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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

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 October 28, 2011, the registrant had 49,498,350 shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SYNTA PHARMACEUTICALS CORP.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

(unaudited)

	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 20,643	$ 31,310
Marketable securities	30,017	19,663
Collaboration receivable	—	116
Prepaid expenses and other current assets	1,362	431
Total current assets	52,022	51,520
Property and equipment, net	1,316	2,181
Other assets	530	366
Total assets	$ 53,868	$ 54,067
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,921	$ 1,925
Accrued contract research costs	3,010	2,511
Other accrued liabilities	3,249	4,194
Capital lease obligations	20	201
Deferred collaboration revenue	3,303	4,572
Current portion of term loans	4,613	3,333
Total current liabilities	17,116	16,736
Long-term liabilities:		
Capital lease obligations	17	26
Deferred collaboration revenue	—	2,159
Term loans, net of current portion	12,154	11,667
Total long-term liabilities	12,171	13,852
Total liabilities	29,287	30,588
Stockholders' equity:		
Preferred stock, par value $0.0001 per share Authorized: 5,000,000 shares at September 30, 2011 and December 31, 2010; no shares issued and outstanding at September 30, 2011 and December 31, 2010	—	—
Common stock, par value $0.0001 per share Authorized: 100,000,000 shares at September 30, 2011 and December 31, 2010; 49,498,350 and 42,090,205 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	5	4
Additional paid-in-capital	412,262	374,528
Accumulated other comprehensive income (loss)	1	(3)
Accumulated deficit	(387,687)	(351,050)
Total stockholders' equity	24,581	23,479
Total liabilities and stockholders' equity	$ 53,868	$ 54,067

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Collaboration revenues:				
License and milestone revenue	$ 1,143	$ 1,143	$ 3,429	$ 3,429
Cost sharing reimbursements, net	—	2,240	—	7,337
Total collaboration revenues	1,143	3,383	3,429	10,766
Grant revenues	521	—	732	—
Total revenues	1,664	3,383	4,161	10,766
Operating expenses:				
Research and development	10,751	11,023	30,605	30,906
General and administrative	3,131	2,591	8,749	8,393
Total operating expenses	13,882	13,614	39,354	39,299
Loss from operations	(12,218)	(10,231)	(35,193)	(28,533)
Interest expense, net	(516)	(31)	(1,444)	(111)
Net loss	$ (12,734)	$ (10,262)	$ (36,637)	$ (28,644)
Net loss per common share:				
Basic and diluted net loss per common share	$ (0.30)	$ (0.25)	$ (0.87)	$ (0.71)
Basic and diluted weighted average number of common shares outstanding	42,211,858	40,382,862	42,129,882	40,062,453

See accompanying notes to condensed consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2011	**2010**
Cash flows from operating activities:		
Net loss	$ (36,637)	$ (28,644)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	2,506	3,185
Depreciation and amortization	1,173	1,470
Changes in operating assets and liabilities:		
Collaboration receivable	116	(189)
Prepaid expenses and other current assets	(931)	(74)
Other assets	(164)	(103)
Accounts payable	997	(1,564)
Accrued contract research costs	499	627
Other accrued liabilities	(945)	(1,191)
Deferred collaboration revenue	(3,428)	(3,504)
Net cash used in operating activities	(36,814)	(29,987)
Cash flows from investing activities:		
Purchases of marketable securities	(46,994)	(19,213)
Maturities of marketable securities	36,644	—
Purchases of property and equipment	(308)	(109)
Net cash used in investing activities	(10,658)	(19,322)
Cash flows from financing activities:		
Proceeds from issuance of common stock and exercise of common stock options, net of transaction costs	35,228	26,807
Proceeds from term loans	2,000	15,000
Payment of term loans	(233)	—
Payment of capital lease obligations	(190)	(1,747)
Net cash provided by financing activities	36,805	40,060
Net decrease in cash and cash equivalents	(10,667)	(9,249)
Cash and cash equivalents at beginning of period	31,310	44,155
Cash and cash equivalents at end of period	$ 20,643	$ 34,906
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,464	$ 120

See accompanying notes to condensed consolidated financial statements.

SYNTA PHARMACEUTICALS CORP.

Notes to Condensed Consolidated Financial Statements
(unaudited)

(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 and other government regulations.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited, 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 September 30, 2011 and the consolidated results of operations and cash flows for the three months and nine months ended September 30, 2011 and 2010. 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 nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the year ending December 31, 2011 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, 2010 included in the Company's Annual Report on Form 10-K.

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 assets, measurement of stock-based compensation, and the periods of performance under its collaborative research and development agreements. 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 considers all highly liquid investments with original maturities of three months or less at the date of purchase and an investment in a U.S. Treasury money market fund 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. The Company invests in money market funds and high-grade, short-term commercial paper, which are subject to minimal credit and market risk. The Company's cash is deposited in a highly rated financial institution in the United States. Declines in interest rates, however, would reduce future investment income.

Marketable Securities

Marketable securities consist of investments in high-grade corporate obligations, 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.

The Company adjusts the cost of available-for-sale debt securities for amortization of premiums and accretion of discounts to maturity. The Company includes such amortization and accretion in interest and investment income. Realized gains and losses and declines in value, if any, that the Company judges 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, the Company considers whether it intends to sell the debt security and, if the Company does not intend to sell the debt security, it considers available evidence to assess whether it is more likely than not that it will be required to sell the security before the recovery of its amortized cost basis. During the three months and nine months ended September 30, 2011 and 2010, the Company 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 loss, which is a separate component of stockholders' equity. 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 nine months ended September 30, 2011 and 2010, the Company recorded no realized gains or losses on marketable securities.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, marketable securities, accounts payable and capital lease and term loan obligations, approximate their fair values. The fair value of the Company's financial instruments reflects the amounts that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy has the following three levels:

Level 1—quoted prices in active markets for identical assets and liabilities.

Level 2—inputs other than Level 1 inputs that are either directly or indirectly observable, such as quoted market prices, interest rates and yield curves.

Level 3—unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability.

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 September 30, 2011, 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 and its financial assets valued based on Level 2 inputs consisted of corporate, government and government-agency bonds that are guaranteed by the U.S. government. As of September 30, 2011, the Company had no financial liabilities that were subject to fair value measurement.

Revenue Recognition

Collaboration and License Agreements

The Company's principal source of revenue is from collaborative research and development agreements, which may include upfront license payments, development milestones, reimbursement of research and development costs, profit sharing payments, sales milestones and royalties. The application of accounting rules requires subjective analysis and requires management to make estimates and assumptions about whether deliverables within multiple-element arrangements

are separable from the other aspects of the contractual arrangement into separate units of accounting and to determine the fair value to be allocated to each unit of accounting.

In October 2009, the Financial Accounting Standards Board issued a new accounting standard, ASU No. 2009-13 *Multiple-deliverable Revenue Arrangements*, which amends the guidance on the accounting for arrangements involving the delivery of more than one element. This standard addresses the determination of the unit(s) of accounting for multiple-element arrangements and how the arrangement's consideration should be allocated to each unit of accounting. The Company adopted this new accounting standard on a prospective basis for all multiple-element arrangements entered into on or after January 1, 2011 and for any multiple-element arrangements that were entered into prior to January 1, 2011 but materially modified on or after January 1, 2011.

Pursuant to the new standard, each required deliverable is evaluated to determine if it qualifies as a separate unit of accounting. For the Company this determination is generally based on whether the deliverable has "stand-alone value" to the customer. The arrangement's consideration is then allocated to each separate unit of accounting based on the relative selling price of each deliverable. The estimated selling price of each deliverable is determined using the following hierarchy of values: (i) vendor-specific objective evidence of fair value, (ii) third-party evidence of selling price, and (iii) best estimate of the selling price (BESP). The BESP reflects the Company's best estimate of what the selling price would be if the deliverable was regularly sold by it on a stand-alone basis. The Company expects, in general, to use BESP for allocating consideration to each deliverable. In general, the consideration allocated to each unit of accounting is then recognized as the related goods or services are delivered limited to the consideration not contingent upon future deliverables.

