license revenue in connection with the $16 million nonrefundable upfront license payment we received from Roche in January 2009. Reimbursements of research and development costs to us by Roche are recorded as cost sharing revenue in the period in which the related research and development costs are incurred. In the six months ended June 30, 2009, we recognized $5.1 million of cost sharing revenue under the Roche Agreement. (See Notes 2 and 9 in the accompanying condensed consolidated financial statements.)

Research and Development Expense

	Six Months Ended June 30,		2009 to 2008 Change	
	2009	2008	$	%
	(dollars in millions)			
Clinical-stage drug candidates				
Elesclomol	$18.5	$24.1	$(5.6)	(23)%
STA-9090	5.9	3.3	2.6	79%
Apilimod	0.2	0.2	—	—%
Total clinical-stage drug candidates	24.6	27.6	(3.0)	(11)%
CRACM	4.5	3.6	0.9	25%
Other early stage programs	3.6	3.3	0.3	9%
Total research and development	$32.7	$34.5	$(1.8)	(5)%

In the six months ended June 30, 2009, costs incurred under our elesclomol program decreased by $5.6 million over the six months ended June 30, 2008, including decreases of $3.6 million for personnel

costs, related research supplies and operational overhead, $1.3 million for stock compensation, and $0.7 million for external costs. On February 26, 2009, we suspended the SYMMETRY trial, our global, pivotal Phase 3 clinical trial which was initiated in the third quarter of 2007, as well as the additional ongoing clinical studies using the sodium salt, water soluble formulation of elescomol, including the Phase 1/2 trial of elesclomol in combination with docetaxel and prednisone in prostate cancer that was initiated in the fourth quarter of 2008 and the monotherapy Phase 1 trial in solid tumors that was initiated in January 2009. Subsequently, on March 12, 2009, we committed to a restructuring that consisted primarily of an immediate workforce reduction. The $1.3 million decrease in stock compensation was due in part to the workforce reduction in the first quarter of 2009 and in part to the non-recurring correction recognized in the first quarter of 2008. (See Note 2 in the accompanying condensed consolidated financial statements.)

In the six months ended June 30, 2009, costs incurred under our STA-9090 program increased by $2.6 million over the six months ended June 30, 2008, including a $1.9 million increase for personnel costs, related research supplies, operational overhead and stock compensation, and a $0.7 million increase for external costs. In March 2009, we commenced a Phase 1/2 trial in hematological cancers and are planning to start additional clinical trials in STA-9090 later this year. The increase in external costs was principally due to the commencement of the Phase 1/2 trial in hematological cancers in March 2009, as well as the manufacture of supporting clinical drug supply for all of the ongoing clinical trials.

In the six months ended June 30, 2009, there was no change in the costs incurred in connection with apilimod over the six months ended June 30, 2008, as a $0.1 million decrease for personnel costs, related research supplies, operational overhead and stock compensation was offset by a $0.1 million increase for external costs.

In the six months ended June 30, 2009, costs incurred under our CRACM program increased by $0.9 million over the six months ended June 30, 2008, including a $0.5 million increase for personnel costs, related research supplies, operational overhead and stock compensation, and a $0.4 million increase for external costs. The increase in external costs was principally due to the commencement of early development activities.

In addition, in the six months ended June 30, 2009, costs incurred under our other early-stage programs increased by $0.3 million over the six months ended June 30, 2008, including increases of $0.2 million for personnel costs, related research supplies, operational overhead and stock compensation, and $0.1 million for external costs.

General and Administrative Expense

	Six Months Ended June 30,		2009 to 2008 Change	
	2009	2008	$	%
	(dollars in millions)			
General and administrative	$7.1	$7.6	$(0.5)	(7)%

The decrease in general and administrative expense principally resulted from a decrease of $0.7 million for personnel costs and related overhead in connection with decreased headcount and stock compensation due in part to the workforce reduction in the first quarter of 2009, offset by an increase of $0.2 million in external professional fees, including intellectual property and general legal fees, public-company reporting and compliance requirements, director and officer insurance premiums, investor and medical-community relations, commercial development and corporate taxes.

Investment Income, net

	Six Months Ended June 30,		2009 to 2008 Change	
	2009	2008	$	%
	(dollars in millions)			
Investment income, net	$(0.1)	$1.0	$(1.1)	(110)%

The decrease in net investment income was principally due to declining interest rates and lower average cash balances.

Liquidity and Capital Resources

Sources of Funds

We have incurred significant operating losses since our inception. We have funded our operations principally with $235.4 million in net proceeds from private placements of our common stock and Series A convertible preferred stock, $44.7 million in net proceeds from our IPO, and $150.2 million in nonrefundable partnership payments under the GSK Agreement and the Roche Agreement, including $96 million in upfront payments, $50 million in operational milestones and $4.2 million in research and development support, which, together with the exercise of common stock warrants and options, provided aggregate net cash proceeds of approximately $431.6 million through June 30, 2009. We have also generated funds from government grants, equipment lease financings and investment income.

