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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: JUNE 30, 2009

☐ **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: 333-131722

SYNERGY PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Florida	**20-3823853**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
420 Lexington Avenue, Suite 1609, New York, New York	**10170**
(Address of principal executive offices)	(Zip Code)

(212) 297-0020
(Registrant's telephone number)

(Former Name, Former Address and Former Fiscal Year, if changed since last report)

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 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 ☒

The number of the registrant's shares of common stock outstanding was 75,738,578 as of August 13, 2009.

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

FORM 10-Q

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INTRODUCTORY NOTE

This Report on Form 10-Q for Synergy Pharmaceuticals, Inc. ("Synergy" or the "Company") may contain forward-looking statements. You can identify these statements by forward-looking words such as "may," "will," "expect," "intend," "anticipate," believe," "estimate" and "continue" or similar words. Forward-looking statements include information concerning possible or assumed future business success or financial results. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. However, there may be events in the future that we are not able to accurately predict or control. Accordingly, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth in this Report on Form 10-Q and other periodic filings with the Securities Exchange Commission. Accordingly, to the extent that this Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that Synergy's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2009 (unaudited)	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,459,937	$ 216,007
Due from majority shareholder	819,293	690,333
Total Current Assets	4,279,230	906,340
Property and equipment, net	10,713	11,701
Security deposits	4,400	4,400
	$ 4,294,343	$ 922,441
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	$ 2,598,695	$ 2,000,220
Accrued expenses	487,644	78,013
Total Current Liabilities	3,086,339	2,078,233
Stockholders' Equity (Deficit):		
Common stock, par value of $.0001 authorized 150,000,000 shares at June 30, 2009 and December 31, 2008, outstanding 72,947,149 and 65,606,434 shares at June 30, 2009 and December 31, 2008, respectively.	7,294	6,560
Preferred stock, Authorized 20,000,000 shares and 0 shares outstanding at June 30, 2009 and December 31, 2008, respectively	—	—
Additional paid-in capital	35,967,214	30,633,089
Deficit accumulated during development stage	(34,766,504)	(31,795,441)
Total Stockholders' Equity (Deficit)	1,208,004	(1,155,792)
	$ 4,294,343	$ 922,441

The accompanying notes are an integral part of these condensed consolidated financial statements.

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		November 15, 2005 (inception) to June 30, 2009
	2009	2008	2009	2008	
Revenues	$ —	$ —	$ —	$ —	$ —
Costs and Expenses:					
Research and development	1,114,876	—	1,448,023	—	3,357,249
Purchased in-process research and development	—	—	—	—	28,156,503
General and administrative	859,672	—	1,523,185	—	3,186,067
Loss from Operations	(1,974,548)	—	(2,971,208)	—	(34,699,819)
Interest and investment income	14	—	145	—	5,136
Loss from Continuing Operations	(1,974,534)	—	(2,971,063)	—	(34,694,683)
Loss from discontinued operations	—	(24,686)	—	(31,560)	(71,821)
Net Loss	$ (1,974,534)	$ (24,686)	$ (2,971,063)	$ (31,560)	$ (34,766,504)
Weighted Average Common Shares Outstanding Basic and Diluted	67,360,288	165,081,215	66,550,834	165,081,215	
Net Loss per Common Share, Basic and Diluted					
Net Loss from Continuing Operations	$ (0.03)	$ .00	$ (0.04)	$ .00	
Discontinued Operations:					
Loss from discontinued operations	.00	.00	.00	.00	
Net Loss per Common Share, Basic and Diluted	$ (0.03)	$ .00	$ (0.04)	$ .00	

The accompanying notes are an integral part of these condensed consolidated financial statements.