For multiple-element arrangements entered into prior to January 1, 2011 and not materially modified thereafter, the Company continues to apply its prior accounting policy with respect to such arrangements. Under this policy, in general, revenue from non-refundable, upfront fees related to intellectual property rights/licenses where the Company has continuing involvement is recognized ratably over the estimated period of ongoing involvement because there was no objective and reliable evidence of fair value for any undelivered item to allow the delivered item to be considered a separate unit of accounting. This requirement with respect to the fair value of undelivered items was eliminated in the newly issued accounting standard. In general, the consideration with respect to the other deliverables is recognized when the goods or services are delivered.

The Company's deliverables under its collaboration agreement with Hoffman-La Roche (Roche), including the related rights and obligations, contractual cash flows and performance periods, are more fully described in Note 8. 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.

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

Grant Revenue

In March 2011, the Company received a grant from the Department of Defense, in the approximate amount of $1 million, for the development of STA-9584 in advanced prostate cancer. The Company initiated work on this study upon the commencement of the grant period in April 2011. Reimbursements are based on actual costs agreed upon in the proposal (salary, fringe benefits, overhead, and direct costs such as materials and subcontractors). The Company recognized $521,000 and $732,000 of grant revenue during the three months and nine months ended September 30, 2011, respectively, under this grant.

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 September 30, 2011, total deferred collaboration revenue of $3.3 million related to the Company's collaboration with Roche was determined to be current.

Stock-Based Compensation

The Company recognizes stock-based compensation expense based on the fair value of stock options granted to employees, officers and directors. 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 period from April 1, 2009 through September 30, 2011 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. The Company uses its historical volatility combined with other similar public entity volatility information. 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 is re-evaluated at least annually and the forfeiture rate is 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. The Company uses the simplified method for determining the expected lives of options.

For awards with graded vesting, the Company allocates compensation costs 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.

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

Comprehensive Loss

Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions, and other events and circumstances from non-owner sources. Changes in unrealized gains and losses on marketable securities represents the only difference between the Company's net loss and comprehensive loss.

For the three months and nine months ended September 30, 2011 and 2010, comprehensive loss was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net loss	$ (12,734)	$ (10,262)	$ (36,637)	$ (28,644)
Changes in other comprehensive loss:				
Unrealized holding (losses) gains on marketable securities	(9)	2	4	2
Total comprehensive loss	$ (12,743)	$ (10,260)	$ (36,633)	$ (28,642)

Segment Reporting

Operating segments are determined based on the way management organizes its business for making operating decisions and assessing performance. The Company has only one operating segment, the discovery, development and commercialization of drug products.

Basic and Diluted Loss Per Common Share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the period, excluding restricted stock that has been issued but is not yet vested. Diluted net loss per common share 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 the three months and nine months ended September 30, 2011 and 2010, 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 outstanding securities not included in the computation of diluted net loss per common share as their inclusion would be anti-dilutive:

	September 30,	
	2011	2010
Common stock options	5,918,559	5,400,533
Unvested restricted common stock	86,871	126,232

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU No. 2011-04). This standard amends the requirements for measuring fair value and disclosing information about fair value measurements. ASU No. 2011-04 is effective for periods ending on or after December 15, 2011. The Company is currently evaluating the impact of adopting this pronouncement.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU No. 2011-05). ASU No. 2011-05 requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements, eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. This update does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. ASU No. 2011-05 is effective for the Company for interim and annual periods ending after December 15, 2011. The Company does not expect ASU No. 2011-05 to have a material impact on the Company's financial condition, results of operations or cash flows.

(3) Cash, Cash Equivalents and Marketable Securities

A summary of cash, cash equivalents and available-for-sale marketable securities held by the Company as of September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011			
	Cost	Unrealized gains	Unrealized losses	Fair value
	(in thousands)			
Cash and cash equivalents:				
Cash and money market funds (Level 1)	$ 19,135	$ —	$ —	$ 19,135
Corporate debt securities due within 3 months of date of purchase (Level 2)	1,508	—	—	1,508
Total cash and cash equivalents	$ 20,643	$ —	$ —	$ 20,643
Marketable securities:				
U.S. government sponsored entities due within 1 year of date of purchase (Level 2)	726	—	—	726
Corporate debt securities due within 1 year of date of purchase (Level 2)	29,290	1	—	29,291
Total marketable securities	30,016	1	—	30,017
Total cash, cash equivalents and marketable securities	$ 50,659	$ 1	$ —	$ 50,660

	December 31, 2010			
	Cost	Unrealized gains	Unrealized losses	Fair value
	(in thousands)			
Cash and cash equivalents:				
Cash and money market funds (Level 1)	$ 25,228	$ —	$ —	$ 25,228
U.S. government-sponsored entities and corporate debt securities due within 3 months of date of purchase (Level 2)	6,082	—	—	6,082
Total cash and cash equivalents	$ 31,310	$ —	$ —	$ 31,310
Marketable securities:				
U.S. government and government sponsored entities due within 1 year of date of purchase (Level 2)	19,666	—	(3)	19,663
Total cash, cash equivalents and marketable securities	$ 50,976	$ —	$ (3)	$ 50,973

(4) Property and Equipment

Property and equipment consist of the following:

	September 30, 2011	December 31, 2010
	(in thousands)	
Laboratory equipment	$ 12,428	$ 12,387
Leasehold improvements	4,675	4,528
Computers and software	2,163	2,177
Furniture and fixtures	1,117	1,050
	20,383	20,142
Less accumulated depreciation and amortization	(19,067)	(17,961)
	$ 1,316	$ 2,181

Depreciation and amortization expenses of property and equipment, including equipment purchased under capital leases, were approximately $350,000 and $473,000 for the three months ended September 30, 2011 and 2010, respectively, and $1,173,000 and $1,470,000 for the nine months ended September 30, 2011 and 2010, respectively.

(5) Stockholders' Equity

Issuer-Directed Registered Direct Offering

In April 2011, the Company raised approximately $35.2 million in gross proceeds from the sale of an aggregate of 7,191,731 shares of its common stock at a purchase price of $4.89 per share, which was the closing price of the Company's common stock on the date of sale, in an issuer-directed registered direct offering. The shares were sold directly to investors without a placement agent, underwriter, broker or dealer, and no warrants were issued as part of this transaction. 1,581,493 shares were sold to certain of the Company's directors and the remainder of the shares were sold to institutional investors. The proceeds to the Company were approximately $34.8 million after deducting estimated offering expenses payable by the Company.

Equity Line of Credit

In October 2010, as amended in August 2011, the Company entered into a common stock purchase agreement (Purchase Agreement) with Azimuth Opportunity Ltd. (Azimuth) pursuant to which the Company obtained an equity line of credit facility (Facility) under which it may sell, in its sole discretion, and Azimuth is committed to purchase, subject to the terms and conditions set forth in the Purchase Agreement, up to $35 million or 8,106,329 shares of the Company's common stock, whichever is fewer, over the 18-month term of the agreement. Each draw down is limited in size, unless otherwise mutually agreed by the parties, to the lesser of (i) certain agreed-upon draw down amounts (the largest of which is $4.25 million), based on the threshold price selected by the Company for the draw down, and (ii) 2.5% of the Company's

market capitalization at the time of such draw down. Azimuth is not required to purchase shares of the Company's common stock if the threshold price is less than $2.00 per share. The per share price of the shares sold in each draw down will be determined based on the daily volume weighted average price of the Company's common stock on each trading day during the draw down period, less a discount ranging from 4.875% to 6%. The Purchase Agreement also provides that, from time to time and in the Company's sole discretion, the Company may grant Azimuth the right to exercise one or more options to purchase additional shares of common stock during each draw down pricing period for the amount of shares based upon the maximum option dollar amount and the option threshold price specified by the Company. There were no transaction fees or warrants issued by the Company to Azimuth in connection with execution of the Purchase Agreement. Shares under the Facility, if issued, will be registered under the Company's registration statement on Form S-3. Upon each sale of common stock to Azimuth, the Company will pay to Reedland Capital Partners a placement fee equal to 1.0% of the aggregate dollar amount received by the Company from such sale. To date, no shares have been sold to Azimuth under the Facility. The Purchase Agreement may be terminated by either party at any time.