As of June 30, 2009, we had $60.5 million in cash, cash equivalents and marketable securities, a decrease of $13.1 million from $73.6 million as of December 31, 2008. This decrease principally reflects $30.2 million in partnership payments by GSK and Roche in the first half of 2009, offset by cash used in operations as discussed under Cash Flows below. The $30.2 million in partnership payments consists of $10 million by GSK for a nonrefundable operational milestone achieved in January 2009 for the development of elesclomol for the treatment of metastatic melanoma, and $20.2 million by Roche for the $16 million nonrefundable upfront payment that was recorded as a collaboration receivable as of December 31, 2008, together with $4.2 million for research and development support in 2009.

In October 2007, we entered into the GSK Agreement and received a nonrefundable upfront cash payment of $80 million in November 2007. As of June 30, 2009, we have achieved a total of $50 million in nonrefundable operational milestones, including $40 million in the year ended December 31, 2008 that were paid by GSK in the fourth quarter of 2008 and $10 million in January 2009 that was paid by GSK in March 2009. On June 10, 2009, following the suspension of the SYMMETRY trial, we received written notice from GSK of their intent to terminate the GSK Agreement. The termination of the GSK Agreement will be effective no later than September 10, 2009. In accordance with the termination provisions of the GSK Agreement, all rights to the elesclomol program will be returned to us as of the effective date of termination. We may continue to develop elesclomol alone or with another partner.

In December 2008, we entered into the Roche Agreement and received a nonrefundable upfront license payment of $16 million in January 2009, which was recorded as a collaboration receivable as of December 31, 2008. Under the terms of the agreement, Roche will pay all of our research costs, with a minimum of $9 million in committed research support, and all of our development costs for compounds nominated for clinical development. We are eligible to receive additional payments, for each of three licensed products, should specified development and commercialization milestones be successfully achieved. Development milestones across multiple indications of up to $245 million could be earned for the first product, and up to half of this amount could be earned for each of the second and third products. Commercialization milestones of up to $170 million could be earned for each of three products. In addition, all commercial costs will be paid by Roche. We will receive tiered royalties on sales of all approved, marketed products.

Cash Flows

The following table provides information regarding our cash position, cash flows and capital expenditures for the six months ended June 30, 2009 and 2008.

	Six Months Ended June 30,	
	2009	2008
	(dollars in millions)	
Cash, cash equivalents and marketable securities	$ 60.5	$ 79.4
Working capital(1)	32.6	60.3
Cash flows used in:		
Operating activities	(11.3)	(34.7)
Investing activities	(7.6)	(1.0)
Financing activities	(1.2)	(0.5)
Capital expenditures (included in investing activities)	(0.5)	(1.0)

(1) Working capital in the six months ended June 30, 2009 excludes approximately $116 million in deferred collaboration revenue from upfront payments and milestones received under the GSK Agreement, all of which will be recorded as non-cash license and milestone revenue in the third quarter of 2009, as we will have no further obligation for deliverables under the GSK Agreement.

In the six months ended June 30, 2009, our operating activities used cash of $11.3 million, including the receipt of $30.2 million in partnership payments by GSK and Roche offset by $41.5 million in net cash used in operations. In the six months ended June 30, 2008, our operating activities used cash of $34.7 million. The use of cash in these periods principally resulted from our losses from operations, as adjusted for non-cash charges for depreciation and stock-based compensation, and changes in our working capital accounts.

Our investing activities used cash of $7.6 million in the six months ended June 30, 2009, including purchases of marketable securities in the amount of $29.7 million and purchases of property and equipment in the amount of $0.5 million, offset by sales and maturities of marketable securities of $22.6 million. Our investing activities used cash of $1.0 million in the six months ended June 30, 2008 for the purchases of property and equipment.

Our financing activities used cash of $1.2 million and $0.5 million in the six months ended June 30, 2009 and 2008, respectively. We raised $0.9 million in proceeds from the sale and lease-back of property and equipment in the six months ended June 30, 2008. We repaid $1.2 million and $1.4 million in capital equipment leases in the six months ended June 30, 2009 and 2008, respectively.

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, 2008.

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:

- wind-down the suspended SYMMETRY trial;
- evaluate the data from the suspended Phase 3 SYMMETRY trial of elesclomol and determine whether to continue development of elesclomol or to terminate the development program;

- complete the ongoing and contemplated Phase 1, Phase 1/2 and Phase 2 clinical trials of STA-9090 in solid tumors and hematologic cancers and initiate additional clinical trials of STA-9090, if supported by the earlier stage clinical trial results;
- complete preclinical development of our second generation Hsp90 inhibitor and initiate clinical trials of this compound, if supported by the preclinical data;
- complete preclinical development of STA-9584 and initiate clinical trials, if supported by positive preclinical data;
- complete the current Phase 2a clinical trial of apilimod for the treatment of rheumatoid arthritis, or RA, and possibly initiate additional Phase 2 clinical trials of apilimod in RA or other inflammatory disease indications;
- advance our CRACM inhibitor program into preclinical development and possibly into clinical trials, if supported by positive preclinical data and consistent with our obligations under the Roche Agreement;
- 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; and
- commercialize any approved drug candidates.