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

(Unaudited)

	Common Shares	Common Stock, Par Value	Additional Paid in Capital	Deficit Accumulated during the Development Stage	Total Stockholders' Equity (Deficit)
Balance at inception, November 15, 2005					
Sale of unregistered common stock to founder	151,381,215	$ 15,138	$ (13,138)	$ —	$ 2,000
Sale of common stock	13,700,000	1,370	16,730	—	18,100
Net loss for the year	—	—	—	(16)	(16)
Balance, December 31, 2005	165,081,215	16,508	3,592	(16)	20,084
Net loss for the year	—	—	—	(20,202)	(20,202)
Balance, December 31, 2006	165,081,215	16,508	3,592	(20,218)	(118)
Capital contribution by shareholders	—	—	8,893	—	8,893
Net loss for the year	—	—	—	(20,043)	(20,043)
Balance, December 31, 2007	165,081,215	16,508	12,485	(40,261)	(11,268)
Cancellation of unregistered founder shares	(149,981,208)	(14,998)	14,998	—	—
Common stock issued via Exchange Transaction	45,464,760	4,546	27,274,315	—	27,278,861
Common stock issued via private placement—July 14, 2008	5,000,000	500	2,999,500	—	3,000,000
Common stock issued via private placement—August 25, 2008	41,667	4	24,996		25,000
Fees and expenses related to private placements	—	—	(73,088)	—	(73,088)
Stock based compensation expense	—	—	379,883	—	379,883
Net loss for the year	—	—	—	(31,755,180)	(31,755,180)
Balance, December 31, 2008	65,606,434	6,560	30,633,089	(31,795,441)	(1,155,792)
Common stock issued via private placements	7,340,715	734	5,137,766	—	5,138,500
Fees and expenses related to private placements	—	—	(157,927)	—	(157,927)
Stock based compensation expense	—	—	354,286	—	354,286
Net loss for the period	—	—	—	(2,971,063)	(2,971,063)
Balance, June 30, 2009	72,947,149	$ 7,294	$ 35,967,214	$ (34,766,504)	$ 1,208,004

The accompanying notes are an integral part of these condensed consolidated financial statements.

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Period from November 15, 2005 (Inception) to June 30, 2009
Cash Flows From Operating Activities:			
Net loss	$ (2,971,063)	$ (31,560)	$ (34,766,504)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	988	337	2,210
Stock-based compensation expense	354,286	—	734,169
Purchased in-process research and development	—	—	28,156,503
Changes in operating assets and liabilities:			
Security deposit	—	—	(4,400)
Accounts payable and accrued expenses	1,008,106	21,552	2,363,294
Total Adjustments	1,363,380	21,889	31,251,776
Net Cash Used in Operating Activities	(1,607,683)	(9,671)	(3,514,728)
Cash Flows From Investing Activities:			
Net cash paid on Exchange Transaction	—	—	(155,326)
Loans from (to) related parties	(128,960)	10,174	(819,293)
Additions to property and equipment	—	—	(12,195)
Net Cash (Used in) Provided by Investing Activities	(128,960)	10,174	(986,814)
Cash Flows From Financing Activities:			
Capital contribution by shareholders	—	—	8,893
Issuance of common stock	—	—	2,000
Proceeds from sale of common stock	5,138,500	—	8,090,413
Fees and expenses related to private placements	(157,927)	—	(157,927)
Proceeds from sale of unregistered common stock to founders	—	—	18,100
Net Cash Provided by Financing Activities	4,980,573	—	7,961,479
Net increase (decrease) in cash and cash equivalents	3,243,930	503	3,459,937
Cash and cash equivalents at beginning of period	216,007	1,807	—
Cash and cash equivalents at end of period	$ 3,459,937	$ 2,310	$ 3,459,937
Supplementary disclosure of cash flow information:			
Cash paid for taxes	$ 1,874	$ —	$ 2,506
Cash paid for interest	$ —	$ —	$ —
Value of common stock issued via Exchange Transaction	$ —	$ —	$ 27,278,861

Cash flow activities for the six months ended June 30, 2008 represent discontinued pet food operations.