(6) Stock-Based Compensation

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 6,400,000 shares of common stock have been reserved for issuance under the 2006 Stock Plan. In January 2011, the number of shares of common stock reserved for issuance under the 2006 Stock Plan was increased from 5,100,000 to 6,400,000 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. This increase was ratified by the board of directors in December 2010. 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 of 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 September 30, 2011, under its 2001 Stock Plan, which was terminated in March 2006, the Company had options outstanding to purchase 1,791,582 shares of its common stock and had no shares available for future issuance.

As of September 30, 2011, under its 2006 Stock Plan, the Company had options outstanding to purchase 4,126,977 shares of its common stock, had outstanding 86,871 restricted shares of common stock and had 1,703,980 shares available for future issuance.

The following table summarizes stock option activity during the nine months ended September 30, 2011:

	Shares	Weighted average exercise price
Outstanding at January 1	5,326,979	$ 7.95
Options granted	1,222,965	5.29
Options exercised	(152,360)	2.57
Options cancelled	(479,025)	8.61
Outstanding at September 30	5,918,559	$ 7.49
Exercisable at September 30	3,948,332	$ 8.75

The weighted-average grant date fair values of options granted during the three months ended September 30, 2011 and 2010 were $3.93 and $2.53, respectively, and during the nine months ended September 30, 2011 and 2010 were $4.27 and $3.25, respectively.

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 senior management and non-employee directors. Restricted stock awards are subject to forfeiture if employment or service terminates during the prescribed retention period. Restricted shares issued to non-employee directors and senior management vest over the service period.

The following table summarizes unvested restricted shares during the nine months ended September 30, 2011:

	Shares	Weighted average grant date fair value
Outstanding at January 1	140,613	$ 3.84
Granted	70,585	5.22
Vested	(117,796)	3.80
Cancelled	(6,531)	4.84
Outstanding at September 30	86,871	$ 4.94

Stock-Based Compensation Expense

For the three months and nine months ended September 30, 2011 and 2010, the fair value of each employee stock option award was estimated on the date of grant based on the fair value method using the Black-Scholes option pricing valuation model with the following weighted average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Risk-free interest rate	2.05%	1.98%	2.49%	2.74%
Expected life in years	6.25	6.25	6.25	6.25
Volatility	100%	102%	101%	102%
Expected dividend yield	—	—	—	—

Stock-based compensation expense during the three months and nine months ended September 30, 2011 and 2010 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Stock-based compensation expense by type of award:				
Employee stock options	$ 774	$ 882	$ 2,196	$ 2,876
Restricted stock	93	81	310	309
Total stock-based compensation expense	$ 867	$ 963	$ 2,506	$ 3,185
Effect of stock-based compensation expense by line item:				
Research and development	$ 648	$ 758	$ 1,861	$ 2,443
General and administrative	219	205	645	742
Total stock-based compensation expense included in net loss	$ 867	$ 963	$ 2,506	$ 3,185

Unrecognized stock-based compensation expense as of September 30, 2011 was as follows (in thousands):

	Unrecognized stock compensation expense as of September 30, 2011	Weighted average remaining period (in years)
Employee stock options	$ 6,123	2.52
Restricted stock	258	1.15
Total	$ 6,381	2.46

(7) Other Accrued Liabilities

Other accrued liabilities consist of the following:

	September 30, 2011	December 31, 2010
	(in thousands)	
Compensation and benefits	$ 1,702	$ 2,903
Professional fees	1,001	921
Other	546	370
	$ 3,249	$ 4,194

(8) License and Development Agreements

Roche

In December 2008, as amended in February 2010, February 2011 and July 2011, the Company and Roche entered into a collaborative license agreement (the Roche Agreement) to discover, develop, and commercialize small-molecule drugs targeting calcium release-activated calcium modulator (CRACM) channels. The goal of this alliance is to develop a novel category of oral, disease-modifying agents for the treatment of rheumatoid arthritis and other autoimmune diseases and inflammatory conditions. The Roche Agreement consists of the following funding streams: an upfront license payment, reimbursements of certain research and development costs, product development milestones, sales milestones and product royalty payments.

Pursuant to the Roche Agreement, the Company received a non-refundable upfront license payment of $16 million in January 2009. Roche reimbursed all of the Company's research and certain early development costs based upon research and development plans agreed to by the parties. These costs included committed research support over the two year research term that concluded on December 31, 2010. The Company has received approximately $21.2 million in research and development support under the Roche Agreement. The Company does not expect to receive any additional research and development support under the Roche Agreement. Roche received worldwide rights to develop and commercialize certain products, referred to as Licensed Compounds, which were identified and studied prior to the end of the two year research term. For these Licensed Compounds, Roche is responsible for development and commercialization, while the Company retains certain co-development and co-promotion rights. In February 2011, the Roche Agreement was amended to extend the term of the research license to enable Roche to continue performing research on certain compounds until June 30, 2011. The amendment also provided for the return to the Company of certain Licensed Compounds. In July 2011, the Roche Agreement was amended to further extend the term of the research license to Roche to continue performing research on certain compounds from June 30, 2011 through the term of the Roche Agreement, which, unless earlier terminated as provided in the Roche Agreement, continues until the expiration of Roche's royalty obligations to the Company for all licensed products under the Roche Agreement. The Company retains all development and commercialization rights for its CRACM inhibitor compounds other than the specified Licensed Compounds licensed to Roche under the Roche Agreement.

The Company is also 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. The Company will receive tiered royalties on sales of all approved, marketed products. Roche may terminate the agreement on a licensed compound-by-compound basis upon providing advance written notice.

The $16 million non-refundable upfront license payment is being recognized ratably using the time-based model over the estimated performance period through June 2012. Under the Roche Agreement, the Company recognized $1.1 million of license revenue in each of the three months ended September 30, 2011 and 2010, and $3.4 million in each of the nine months ended September 30, 2011 and 2010. Reimbursements of research and development costs to the Company by Roche were recorded as cost sharing revenue in the period in which the related research and development costs were incurred. Under the Roche Agreement, the Company recognized $0 and $2.2 million of cost sharing revenue in the three months ended September 30, 2011 and 2010, respectively, and $0 and $7.3 million of cost sharing revenue in the nine months ended September 30, 2011 and 2010, respectively. As the research term concluded in December 2010, the

Company does not expect to earn any additional 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. No development milestones have been achieved as of September 30, 2011.

Co-Development Agreement

In July 2011, the Company entered into a co-development agreement with one of its clinical research organizations (CRO) for the conduct of certain company-sponsored clinical trials. Under the co-development agreement, this CRO will perform clinical research services under a reduced fee structure in exchange for a share of licensing payments and commercial revenues, if any, up to a specified maximum payment, which is defined as a multiple of the fee reduction realized.

(9) Term Loans

General Electric Capital Corporation

In September 2010, the Company entered into a $15 million loan and security agreement, as amended in July 2011, with General Electric Capital Corporation (GECC) and one other lender, all of which was funded at the closing in September 2010 (the GECC Term Loan). Interest on the borrowings under the GECC Term Loan accrues at an annual rate of 9.75%.

Under the GECC Term Loan, as amended in July 2011, the Company will make interest-only payments through January 2012, followed by 30 equal monthly payments of principal plus accrued interest on the outstanding balance. Under certain circumstances, the interest-only period may be extended through April 2012, followed by 27 equal monthly payments of principal plus accrued interest on the outstanding balance. In addition to the interest payable under the GECC Term Loan, the Company paid origination and amendment fees in the amount of $338,000 and is obligated to pay an exit fee of $525,000 at the time of the final payment of the outstanding principal.