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

- our determination, based on the ongoing analysis of the data from the suspended Phase 3 SYMMETRY trial, to continue the development of elesclomol or to terminate the development program;
- our ability to fulfill our obligations and for GSK to satisfy its obligations under the GSK Agreement, including payment of funding obligations and milestone payments;
- the progress and results of our ongoing Phase 1 and Phase 1/2 clinical trials of STA-9090, any additional Phase 1 or Phase 2 clinical trials of STA-9090 we may initiate and any later-stage clinical trials we may initiate in the future based on the results of the earlier stage clinical trials;
- the results of our preclinical studies of STA-9584 and testing of our CRACM inhibitors, and our decision to initiate clinical trials, if supported by the preclinical and other test results;
- our ability to fulfill our obligations under and otherwise maintain the Roche Agreement and for Roche to satisfy its obligations under the Roche Agreement, including payment of funding obligations and milestone payments;
- the costs, timing, and outcome of regulatory review of our drug candidates;
- the progress and results of the current Phase 2a clinical trial of apilimod for the treatment of RA and any future clinical trials we may initiate for RA or other inflammatory disease indications;
- 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, our CRACM inhibitors and our other potential products.

Liquidity

On February 26, 2009, we announced that we were suspending all clinical development of our lead drug candidate, elesclomol. On March 12, 2009, we committed to an immediate restructuring plan that consisted primarily of a workforce reduction of approximately 90 positions, to a total of approximately 130 positions to better align our workforce to our revised operating plans following the suspension of our SYMMETRY clinical trial. In the first quarter of 2009, we recorded a restructuring charge of approximately $1.2 million for severance and estimated benefits continuation costs and outplacement services. In addition, we paid approximately $0.2 million in unused paid-time off that had been recognized as expense prior to the restructuring, including $0.1 million in the year ended December 31, 2008 and $0.1 million in the first quarter of 2009. As of June 30, 2009, approximately $1.3 million of the total estimated $1.4 million in restructuring related payments had been paid. The remaining payments are anticipated to be paid by the end of the third quarter of 2009.

To conserve additional capital resources, we will not renew one of our office building leases expiring in August 2009 and will consolidate our operations within our three other facilities. We do not anticipate a material impairment charge in connection with the facility consolidation.

We do not anticipate that we will generate product revenue in the foreseeable future, if at all. We expect our continuing operations to use cash over the next several years and such cash use may increase significantly from year to year. Based on our current operating plans, we expect our existing funds, together with research and development reimbursements and approximately $5 million of milestone payments anticipated in connection with certain preclinical and clinical achievements anticipated under the Roche agreement, will be sufficient to fund operations into 2011. While we believe that the milestone payments from Roche will be received as forecasted, we have contingency plans in place should the receipt of the milestone payments be delayed or not achieved at all or if clinical progress in our various programs does not progress as expected, which plans focus on the reduction of spending on less critical research and development activities.

There are numerous factors that are likely to affect our spending levels, including the extent of clinical trials and other research and development activities for STA-9090, elesclomol, STA-9584, apilimod, CRACM inhibitors in collaboration with Roche, the timing and amount of milestone payments to be received from Roche, the rate of enrollment of patients in clinical trials, the progress of our discovery research and preclinical programs, the impact of potential business development activities and future direction of the elesclomol program, among other factors. These variables could result in higher or lower spending levels which could impact the sufficiency of our current funds if we are to continue operations in accordance with our current plans and achieve our intended timelines for development.

We may require significant additional funds earlier than we currently expect in order to conduct additional clinical trials and conduct additional preclinical and discovery activities. 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.

To the extent our capital resources are insufficient to meet our future capital requirements, we would need to finance our future cash needs through public or private equity offerings, collaboration agreements, debt financings or licensing arrangements. However, the credit markets and the financial services industry have recently been experiencing a period of unprecedented turmoil and upheaval

characterized by the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government. These events have generally made equity and debt financing more difficult to obtain. 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. If we raise funds through collaboration agreements or licensing arrangements, we may be required to relinquish rights to our technologies or drug candidates, or grant licenses on terms that are not favorable to us.

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 or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140* ("SFAS No. 166"). SFAS No. 166 is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets, the effects of a transfer on its financial position, financial performance, and cash flows and a transferor's continuing involvement, if any, in transferred financial assets. SFAS No. 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. We do not expect the adoption of SFAS No. 166 to have a material impact on our financial position or results of operations.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ("SFAS No. 167"). SFAS No. 167 is intended to improve financial reporting by enterprises involved with variable interest entities and to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166, and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS No. 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We do not expect the adoption of SFAS No. 167 to have a material impact on our financial position or results of operations.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162* ("SFAS No. 168"). The FASB Accounting Standards Codification ("*Codification*") is intended to be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of

authoritative GAAP for SEC registrants. SFAS No. 168 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards will be superseded as described in SFAS No. 168. All other accounting literature not included in the Codification is non-authoritative. We do not expect the adoption of SFAS No. 168 to have a material impact on our financial position or results of operations.