Origination and exit fees are being amortized and accreted, respectively, to interest expense over the term of the GECC Term Loan. The Company paid approximately $204,000 of legal fees and expenses in connection with the GECC Term Loan. These expenses have been deferred and, together with the origination fees, are included in other assets, and will be expensed over the term of the GECC Term Loan. In the three months and nine months ended September 30, 2011, the Company recognized approximately $72,000 and $202,000, respectively, in interest expense in connection with these origination, exit and transaction fees and expenses. In the three months and nine months ended September 30, 2011, the Company recognized approximately $382,000 and $1,109,000, respectively, in interest expense related to the outstanding principal under the GECC Term Loan. No warrants were issued in connection with the GECC Term Loan. The Company may prepay the full amount of the GECC Term Loan, subject to prepayment premiums under certain circumstances.

The GECC Term Loan is secured by substantially all of the Company's assets, except its intellectual property. The Company has granted GECC a springing security interest in its intellectual property in the event the Company is not in compliance with certain cash usage covenants, as defined. The GECC Term Loan contains restrictive covenants, including the requirement for the Company to receive prior written consent of GECC to enter into loans, other than up to $4.0 million of equipment financing, restrictions on the declaration or payment of dividends, restrictions on acquisitions, and customary default provisions that include material adverse events, as defined. The Company has determined that the risk of subjective acceleration under the material adverse events clause is remote and therefore has classified the outstanding principal in current and long-term liabilities based on the timing of scheduled principal payments. In addition, at the time of the closing of the GECC Term Loan, the Company repaid approximately $787,000 of remaining principal outstanding under its existing equipment leases with GECC.

Oxford Finance Corporation

In March 2011, the Company entered into a $2 million loan and security agreement with Oxford Finance Corporation (Oxford), all of which was funded at the closing in March 2011 (the Oxford Term Loan). Interest on the borrowings under the Oxford Term Loan accrues at an annual rate of 13.35%. Beginning in May 2011, the Company began making 36 equal monthly payments of principal plus accrued interest on the outstanding balance. In the three months and nine months ended September 30, 2011, the Company recognized approximately $61,000 and $136,000, respectively, in interest expense related to the outstanding principal under the Oxford Term Loan. In addition to the interest payable under the Oxford Term Loan, the Company paid approximately $66,000 of administrative and legal fees and expenses in connection with the Oxford Term Loan. These expenses have been deferred and are included in other assets, and will be expensed over the term

of the Oxford Term Loan. No warrants were issued in connection with the Oxford Term Loan. The Company may prepay the full amount of the Oxford Term Loan, subject to prepayment premiums under certain circumstances. Oxford has the right to require the Company to prepay the full amount of the Oxford Term Loan if the Company prepays the full amount of the GECC Term Loan under certain circumstances.

The Oxford Term Loan is secured by certain laboratory and office equipment, furniture and fixtures acquired through September 30, 2010. In connection with the Oxford Term Loan, Oxford and GECC entered into a Lien Subordination Agreement, whereby GECC granted Oxford a first priority perfected security interest in the loan collateral. The Oxford Term Loan contains restrictive covenants, including the requirement for the Company to receive the prior written consent of Oxford to enter into acquisitions in which the Company incurs more than $2.0 million of related indebtedness, and customary default provisions that include material adverse events, as defined. The Company has determined that the risk of subjective acceleration under the material adverse events clause is remote and therefore has classified the outstanding principal in current and long-term liabilities based on the timing of scheduled principal payments.

Future principal payments under the GECC and Oxford Term Loans as of September 30, 2011 are approximately as follows (in thousands):

Year Ending December 31,		
2011	$	146
2012		6,134
2013		6,724
2014		3,763
	$	16,767

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, 2010 filed with the Securities and Exchange Commission. These risks could cause our actual results to differ materially from any future performance suggested below.

Overview

Synta Pharmaceuticals Corp. is 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 two drug candidates in clinical trials for treating multiple types of cancer and several drug candidates in the preclinical stage of development. Each of our drug candidates was discovered and developed internally using our proprietary, unique chemical compound library and integrated discovery engine. We have granted Hoffman-La Roche, or Roche, an exclusive license to develop and commercialize certain compounds from our calcium release activated calcium modulator, or CRACM, program resulting from our research partnership with them. We retain full ownership of all of our other drug candidates.

We believe that our competitive advantages include: the broad clinical and commercial potential of our drug candidates; the strength of our intellectual property portfolio, consisting of over 700 issued and pending patents; our proprietary chemical compound library and the strength of our drug discovery platform, with which we have generated all of our drug candidates; our ability to integrate discovery, translational, and clinical research to optimize our scientific and clinical choices and further strengthen our intellectual property position; our operational experience in effectively managing large-scale, global clinical programs; the ownership of our programs, which creates strategic flexibility in partnership discussions that can be used to enhance the value we may ultimately capture from our drug candidates; our strong network of relationships with leading investigators and institutions, which facilitates our ability to conduct clinical trials efficiently; and the skills, talent, and level of industry experience of our employees. We believe that these competitive advantages provide us with multiple, 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. As of September 30, 2011, we have funded our operations principally with $346.5 million in net proceeds from private and public offerings of our equity, including $34.8 million in net proceeds from the sale of 7,191,731 shares of our common stock in an issuer-directed registered direct offering that was completed in April 2011, as well as $17.0 million in gross proceeds from two term loans, including $15 million from a term loan that was executed in September 2010 with General Electric Capital Corporation, or GECC, and one other lender, and $2 million from a term loan that was executed in March 2011 with Oxford Finance Corporation, or Oxford. In October 2010, we obtained a committed equity line of credit facility with Azimuth Opportunity Ltd., or Azimuth, under which we may sell up to a maximum of $35 million or 8,106,329 shares of our common stock, whichever is fewer, over the 18-month term of the agreement, subject to certain conditions and limitations. To date, no shares have been sold to Azimuth under this facility.

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 with GlaxoSmithKline, or GSK, for the joint development and commercialization of elesclomol. This collaboration was terminated in September 2009. In December 2008, as amended, we entered into a collaborative license agreement with Roche, or the Roche Agreement, for our CRACM inhibitor program, which is currently in the preclinical stage. As of September 30, 2011, we have received $167.2 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 $21.2 million in research and development funding. As of September 30, 2011, these nonrefundable partnership payments together with the net cash proceeds from equity financings, the term loans from GECC and Oxford, and the exercise of common stock warrants and options, provided aggregate net cash proceeds of approximately $532.6 million. We have also generated funds from government grants, equipment lease financings and investment income. We are engaged in preliminary partnership discussions for a number of our programs, which may provide us with additional financial resources if consummated.

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. As of September 30, 2011, we had an accumulated deficit of $387.7 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 from product sales to achieve future profitability and may never do so.

Oncology Programs

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

Ganetespib (Hsp90 Inhibitor)

Ganetespib (formerly STA-9090) is a potent, synthetic, small molecule inhibitor of Hsp90, a chaperone protein that is essential to the function of certain other proteins that drive the growth, proliferation, and survival of many different types of cancer. Many of the known oncogenic proteins that play major roles in pathogenesis of solid tumor and hematologic malignancies are client proteins of Hsp90. By inhibiting Hsp90, ganetespib causes the degradation of these client proteins and the subsequent death of cancer cells dependent on these growth factors. Ganetespib is structurally unrelated to the ansamycin family of first-generation Hsp90 inhibitors (such as 17-AAG and IPI-504) and has shown superior activity to these agents in preclinical studies.

Ganetespib is currently being evaluated in a broad range of clinical trials, including trials in non-small cell lung, colon, gastric, prostate, breast, pancreatic, small cell lung, ocular melanoma, hepatic, melanoma and hematologic cancers. In total, over 450 patients have been treated with ganetespib to date. In these trials and our Phase 1 studies, ganetespib has shown clear evidence of clinical activity, including objective responses and prolonged tumor shrinkage in patients who have progressed after, or failed to respond to, treatment with commonly-used drugs for these tumors. The safety profile has been favorable, with no evidence of the serious bone marrow toxicities and neuropathy often seen with chemotherapy, or the severe liver or common ocular toxicities seen with other Hsp90 inhibitors. The most common adverse event seen with ganetespib is diarrhea, which has been manageable with standard supportive care. The favorable safety profile offers the opportunity to develop ganetespib both as a single agent and in combination with a range of widely used anti-cancer treatments, including chemotherapy, targeted small molecules, monoclonal antibodies, and radiotherapy.

In June and July 2011, we presented results from a Phase 2 trial of ganetespib administered as a monotherapy in patients with non-small cell lung cancer, or NSCLC, at the Annual Meeting of the American Society of Clinical Oncology, or ASCO, and the International Association for the Study of Lung Cancer, or IASLC, 14th World Conference on Lung Cancer, respectively. Patients in this trial had failed to respond to, or experienced disease progression following treatment with, numerous prior therapies for lung cancer. In this trial, as in other trials, ganetespib had a favorable safety profile without the serious hepatic or ocular toxicities reported with other Hsp90 inhibitors. Clear evidence of clinical activity was observed following treatment with ganetespib as a monotherapy, including durable, objective tumor responses in certain patients, as evaluated by standard Response Evaluation Criteria in Solid Tumors, or RECIST. The Disease Control Rate, using the standard definition of Complete Response plus Partial Response plus Stable Disease, was 54%. This rate compares favorably with Disease Control Rates observed in trials for approved and experimental agents in a similar broad advanced progressive disease patient population.

Results presented at these meetings showed a clear signal of correlation between single-agent ganetespib clinical activity and certain tumor gene profiles. Four of eight patients for whom genetic testing of their tumors indicated an anaplastic lymphoma kinase, or ALK, gene rearrangement experienced objective responses following treatment with ganetespib. These responses have been durable, with patients remaining on therapy nine months or longer. Six of these eight patients experienced tumor shrinkage, and seven of these eight patients achieved disease control.

In addition to the encouraging anti-tumor activity seen in patients with ALK rearrangement genetic profile, an encouraging signal of activity was seen in patients for whom genetic testing of their tumors indicated a KRAS mutation (certain mutations in the kRAS gene), a patient population with limited treatment options. Eight of 13 patients with KRAS mutation genetic profile showed shrinkage of target tumor lesions following treatment with single-agent ganetespib. We plan to continue to monitor and evaluate results for ganetespib in these two patient populations.

The favorable safety profile seen to date with ganetespib, together with single agent clinical activity and preclinical results demonstrating that treatment with ganetespib can inhibit mechanisms of resistance to certain chemotherapies or targeted drugs, support a combination therapy approach to clinical development. The combination approach involves trials evaluating the safety and activity of administering ganetespib together with certain agents.

Results to date suggest potential for combining ganetespib and taxanes. These include a strong scientific rationale based on multiple mechanisms of synergistic anti-cancer activity; the consistent synergy effects seen between ganetespib and taxanes in preclinical tumor models; and the encouraging safety profile and signs of activity seen in our Phase 2 NSCLC trial in those patients who received both ganetespib and docetaxel as well as in our Phase 1 combination study of ganetespib and docetaxel. Initial results from our Phase 1 combination study were presented at the Annual Meeting of the European Society of Medical Oncology in September 2011.

Based on these supportive results for the combination approach, together with the clinical activity seen with ganetespib as a single agent in NSCLC, we initiated the GALAXY Trial™ (Ganetespib Assessment in Lung cAncer with docetaXel), a Phase 2b/3 program in NSCLC of ganetespib plus docetaxel versus docetaxel alone in the second quarter of 2011. This program is designed to be registration-enabling in two stages. The first stage is an approximately 240 patient Phase 2b portion designed to establish the clinical benefit and safety profile of ganetespib in combination with docetaxel relative to docetaxel alone, and to identify the patient populations, by biomarker or other disease characteristics, that may be most responsive to combination treatment. The first stage of this program will be used to build the clinical and operational experience needed to optimize the design and execution of the second stage, Phase 3 portion. The Phase 3 portion of the program is expected to enroll between 400 to 600 patients. Interim data from the Phase 2b portion is expected to be available in early 2012.

In addition to the Phase 2b/3 program in NSCLC, we expect to initiate a number of new trials in 2012. These include trials in ALK+ NSCLC and in breast cancer, based on the favorable results seen in these indications with ganetespib and with other Hsp90 inhibitors. We also expect that a number of trials for ganetespib sponsored by third parties, including cooperative groups, foundations, and individual investigators, will initiate by the end of 2011 or in 2012. These include trials in combination with radiotherapy; a randomized Phase 2b combination trial in acute myeloid leukemia; an additional combination trial in breast cancer; and a trial in multiple myeloma, both as a single agent and in combination with Velcade. The clinical trial in multiple myeloma is supported by a grant of up to $1 million by the Multiple Myeloma Research Foundation.

Elesclomol (Mitochondria-Targeting Agent)

Elesclomol is a first-in-class, investigational drug candidate that triggers programmed cell death, or apoptosis, in cancer cells through a novel mechanism: disrupting cancer cell mitochondrial metabolism.

Elesclomol binds copper in plasma, which causes a change in conformation that enables its uptake through membranes and into cells. Elesclomol binds copper in an oxidative, positively charged, state called Cu(II). Once inside mitochondria, an interaction with the electron transport chain reduces the copper from Cu(II) to Cu(I), resulting in a cascade of redox reactions, a rapid increase of oxidative stress, disruption of mitochondrial energy production, and the activation of the mitochondrial apoptosis pathway.

Mitochondria generate energy for cells, but also can induce apoptosis under certain conditions, such as a high level of oxidative stress. By damaging cancer cell mitochondria and reducing barriers to apoptosis, elesclomol may provide a means to overcome resistance to traditional chemotherapy or targeted therapy.

Elesclomol targets active cancer cell mitochondria, which use oxygen for energy production. In preclinical experiments, anti-cancer activity of elesclomol has been shown to correlate with certain biomarkers, including lactate dehydrogenase, or LDH, which can distinguish between active mitochondria (sufficient oxygen) and inactive mitochondria (insufficient oxygen). Consistent with these findings in three randomized clinical trials, LDH was an important predictor of elesclomol treatment outcome.

Elesclomol is currently in a Phase 2 clinical trial in ovarian cancer in combination with paclitaxel and a Phase 1 clinical trial in AML as a single agent. In 2012, we plan to initiate a Phase 2b trial for elesclomol in NSCLC with a trial design similar to our prior Phase 2b trial for elesclomol in NSCLC. This new trial is expected to enroll approximately 180 patients, and will include a dose-escalation and safety portion to optimize the dose and schedule selection for the Phase 2b portion.

STA-9584 (Vascular Disrupting Agent)

STA-9584 is a novel, injectable, small molecule compound that appears to disrupt the blood vessels that supply tumors with oxygen and essential nutrients, and is in preclinical development.

In March 2011, we received a $1 million grant from the United States Department of Defense, or DoD, for the development of STA-9584 in advanced prostate cancer and initiated work on this study in the second quarter of 2011.

Our Inflammatory Disease Programs

We have two preclinical-stage programs 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.

CRACM Ion Channel Inhibitors

We have developed novel, small molecule inhibitors of CRACM ion channels expressed on immune cells. 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, or RA, psoriasis, severe asthma, chronic obstructive pulmonary disease, transplant rejection, and other autoimmune diseases and inflammatory conditions. As part of our strategic alliance with Roche, Roche is advancing several compounds in preclinical development.