Certain Factors That May Affect Future Results of Operations

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

Words such as "may," "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those described in the forward-looking statements. These risks include, but are not limited to those set forth under the heading "Risk Factors" contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008 that we have filed with the SEC.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Sensitivity. As of June 30, 2009, we had cash, cash equivalents and marketable securities of $60.5 million consisting of cash deposited in a highly rated financial institution in the United States and in a short-term U.S. Treasury money market fund, as well as high-grade commercial paper and government-agency securities that are guaranteed by the U.S. government. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations and we do not enter into investments for trading or speculative purposes. We believe that we did not have material exposure to high-risk investments such as mortgage-backed securities, auction rate securities or other special investment vehicles, or SIV's, within our money-market fund investments. We believe that we do not have any material exposure to changes in fair value as a result of changes in interest rates. Declines in interest rates, however, would reduce future investment income. During the six months ended June 30, 2009, we had investment income of approximately $79,000. If overall interest rates fell by 10% during the six months ended June 30, 2009, our interest income would have decreased by less than $8,000, assuming consistent investment levels.

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

Item 4. Controls and Procedures.

(a) *Evaluation of Disclosure Controls and Procedures.* Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

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

We held our Annual Meeting of Stockholders on June 10, 2009. Of the 33,919,584 shares of common stock issued and outstanding and eligible to vote as of the record date of April 21, 2009, a quorum of 28,444,459 shares or 83% of the eligible shares, was present in person or represented by proxy. The following actions were taken at the meeting:

1. The reelection of Keith R. Gollust and Robert N. Wilson as Class II directors, to serve until the 2012 Annual Meeting of Stockholders and until their successors have been elected and qualified. The following chart shows the number of votes cast for the nominees for director, as well as the number of votes withheld:

DIRECTOR	FOR	WITHHELD
Keith R. Gollust	28,366,602	77,857
Robert N. Wilson	28,362,847	81,612

After the meeting, Safi R. Bahcall, Ph.D. and Bruce Kovner continued to serve as our Class III Directors for terms which expire in 2010 and until their successors are duly elected and qualified. Lan Bo Chen, Ph.D. and William S Reardon, C.P.A. continued to serve as our Class I Directors for terms which expire in 2011 and until their successors are duly elected and qualified.

2. The ratification of the appointment of Ernst & Young LLP, independent registered public accounting firm, to audit our financial statements for the fiscal year ending December 31, 2009. The following chart shows the number of votes cast for or against the proposal, as well as the number of abstentions:

FOR	AGAINST	ABSTAIN
28,417,974	22,920	3,565

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) *Exhibits*

10.1 Ninth Amendment, dated May 19, 2009, to Lease of 125 Hartwell Avenue, Lexington, MA, dated October 26, 1992, by and between the Registrant, as successor-by-assignment, and 125 Hartwell Trust, as amended.

10.2 Amended and Restated Director Compensation Policy, effective June 10, 2009.

10.3 Retention Award from the Registrant to Keith S. Ehrlich, dated April 14, 2009.

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: August 4, 2009

By: /s/ SAFI R. BAHCALL, PH.D.

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

Date: August 4, 2009

By: /s/ KEITH S. EHRLICH, C.P.A.

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

Exhibit 10.1

125 Hartwell Avenue
Lexington, Massachusetts 02421
(the "Building")

NINTH AMENDMENT
May 19, 2009

EXISTING LEASE DATA

LANDLORD:	125 Hartwell Trust, under a declaration of trust dated February 20, 1980 and filed with the Middlesex South Registry District of the Land Court as Document No. 600788, as amended
TENANT:	Synta Pharmaceuticals Corp., a Delaware corporation, successor-by-assignment to EMD Pharmaceuticals, Inc.
PREMISES:	Collectively, (i) approximately 19,810 square feet of Premises Rentable Area on the second (2nd) floor of the Building, consisting of approximately 10,980 square feet of Premises Rentable Area under the original Lease shown as the "Premises" on Exhibit 3 thereto, plus approximately 8,830 square feet of Premises Rentable Area added by the First Amendment referred to below shown as the "RFO Premises" on said Exhibit 3, (ii) approximately 2,670 square feet of Premises Rentable Area on the first (1st) floor of the Building, substantially as shown cross-hatched on Exhibit A attached to the Fifth Amendment referred to below, and (iii) approximately 4,584 square feet of Premises Rentable Area on the first (1st) floor of the Building, substantially as shown cross-hatched on Exhibit A attached to the Eighth Amendment referred to below
LEASE EXECUTION DATE:	October 26, 1992
TERMINATION DATE:	November 30, 2011
PREVIOUS LEASE AMENDMENTS:	First Amendment dated as of January 31, 1993 Second Amendment dated October 1, 1997 Third Amendment dated November 1, 2002 Assignment and Assumption of Lease and Consent of and Release by Landlord and Fourth Amendment to Lease dated as of July 9, 2004 Fifth Amendment dated October 22, 2004 Sixth Amendment dated August 1, 2005 Seventh Amendment dated November 26, 2007 Eighth Amendment dated June 19, 2008

ADDITIONAL PREMISES:	Approximately 928 square feet of Premises Rentable Area on the first (1st) floor of the Building, substantially as shown cross-hatched on Exhibit A attached hereto and made a part hereof

WHEREAS, Tenant desires to lease additional space in the Building; and

WHEREAS, Landlord is willing to lease additional space in the Building to Tenant upon the terms and conditions hereinafter set forth.