While Roche has an exclusive license to certain specific compounds developed by us during the term of our research collaboration, all other intellectual property rights to our CRACM program are fully owned by us. We have several CRACM inhibitors, not licensed to Roche, in preclinical development. Because there are a number of CRACM ion channel targets on immune cells, we believe that CRACM inhibitor compounds can be developed that target distinct immune cell types, which lead to the potential of distinct families of CRACM inhibitors for treating distinct immune system disease.

Roche CRACM Inhibitor Alliance

In December 2008, as amended in February 2010, February 2011 and July 2011, we formed a strategic alliance with Roche to discover, develop, and commercialize small-molecule drugs targeting CRACM channels. We refer herein to the agreement, as amended, as the Roche Agreement. The goal of this alliance is to develop a novel category of oral, disease-modifying agents for the treatment of RA and other autoimmune diseases and inflammatory conditions.

Under the terms of the Roche Agreement, we received a $16 million non-refundable upfront license fee. Roche funded research and development conducted by us, which included discovery and certain early development activities. We have received approximately $21.2 million in research and development support under the Roche Agreement. Roche received worldwide rights to develop and commercialize certain products, referred to as Licensed Compounds, which were identified and studied prior to the completion of the two-year research term on December 31, 2010. We do not expect to earn any additional cost sharing revenue or receive any additional research and development support under the Roche Agreement. Roche is responsible for development and commercialization of the Licensed Compounds, while we retain certain co-development and co-promotion rights. We are also eligible to receive additional payments, for each of three Licensed Compounds, 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. We will also receive tiered royalties on sales of all approved, marketed products containing Licensed Compounds.

In the February 2011 amendment of the Roche Agreement, we extended the term of the research license for Roche to continue performing research on certain specified compounds until June 30, 2011. That amendment also

provided for the return to us of certain Licensed Compounds. We retain all development and commercialization rights for our CRACM inhibitor compounds other than the specific Licensed Compounds licensed to Roche under the Roche Agreement. In July 2011, the Roche Agreement was amended to further extend the term of the research license for Roche to continue performing research on certain compounds from June 30, 2011 through the term of the Roche Agreement, which, unless earlier terminated as provided in the Roche Agreement, continues until the expiration of Roche's royalty obligations to us for all licensed products under the Roche Agreement.

IL-12/23 Inhibitors

We have identified several small molecule IL-12/23 inhibitors that represent a promising opportunity to develop drug candidates that could be administered orally and potentially address a wide range of serious inflammatory diseases with high unmet medical needs.

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 and royalties. 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. 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 and expenses incurred under 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 U.S. Food and Drug Administration 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.

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.

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 research contract accruals, the recoverability of long-lived assets, measurement of stock-based compensation and the periods of performance under collaborative research and development agreements. 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.

There have been no significant changes to our critical accounting policies in 2011.

In October 2009, the Financial Accounting Standards Board issued a new accounting standard, ASU No. 2009-13 *Multiple-deliverable Revenue Arrangements*, which amends the guidance on the accounting for arrangements involving the delivery of more than one element. This standard addresses the determination of the unit(s) of accounting for multiple-element arrangements and how the arrangement's consideration should be allocated to each unit of accounting. We adopted this new accounting standard on a prospective basis for all multiple-element arrangements entered into on or after January 1, 2011 and for any multiple-element arrangements that were entered into prior to January 1, 2011 but materially modified on or after January 1, 2011. The adoption of this new standard did not have a material impact on our financial statements or results of operations. Refer to

Note 2, "Summary of Significant Accounting Polices," in the accompanying notes to the condensed consolidated financial statements.

In March 2011, we received a $1 million grant from the DoD for the development of STA-9584 in advanced prostate cancer. We initiated work on this study upon the commencement of the grant period in April 2011. Reimbursements are based on actual costs agreed upon in the proposal (salary, fringe benefits, overhead, and direct costs such as materials and subcontractors).

You should read the following discussion of our reported financial results in conjunction with the critical accounting policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on March 11, 2011.

Consolidated Results of Operations

Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010

Revenue

	Three Months Ended September 30,		2011 to 2010 Change	
	2011	2010	$	%
	(dollars in millions)			
Collaboration revenue				
License and milestone revenue—Roche	$ 1.1	$ 1.1	$ —	—%
Cost sharing reimbursements, net—Roche	—	2.2	(2.2)	(100)%
Total collaboration revenue	1.1	3.3	(2.2)	(67)%
Grant revenue	0.5	—	0.5	—%
Total revenue	$ 1.6	$ 3.3	$ (1.7)	(52)%

In 2011 as compared to 2010, cost sharing reimbursements from Roche decreased by $2.2 million as the initial two-year research term under the Roche Agreement concluded on December 31, 2010 and, accordingly, we do not expect to earn any additional cost sharing revenue or receive any additional research and development support under the Roche Agreement.

In March 2011, we received a $1 million grant from the DoD for the development of STA-9584 in advanced prostate cancer and initiated work on this study in the second quarter of 2011.

Research and Development Expense

	Three Months Ended September 30,		2011 to 2010 Change	
	2011	2010	$	%
	(dollars in millions)			
Clinical-stage drug candidates				
Ganetespib	$ 7.8	$ 7.2	$ 0.6	8%
Elesclomol	0.8	0.9	(0.1)	(11)%
Total clinical-stage drug candidates	8.6	8.1	0.5	6%
CRACM	1.6	1.7	(0.1)	(6)%
STA-9584	0.4	—	0.4	—%
Early stage programs and other	0.1	1.2	(1.1)	(92)%
Total research and development	$ 10.7	$ 11.0	$ (0.3)	(3)%

In 2011 as compared to 2010, costs incurred under our ganetespib program increased by $0.6 million, including increases of $0.5 million for personnel-related costs, related research supplies, operational overhead and stock compensation, and $0.1 million for external costs. Costs incurred in connection with the GALAXY trial that was initiated in the second quarter of 2011, and the conduct of investigator-sponsored studies and supporting non-clinical activities were offset, in part, by lower costs in several company-sponsored clinical trials that are nearing completion. Overall costs of our ganetespib program may increase in 2012 as we further advance clinical

development, including the GALAXY trial and possible additional clinical trials in other cancer types, as well as the conduct of non-clinical supporting activities.

In 2011 as compared to 2010, costs incurred under our elesclomol program decreased by $0.1 million principally due to a decrease in external costs.

In 2011 as compared to 2010, costs incurred under our CRACM program decreased by $0.1 million principally due to a decrease in external costs.

In 2011 as compared to 2010, costs incurred under our STA-9584 program increased by $0.4 million, including increases of $0.1 million for personnel-related costs, related research supplies, operational overhead and stock compensation, and $0.3 million for external costs. In March 2011, we received a $1million grant from the DoD for the development of STA-9584 in advanced prostate cancer and initiated work on this study in the second quarter of 2011.

In 2011 as compared to 2010, costs incurred under our other early-stage programs decreased by $1.1 million principally due to decreases of $0.9 million in personnel-related costs, related research supplies, operational overhead and stock compensation, and $0.2 million for external costs.

General and Administrative Expense

	Three Months Ended September 30,		2011 to 2010 Change	
	2011	2010	$	%
	(dollars in millions)			
General and administrative	$ 3.1	$ 2.6	$ 0.5	19%

In 2011 as compared to 2010, general and administrative expenses increased by $0.5 million principally due to increases of $0.2 million for personnel-related costs, operational overhead and stock compensation and $0.3 million for external costs.

Interest Expense, net

	Three Months Ended September 30,		2011 to 2010 Change	
	2011	2010	$	%
	(dollars in millions)			
Interest expense, net	$ 0.5	$ 0.1	$ 0.4	400%

In 2011 as compared to 2010, interest expense increased by $0.4 million principally due to interest expense in connection with the GECC Term Loan executed in September 2010 and the Oxford Term Loan executed in March 2011, offset, in part, by lower average principal balances of capital equipment leases.