NOW THEREFORE, the parties hereby agree that the above-described lease, as previously amended (the "Lease"), is hereby further amended as follows (capitalized terms used herein without definition shall have the meanings ascribed to them in the Lease):

1. DEMISE OF ADDITIONAL PREMISES

Landlord hereby demises and leases to Tenant, and Tenant hereby accepts and leases from Landlord, the Additional Premises for a Term commencing as of the July 1, 2009 and expiring on November 30, 2011. The demise of the Additional Premises shall otherwise be upon and governed by the terms and conditions of the Lease (as hereby amended) applicable to the demise of the existing Premises, except as follows or as otherwise provided in this Amendment:

A. The Basic Rent payable in respect of the Additional Premises shall be $26,448.00 per year (i.e., $2,204.00 per month).

B. Tenant shall have no obligation to pay Building Expense Escalation Charges in respect of the Additional Premises.

C. Tenant shall have no obligation to pay for electricity consumed in the Additional Premises so long as the use of electricity therein is consistent with an ordinary office use. If Tenant shall consume electricity in the Additional Premises beyond that which is consistent with an ordinary office use, Tenant shall pay Landlord, within fifteen (15) days of demand from time to time, for the cost of such excess electricity.

D. Tenant's Proportionate Share in respect of the Additional Premises shall be 2.42%.

E. Tenant shall, by reason of the demise of the Additional Premises, be entitled to an additional four (4) parking spaces in the paved parking area located adjacent to the Building. The use of such spaces shall be subject to the same terms and conditions of the Lease as are applicable to Tenant's use of the other parking spaces provided to Tenant under the Lease. Accordingly, the total number of parking spaces which Landlord shall provide and maintain for the use of Tenant's employees and invitees pursuant to Section 2 of the Lease (as hereby amended) shall be one hundred six (106).

F. Tenant shall accept the Additional Premises "as is" without any obligation on the part of Landlord to prepare or construct the Additional Premises for Tenant's occupancy or to provide any allowance or contribution with respect thereto. Tenant acknowledges that it has had an opportunity to inspect the Additional Premises and that Landlord has made no representation or warranty as to the condition of the Additional Premises. Any and all work necessary or appropriate to prepare the Additional Premises for Tenant's use and occupancy shall be performed by Tenant at its sole cost and expense in accordance with plans and using materials approved in advance by Landlord in writing and otherwise subject to the terms and provisions of the Lease (including, without limitation, Section 8 thereof).

2. EXTENSION OPTIONS

In the event that Tenant shall timely and properly exercise its right to extend the Term of the Lease for the remaining option term(s) provided for in Paragraph 1 of the Sixth Amendment, then such extension(s) shall apply to both the existing Premises and the Additional Premises and the demise of both the existing Premises and the Additional Premises for such option term(s) shall be governed by the terms and provisions of said Paragraph 1, except that Tenant shall be obligated to pay Building Expense Escalation Charges in respect of the Additional Premises during each of such option term(s) notwithstanding anything to the contrary contained herein or in said Paragraph 1.

3. BROKER

Each party (the "indemnifying party") represents and warrants to the other party that it has not dealt with any broker or agent in connection with this Amendment or the leasing of the Additional Premises; however, the parties acknowledge that Richard Barry Joyce & Partners has previously been involved as broker with the Premises and Landlord shall pay any commission that might be owed to Richard Barry Joyce & Partners in connection with this Amendment. The indemnifying party shall indemnify and hold the other party (and such other party's trustees, beneficiaries, agents and employees) harmless of and from all claims that may be made by any person against such other party (or its trustees, beneficiaries, agents or employees) for brokerage or other compensation in the nature of brokerage with respect to this Amendment on account or arising out of the indemnifying party's breach of the foregoing representation and warranty.

4. MISCELLANEOUS

As amended by this Amendment, the Lease is hereby ratified, approved and confirmed in all respects. Landlord and Tenant each hereby acknowledge and confirm that, to the best of its respective knowledge, neither Landlord nor Tenant is in default of any term or condition of the Lease. In the event of a conflict between the Lease and this Amendment, the terms of this Amendment shall govern.

WHEREFORE, the parties have hereunto set their hands and seals as of the date first above written.

LANDLORD:

/s/ Steven Colangelo
Steven Colangelo, signing as
Trustee of 125 Hartwell Trust and not
individually and without recourse
against the Trustee personally or his
assets

TENANT:

SYNTA PHARMACEUTICALS CORP.

By: /s/ Keith Ehrlich
Name: Keith Ehrlich
Title: CFO
Hereunto Duly Authorized

EXHIBIT A

Plan Showing Location of Additional Premises on First Floor of Building

Exhibit 10.2

SYNTA PHARMACEUTICALS CORP.
AMENDED AND RESTATED*
DIRECTOR COMPENSATION POLICY

The Board of Directors of Synta Pharmaceuticals Corp. (the "Company") has approved the following policy which establishes compensation to be paid to non-employee directors of the Company, to provide an inducement to obtain and retain the services of qualified persons to serve as members of the Company's Board of Directors. Each such director will receive as compensation for his or her services (i) a stock option grant upon his or her initial appointment or election to the Board of Directors of the Company, (ii) an annual fee payable in cash and/or stock, (iii) an annual stock option grant and (iv) additional fees for service on a Committee of the Board of Directors or as Chairman of the Board of Directors, all as further set forth herein.

Applicable Persons

This Policy shall apply to each director of the Company who (a) is not an employee of the Company or any Affiliate and (b) does not receive compensation as a consultant to the Company or any Affiliate unless such compensation is received solely for services provided as a member of the Scientific Advisory Board (each, an "Outside Director"). Affiliate shall mean a corporation which is a direct or indirect parent or subsidiary of the Company, as determined pursuant to Section 424 of the Internal Revenue Code of 1986, as amended.

Stock Option Grant Upon Initial Appointment or Election as a Director

Number of Shares

Each new Outside Director on the date of his or her initial appointment or election to the Board of Directors, shall be automatically and without any further action required by the Board of Directors granted a non-qualified stock option to purchase 15,000 shares of the Company's common stock under the Company's then applicable stockholder-approved stock plan (the "Stock Plan"), subject to automatic adjustment in the event of any stock split or other recapitalization affecting the Company's common stock.

Vesting Provision

Such option shall vest as to 25% of such grant on the first anniversary of the date of grant of the option and as to an additional 6.25% of such grant on the last day of each successive three month period thereafter, provided such Outside Director continues to serve as a member of the Board of Directors. However, in the event of termination of service of an Outside Director, such option shall vest to the extent of a pro rata portion through the Outside Director's last day of service based on the number of days accrued in the applicable period prior to his or her termination of service.

* Amended and Restated as of June 10, 2009.

Exercise Price and Term of Option

Each option granted shall have an exercise price per share equal to the Fair Market Value (as defined in the Stock Plan) of the shares of common stock of the Company on the date of grant of the option, have a term of ten years and shall be subject to the terms and conditions of the Stock Plan. Each such option grant shall be evidenced by the issuance of a non-qualified stock option agreement.

Early Termination of Option Upon Termination of Service

If an Outside Director:

a. ceases to be a member of the Board of Directors for any reason other than death or disability, any then vested and unexercised options granted to such Outside Director may be exercised by the director within a period of three months after the date the director ceases to be a member of the Board of Directors and in no event later than the expiration date of the option; or

b. ceases to be a member of the Board of Directors by reason of his or her death or disability, any then vested and unexercised options granted to such director may be exercised by the director (or by the director's personal representative, or the director's survivors) within a period of one year after the date the director ceases to be a member of the Board of Directors and in no event later than the expiration date of the option.

Annual Fee

Annual Fee to Each Outside Director (the "Annual Fee")

Each Outside Director shall be compensated on an annual basis for providing services to the Company. Except as otherwise set forth in this Policy, director compensation shall be paid for the period from July 1 through June 30 of each year. Each Outside Director shall receive compensation consisting of one of the following combinations of cash and/or a grant of common stock, subject to certain contractual restrictions, under the Stock Plan, at the election of each Outside Director, as follows:

- $40,000 cash,
- $30,000 cash and such number of shares of the Company's common stock as is equal to $10,000 on the Annual Grant Date (as defined below),
- $20,000 cash and such number of shares of the Company's common stock as is equal to $20,000 on the Annual Grant Date,
- $10,000 cash and such number of shares of the Company's common stock as is equal to $30,000 on the Annual Grant Date, or
- such number of shares of the Company's common stock as is equal to $40,000 on the Annual Grant Date.

Additional Annual Fee to Outside Director Serving as Chairman of the Board (the "Annual Chairman Fee")

If the Chairman of the Board of Directors is an Outside Director, he or she shall receive an additional annual fee of $20,000 for the period from July 1 through June 30 of each year. Such compensation shall consist of one of the following combinations of cash and/or a grant of common stock, subject to certain contractual restrictions, under the Stock Plan, at the election of the Chairman of the Board of Directors, as follows:

- $20,000 cash,
- such number of shares of the Company's common stock as is equal to $20,000 on the Annual Grant Date, or
- any combination of cash or grant of shares that equals $20,000.

Calculation of Shares

The number of shares to be received by an Outside Director shall be calculated by dividing the total dollar amount that the Outside Director has elected to be paid in shares of common stock for his or her Annual Fee and/or his or her Annual Chairman Fee, as applicable, by the Fair Market Value (as defined in the Stock Plan) of the shares of common stock of the Company on the Annual Grant Date (rounded down to the nearest whole number so that no fractional shares shall be issued).