Nine Months Ended September 30, 2011 Compared with Nine Months Ended September 30, 2010

Revenue

	Nine Months Ended September 30,		2011 to 2010 Change	
	2011	2010	$	%
	(dollars in millions)			
Collaboration revenue				
License and milestone revenue—Roche	$ 3.4	$ 3.4	$ —	—%
Cost sharing reimbursements, net—Roche	—	7.3	(7.3)	(100)%
Total collaboration revenue	3.4	10.7	(7.3)	(68)%
Grant revenue	0.7	—	0.7	—%
Total revenue	$ 4.1	$ 10.7	$ (6.6)	(62)%

In 2011 as compared to 2010, cost sharing reimbursements from Roche decreased by $7.3 million as the initial two-year research term under the Roche Agreement concluded on December 31, 2010 and, accordingly, we

do not expect to earn any additional cost sharing revenue or receive any additional research and development support under the Roche Agreement.

In March 2011, we received a $1 million grant from the DoD for the development of STA-9584 in advanced prostate cancer and initiated work on this study in the second quarter of 2011.

Research and Development Expense

	Nine Months Ended September 30,		2011 to 2010 Change	
	2011	2010	$	%
	(dollars in millions)			
Clinical-stage drug candidates				
Ganetespib	$ 21.7	$ 19.6	$ 2.1	11%
Elesclomol	3.1	2.1	1.0	48%
Total clinical-stage drug candidates	24.8	21.7	3.1	14%
CRACM	4.9	6.0	(1.1)	(18)%
STA-9584	0.7	—	0.7	—%
Early stage programs and other	0.2	3.2	(3.0)	(94)%
Total research and development	$ 30.6	$ 30.9	$ (0.3)	(1)%

In 2011 as compared to 2010, costs incurred under our ganetespib program increased by $2.1 million, including increases of $1.0 million for personnel-related costs, related research supplies, operational overhead and stock compensation, and $1.1 million for external costs. Costs incurred in connection with the GALAXY trial that was initiated in the second quarter of 2011, and the conduct of investigator-sponsored studies and supporting non-clinical activities were offset, in part, by lower costs in several company-sponsored clinical trials that are nearing completion. Overall costs of our ganetespib program may increase in 2012 as we further advance clinical development, including the GALAXY trial and possible additional clinical trials in other cancer types, as well as the conduct of non-clinical supporting activities.

In 2011 as compared to 2010, costs incurred under our elesclomol program increased by $1.0 million, including increases of $0.6 million for personnel-related costs, related research supplies, operational overhead and stock compensation, and $0.4 million for external costs. These increases were principally related to the conduct of two clinical trials that were initiated in the first quarter of 2011, including a Phase 2 clinical trial of elesclomol in combination with paclitaxel in ovarian cancer that is being conducted by the GOG and a Phase 1 clinical trial of elesclomol as a single agent in AML, as well as supporting clinical drug supply.

In 2011 as compared to 2010, costs incurred under our CRACM program decreased by $1.1 million, including decreases of $0.9 million for personnel-related costs, related research supplies, operational overhead and stock compensation, and $0.2 million for external costs. These decreases are the result of a lower year-to-date investment in CRACM research following the conclusion on December 31, 2010 of the two-year research term under the Roche Agreement.

In 2011 as compared to 2010, costs incurred under our STA-9584 program increased by $0.7 million, including increases of $0.2 million for personnel-related costs, related research supplies, operational overhead and stock compensation, and $0.5 million for external costs. In March 2011, we received a $1 million grant from the DoD for the development of STA-9584 in advanced prostate cancer and initiated work on this study in the second quarter of 2011.

In 2011 as compared to 2010, costs incurred under our other early-stage programs decreased by $3.0 million principally due to decreases of $2.7 million for personnel-related costs, related research supplies, operational overhead and stock compensation, and $0.3 million for external costs.

General and Administrative Expense

	Nine Months Ended September 30,		2011 to 2010 Change	
	2011	2010	$	%
	(dollars in millions)			
General and administrative	$ 8.7	$ 8.4	$ 0.3	4%

In 2011 as compared to 2010, general and administrative expenses increased by $0.3 million principally due to a decrease of $0.2 million for personnel-related costs, operational overhead and stock compensation, offset by a $0.5 million increase for external costs.

Interest Expense, net

	Nine Months Ended September 30,		2011 to 2010 Change	
	2011	2010	$	%
	(dollars in millions)			
Interest expense, net	$ 1.4	$ 0.1	$ 1.3	1300%

In 2011 as compared to 2010, interest expense increased by $1.3 million principally due to interest expense in connection with the GECC Term Loan executed in September 2010 and the Oxford Term Loan executed in March 2011, offset, in part, by lower average principal balances of capital equipment leases.

Liquidity and Capital Resources

Cash Flows

The following table provides information regarding our cash position, cash flows and capital expenditures for the nine months ended September 30, 2011 and 2010:

	Nine Months Ended September 30,	
	2011	2010
	(dollars in millions)	
Cash, cash equivalents and marketable securities	$ 50.7	$ 54.1
Working capital	34.9	39.9
Cash flows (used in) provided by:		
Operating activities	(36.8)	(30.0)
Investing activities	(10.7)	(19.3)
Financing activities	36.8	40.1

Our operating activities used cash of $36.8 million and $30.0 million in 2011 and 2010, respectively. The use of cash in these periods principally resulted from our losses from operations, as adjusted for non-cash charges for depreciation and stock-based compensation, and changes in our working capital accounts.

Our investing activities used cash of $10.7 million in 2011, including purchases of marketable securities in the amount of $47.0 million and purchases of property and equipment in the amount of $0.3 million, offset by maturities of marketable securities of $36.6 million in our investment portfolio. Our investing activities used cash of $19.3 million in 2010, including purchases of marketable securities in the amount of $19.2 million and purchases of property and equipment in the amount of $0.1 million.

Our financing activities provided cash of $36.8 million and $40.1 million in 2011 and 2010, respectively. In 2011, we raised $34.8 million in net proceeds from the sale of 7,191,731 shares of our common stock in an issuer-directed registered direct offering in April 2011. In 2011, we also raised $2.0 million in gross proceeds from the Oxford Term Loan that was executed in March 2011 (as defined below) and paid $0.2 million in corresponding principal payments, as well as raised $0.4 million from the exercise of common stock options. In 2010, we raised $26.7 million in net proceeds from the sale of 6,388,889 shares of our common stock in an underwritten public offering in January 2010. We repaid $0.2 million and $1.7 million in capital equipment leases in 2011 and 2010, respectively.

Contractual Obligations and Commitments

Except as follows, as of September 30, 2011, 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, 2010.

- In March 2011, we entered into a $2.0 million term loan with Oxford as described below.
- In the second quarter of 2011, we renewed the leases for each of our research and office facilities under non-cancelable operating leases with terms expiring through 2016. Each of these leases contains a five-year renewal option. Future minimum payments, excluding operating costs and taxes, under these non-cancellable operating leases, are approximately as follows (in thousands):

Year Ending December 31,		
2011	$	141
2012		2,058
2013		2,105
2014		2,123
2015		2,172
2016		1,965
	$	10,564

- In July 2011, we entered into an amendment to the GECC Term Loan as described below.

Term Loans

General Electric Capital Corporation (GECC)

In September 2010, as amended in July 2011,we entered into a $15 million loan and security agreement with GECC and one other lender, all of which was funded at the closing in September 2010, which we refer to herein as the GECC Term Loan. Interest on the borrowings under the GECC Term Loan accrues at an annual rate of 9.75%. We will make interest-only payments through January 2012, followed by 30 equal monthly payments of principal plus accrued interest on the outstanding balance, and an exit fee of $525,000 upon the conclusion of the GECC Term Loan. (See Note 9.)

Oxford Finance Corporation (Oxford)

In March 2011, we entered into a $2 million loan and security agreement with Oxford, all of which was funded at the closing, which we refer to herein as the Oxford Term Loan. Interest on the borrowings under the Oxford Term Loan accrues at an annual rate of 13.35%. Beginning in May 2011, we began making 36 equal monthly payments of principal plus accrued interest on the outstanding balance. (See Note 9.)