Election

Each Outside Director shall make an election on the form provided by the Company, indicating the combination of his or her Annual Fee and, if applicable, his or her Annual Chairman Fee, as of or prior to June 30 of each year. In the event that an Outside Director has not submitted his or her election for the applicable year by June 30, then the election of such Outside Director shall be deemed to be the same as the election made by such Outside Director for the prior year.

Cash Payments

Any cash portion of the Annual Fee or Annual Chairman Fee to be paid to an Outside Director shall be paid quarterly in arrears as of the last day of each calendar quarter, with the first quarter commencing on July 1, as follows: September 30, December 31, March 31 and June 30, provided such Outside Director continues to serve as a member of the Board of Directors as of the applicable date. If an Outside Director dies, resigns or is removed during any quarter, he or she shall be entitled to a cash payment for his or her Annual Fee on a pro rata basis through his or her last day of service. If the Chairman of the Board of Directors dies, resigns as Chairman of the Board or is removed during any quarter, he or she shall be entitled to a cash payment for his or her Annual Chairman Fee on a pro rata basis through his or her last day of service as Chairman of the Board.

Restricted Stock Grants

Shares of common stock shall be automatically and without any further action required by the Board of Directors granted on July 1 of each year (the "Annual Grant Date").

The shares issued as all or part of the Annual Fee shall be subject to a lapsing repurchase right such that the shares shall be subject to forfeiture to the Company if such Outside Director is not serving as a member of the Board of Directors as of the end of the applicable quarter, with the first quarter commencing on July 1, as follows: the repurchase right shall lapse as to 25% of each such grant on each of September 30, December 31, March 31 and June 30 thereafter, provided such Outside Director continues to serve as a member of the Board of Directors as of the applicable date.

The shares issued as all or part of the Annual Chairman Fee shall be subject to a lapsing repurchase right such that the shares shall be subject to forfeiture to the Company if such Outside Director is not serving as Chairman of the Board of Directors as of the end of the applicable quarter, with the first quarter commencing on July 1, as follows: the repurchase right shall lapse as to 25% of the grant on each of September 30, December 31, March 31 and June 30 thereafter, provided such Outside Director continues to serve as Chairman of the Board of Directors as of the applicable date.

Initial Annual Fee and Annual Chairman Fee For Newly Appointed or Elected Directors

Each Outside Director who is first appointed or elected to the Board of Directors after the date of the adoption of this Policy shall receive his or her first year's Annual Fee and, if applicable, Annual Chairman Fee, prorated in accordance with the terms of this Policy from the beginning of the next calendar quarter after his or her initial appointment or election through the following June 30. Each such Outside Director shall make an election prior to the beginning of the next calendar quarter after his or her initial appointment or election as to the combination of cash and/or stock. Any shares to be issued to such Outside Director as part of such compensation shall be automatically and without any further action required by the Board of Directors granted on the first day of such next calendar quarter. Any such shares shall be subject to a pro rata lapsing repurchase right as of the last day of each quarter remaining in such initial period, provided, with respect to the Annual Fee, such Outside Director continues to serve as a member of the Board of Directors, or, with respect to the Annual Chairman Fee, such Outside Director continues to serve as Chairman of the Board of Directors, as of the end of the applicable quarter.

Purchase Price and Other Provisions Applicable to All Stock Grants

Shares granted shall have a purchase price equal to the par value of the common stock on the Annual Grant Date and shall be subject to the terms and conditions of the Stock Plan. The terms of such grant shall be evidenced by a restricted stock agreement to be entered into between the Company and the Outside Director. In addition, in the event of termination of service of an Outside Director, or termination of service as Chairman of the Board of Directors, as applicable, the Company's lapsing repurchase right shall be deemed to have lapsed to the extent of a pro rata portion of the shares through the Outside Director's last day of service as a director, or the last

day of service as Chairman of the Board of Directors, as applicable, based on the number of days accrued in the applicable quarterly period prior to his or her termination of service.

Annual Stock Option Grant

Number of Shares and Date of Grant

Each year, each Outside Director shall be granted a non-qualified stock option to purchase 5,500 shares of the Company's common stock under the Stock Plan, subject to automatic adjustment in the event of any stock split or other recapitalization affecting the Company's common stock (the "Annual Stock Option Grants"). In addition, each year, if the Chairman of the Board of Directors is an Outside Director, he or she shall be granted an additional non-qualified stock option to purchase 2,500 shares of the Company's common stock under the Stock Plan, subject to automatic adjustment in the event of any stock split or other recapitalization affecting the Company's common stock (the "Annual Chairman Stock Option Grant"). The Annual Stock Option Grants and the Annual Chairman Stock Option Grant shall be automatically and without any further action required by the Board of Directors granted on the Annual Grant Date.