Future principal payments under the GECC and Oxford Term Loans as of September 30, 2011 are approximately as follows (in thousands):

Year Ending December 31,		
2011	$	146
2012		6,134
2013		6,724
2014		3,763
	$	16,767

Issuer-Directed Registered Direct Offering

In April 2011, we raised approximately $35.2 million in gross proceeds from the sale of an aggregate of 7,191,731 shares of our common stock at a purchase price of $4.89 per share, which was the closing price of our common stock on the date of sale, in an issuer-directed registered direct offering. The shares were sold directly to investors without a placement agent, underwriter, broker or dealer, and no warrants were issued as part of this transaction. 1,581,493 shares were sold to certain of our directors and the remainder of the shares were sold to institutional investors. The proceeds to us were approximately $34.8 million after deducting estimated offering expenses payable by us.

Equity Line of Credit with Azimuth

In October 2010, as amended in August 2011, we entered into a common stock purchase agreement, or the Purchase Agreement, with Azimuth Opportunity Ltd., or Azimuth, pursuant to which we obtained an equity line of credit facility, which we refer to as the Facility, under which we may sell, in our sole discretion, and Azimuth is committed to purchase, subject to the terms and conditions set forth in the Purchase Agreement, up to $35 million or 8,106,329 shares of our common stock, whichever is fewer, over the 18-month term of the agreement. Upon each sale of common stock to Azimuth, we will pay to Reedland Capital Partners a placement fee equal to 1.0% of the aggregate dollar amount received by us from such sale. To date, no shares have been sold to Azimuth under the Facility.

Liquidity

Funding Requirements

We expect to continue to incur significant operating expenses and capital expenditures and anticipate that our expenses and losses may increase substantially in the foreseeable future as we:

- complete the ongoing clinical trials of ganetespib in solid tumors, including the GALAXY trial, and hematologic cancers and initiate additional clinical trials of ganetespib if supported by trial results;
- complete preclinical development of an additional Hsp90 inhibitor and initiate clinical trials of this compound, if supported by the preclinical data;
- complete the ongoing clinical trials of elesclomol in AML and ovarian cancers, and initiate additional clinical trials of elesclomol, if supported by trial results;
- complete preclinical development of STA-9584 and initiate clinical trials, if supported by preclinical data;
- advance our CRACM inhibitor compounds not licensed to Roche under the Roche Agreement into preclinical development and initiate clinical trials, if supported by preclinical data;
- discover, develop, and seek regulatory approval for backups of our current drug candidates and other new drug candidates;
- identify additional compounds or drug candidates and acquire rights from third parties to those compounds or drug candidates through licenses, acquisitions or other means; and
- commercialize any approved drug candidates.

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

- the progress and results of our ongoing clinical trials of ganetespib and elesclomol, and any additional clinical trials we may initiate in the future based on the results of these clinical trials;
- the results of our preclinical studies of any additional Hsp90 inhibitors we may develop, our CRACM inhibitor compounds not licensed to Roche under the Roche Agreement and STA-9584, and our decision to initiate clinical trials, if supported by the preclinical and other test results;
- Roche's ability to satisfy its obligations under the Roche Agreement, including payment of milestone and royalty payments;
- uncertainty associated with costs, timing, and outcome of regulatory review of our drug candidates;
- the scope, progress, results, and cost of preclinical development, clinical trials, and regulatory review of any new drug candidates we may discover or acquire;
- the costs of preparing, filing, and prosecuting patent applications and maintaining, enforcing, and defending intellectual property-related claims;
- our ability to establish additional strategic collaborations and licensing or other arrangements on terms favorable to us;
- the costs to satisfy our obligations under potential future collaborations; and
- the timing, receipt, and amount of sales or royalties, if any, from ganetespib, elesclomol, STA-9584, our CRACM inhibitors, our IL-12/23 inhibitors and our other potential products.

As of September 30, 2011, we had $50.7 million in cash, cash equivalents and marketable securities, a decrease of $0.3 million from $51.0 million as of December 31, 2010. This decrease principally reflects the $34.8 million in net proceeds from the sale of 7,191,731 shares of our common stock in an issuer-directed registered direct offering in April 2011 and $2 million in gross proceeds from the Oxford Term Loan that was executed in March 2011, offset by cash used in operations as discussed under "Cash Flows" above.

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. While we are engaged in multiple preliminary partnership discussions for each of our currently unpartnered programs, including ganetespib, elesclomol, STA-9584, CRACM compounds not licensed by Roche under the Roche Agreement, and our IL-12/23 inhibitors, which could result in one or more new partnership agreements that may include upfront payments and cost-sharing provisions, there is no guarantee we will be successful in entering into any such partnership agreements on commercially reasonable terms, if at all, or that we will receive any other revenue through these partnership efforts in the future. Based on our current operating levels, we expect our cash resources will be sufficient to fund operations into the second half of 2012. This estimate assumes that certain activities contemplated for 2012 will be conducted subject to the availability of sufficient financial resources. We continue to evaluate additional potential sources of funding, including partnership agreements, cost or risk-sharing arrangements, equity financings, use of our $35 million equity line of credit facility or other sources.

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 will 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 turmoil and uncertainty that have 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 convertible debt securities, 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. Conversely, we may elect to raise additional funds even before we need them if the conditions for raising capital are favorable, including through offerings of securities pursuant to our shelf registration statement on Form S-3, under which we currently have up to $150 million in securities available for issuance, including up to $35 million in shares of common stock that we may offer and sell under the ELOC with Azimuth.

Recent Accounting Pronouncements

Refer to Note 2, "Summary of Significant Accounting Polices," in the accompanying notes to the consolidated financial statements for a discussion of recent accounting pronouncements.

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, 2010 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 September 30, 2011, we had cash, cash equivalents and marketable securities of $50.7 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 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 nine months ended September 30, 2011, our investment income was negligible.

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, 2010.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. [Removed and Reserved].

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) *Exhibits*

10.1 Amendment No. 1, dated August 19, 2011, to Common Stock Purchase Agreement, dated October 4, 2010, by and between the Registrant and Azimuth Opportunity Ltd. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed August 19, 2011 (File No. 001-33277)).

31.1 Certification of principal executive officer under Section 302(a) of the Sarbanes-Oxley Act of 2002.

31.2 Certification of principal financial officer under Section 302(a) of the Sarbanes-Oxley Act of 2002.

32.1 Certifications of the principal executive officer and the principal financial officer under Section 906 of the Sarbanes-Oxley Act of 2002.

101* The following materials from Synta Pharmaceuticals Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Balance Sheets, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text.

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* Users of the XBRL data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

SYNTA PHARMACEUTICALS CORP.

Date: November 3, 2011

By: /s/ SAFI R. BAHCALL
Safi R. Bahcall, Ph.D.
President and Chief Executive Officer
(principal executive officer)

Date: November 3, 2011

By: /s/ KEITH S. EHRLICH
Keith S. Ehrlich
Vice President Finance and Administration,
Chief Financial Officer
(principal accounting and financial officer)

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: November 3, 2011

/s/ SAFI R. BAHCALL, PH.D
Safi R. Bahcall, Ph.D.
President and Chief Executive Officer
(principal executive officer)

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: November 3, 2011

/s/ KEITH S. EHRLICH
Keith S. Ehrlich
Vice President, Finance and Administration,
Chief Financial Officer
(principal accounting and financial officer)

Exhibit 32.1

CERTIFICATIONS UNDER SECTION 906

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

The Quarterly Report on Form 10-Q for the period ended September 30, 2011 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 3, 2011

/s/ SAFI R. BAHCALL, PH.D
Safi R. Bahcall, Ph.D.
President and Chief Executive Officer
(principal executive officer)

Dated: November 3, 2011

/s/ KEITH S. EHRLICH
Keith S. Ehrlich
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.