Vesting Provision

Each Annual Stock Option Grant shall commence vesting on July 1 of the year of grant and shall vest as to 25% of such grant on each of September 30, December 31, March 31 and June 30 thereafter, provided such Outside Director continues to serve as a member of the Board of Directors. Each Annual Chairman Stock Option Grant shall commence vesting on July 1 of the year of grant and shall vest as to 25% of such grant on each of September 30, December 31, March 31 and June 30 thereafter, provided such Outside Director continues to serve as Chairman of the Board of Directors. However, in the event of termination of service of an Outside Director, or termination of service as Chairman of the Board of Directors, as applicable, such option shall vest to the extent of a pro rata portion through the Outside Director's last day of service as a director, or the last day of service as Chairman of the Board of Directors, as applicable, based on the number of days accrued in the applicable quarterly period prior to his or her termination of service.

Exercise Price and Term of Option

Each option granted shall have an exercise price per share equal to the Fair Market Value (as defined in the Stock Plan) of the shares of common stock of the Company on the Annual Grant Date, have a term of ten years and shall be subject to the terms and conditions of the Stock Plan. Each such option grant shall be evidenced by the issuance of a non-qualified stock option agreement.

Early Termination of Option Upon Termination of Service

If an Outside Director:

a. ceases to be a member of the Board of Directors for any reason other than death or disability, any then vested and unexercised options granted to such Outside

Director may be exercised by the director within a period of three months after the date the director ceases to be a member of the Board of Directors and in no event later than the expiration date of the option; or

b. ceases to be a member of the Board of Directors by reason of his or her death or disability, any then vested and unexercised options granted to such director may be exercised by the director (or by the director's personal representative, or the director's survivors) within a period of one year after the date the director ceases to be a member of the Board of Directors and in no event later than the expiration date of the option.

Board Committee Compensation

Each Outside Director shall also receive an annual fee of $5,000 for each Committee of the Board of Directors on which such individual serves. However, the Chairman of each Committee, other than the Audit Committee, shall receive an annual fee of $10,000, and the Chairman of the Audit Committee shall receive an annual fee of $15,000 for services as Chairman. Payment of such fees shall be made quarterly in arrears on the last day of each calendar quarter, with the first quarter commencing on July 1, as follows: September 30, December 31, March 31 and June 30, provided such Outside Director continues to serve as a member of such Committee as of the applicable date. Upon the death, resignation or removal of an Outside Director, payment shall be made pro rata through the last day of service.

Expenses

Upon presentation of documentation of such expenses reasonably satisfactory to the Company, each Outside Director shall be reimbursed for his or her reasonable out-of-pocket business expenses incurred in connection with attending meetings of the Board of Directors, Committees thereof or in connection with other Board related business.

Amendments

The Board of Directors shall review this Policy from time to time to assess whether any amendments in the type and amount of compensation provided herein should be adjusted in order to fulfill the objectives of this Policy.

DATED: June 10, 2009

Exhibit 10.3

[SYNTA LOGO]

Personal & Confidential

April 14, 2009

Keith Ehrlich
[ADDRESS]

Dear Keith:

I am pleased to inform you that you have been awarded a retention bonus in the amount of $49,000 (the "Retention Bonus"). This Retention Bonus will be paid to you in two installments as follows: 50% on October 13, 2009 and 50% on April 13, 2010, provided you are an employee of Synta on these dates. If you are terminated without "cause" (as such term is defined in Synta's Amended and Restated 2006 Stock Plan (the "2006 Stock Plan")) prior to April 13, 2010, you will be entitled to receive any portion of the Retention Bonus that you have not yet received. Should Synta be acquired through merger or sale of all or substantially all of Synta's assets, these commitments apply to any successor company.

You have also been awarded a retention option under the 2006 Stock Plan to purchase 30,870 shares of Synta's common stock at an exercise price of $2.49 per share (the "Retention Option"). The Retention Option will vest as to 50% of the shares issuable thereunder on January 13, 2010 and as to the remaining 50% of the shares issuable thereunder on October 13, 2010.

While the results of our Phase 3 SYMMETRY trial were obviously very disappointing, the Board and management of Synta are fully committed to our mission to extend and enhance the lives of patients. We have a valuable collection of drug candidates, impressive research capabilities, an experienced team, and an exciting plan over the next 12 months to advance these drug candidates into multiple clinical trials and continue to generate new candidates to expand our pipeline.

We truly appreciate your hard work, dedication and loyalty to Synta.

If you have any questions concerning the Retention Bonus or the Retention Option, please do not hesitate to contact Art McMahon or Deb Southmayd.

Sincerely,

/s/ Safi Bahcall
Safi Bahcall

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 4, 2009

/s/ SAFI R. BAHCALL, PH.D.

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

QuickLinks

Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, Keith S. Ehrlich, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 4, 2009

/s/ KEITH S. EHRLICH, C.P.A.

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

QuickLinks

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 June 30, 2009 (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: August 4, 2009

/s/ SAFI R. BAHCALL, PH.D.

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

Dated: August 4, 2009

/s/ KEITH S. EHRLICH, C.P.A.

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.

QuickLinks