The accompanying notes are an integral part of these condensed consolidated financial statements.

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Business Overview

On July 14, 2008, Pawfect Foods Inc. ("Pawfect"), a Florida corporation incorporated on November 15, 2005, acquired 100% of the common stock of Synergy Pharmaceuticals, Inc., a Delaware corporation incorporated on September 11, 1992, and its wholly-owned subsidiary, Synergy Advanced Pharmaceuticals, Inc., (collectively "Synergy-DE"), under the terms of an Exchange Agreement among Pawfect, Callisto Pharmaceuticals, Inc. ("Callisto"), Synergy-DE, and certain other holders of Synergy-DE common stock ("Exchange Transaction").

On July 14, 2008, Pawfect discontinued its pet food business and is now exclusively focused on the development of drugs to treat gastrointestinal ("GI") disorders and diseases. Pawfect acquired the GI drugs and related technology in connection with the Exchange Transaction. On July 21, 2008, Pawfect amended its articles of incorporation to effect the actions necessary to complete the transactions contemplated by the Exchange Transaction and changed its name to Synergy Pharmaceuticals, Inc. ("Synergy" or "the Company").

Synergy's lead drug candidate is SP-304, a guanylyl cyclase C ("GC-C") receptor agonist to treat GI disorders, primarily chronic constipation ("CC") and constipation-predominant irritable bowel syndrome ("IBS-C"). On April 2, 2008, Synergy-DE filed an investigational new drug ("IND") application with the United States Food and Drug Administration ("FDA"). On May 2, 2008, Synergy-DE received notice from the FDA that the proposed study was deemed safe to proceed and Synergy-DE initiated a Phase I clinical trial in volunteers on June 4, 2008.

On December 9, 2008, Synergy announced the completion of the Phase I clinical trial of SP-304 in healthy volunteers that was initiated in June 2008. This first study was a double-blind, placebo-controlled, randomized single, oral, ascending dose trial performed in 71 healthy male and female volunteers. The primary objective of the Phase I clinical trial with SP-304 was to characterize the safety, tolerability, pharmacokinetic and pharmacodynamic effects of the drug in healthy volunteers. The clinical data from the Phase I healthy volunteer study was included in an abstract presented at the Digestive Disease Week conference held in Chicago IL from May 30 through June 4, 2009. Synergy plans to initiate a Phase IIa 7-day, repeated-oral-dose trial of SP-304 in chronic constipation patients in early 2010.

SP-304 was developed by Synergy scientists based on structure-function studies performed in-house. A patent covering composition of matter and therapeutic applications of SP-304 was granted by the U.S. Patent and Trademark Office on May 9, 2006. SP-304 is an analog of uroguanylin, a natural GI hormone produced in the gut that is a key regulator of intestinal function. Uroguanylin works by activating GC-C receptors on intestinal cells. The GC-C receptor, promotes fluid and ion transport in the GI tract. Under normal conditions, the receptor is activated by the natural hormones uroguanylin and guanylin. Activation of the receptor leads to the transport of chloride and bicarbonate into the intestine, and water is carried with these ions into the lumen of the intestine, thereby softening stool, and producing other pharmacologic, beneficial effects that could potentially benefit patients with CC and IBS-C.

A practical, efficient and cost effective method for producing SP-304 on a commercial scale is currently being investigated in concert with multiple manufacturing contract research organizations (CRO's). At present, the Company has about 500 grams of SP-304, produced under current good

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

1. Business Overview (Continued)

manufacturing practices ("cGMP"), which are being used for non-clinical work to support further human clinical trials.

SP-304 has also undergone pre-clinical animal studies as a treatment for GI inflammation in a collaborative study involving clinical gastroenterologist Dr. Scott Plevy of the University of North Carolina, Chapel Hill, NC. Results from his laboratory and from separate CRO's who conducted animal model studies for us showed that SP-304 was efficacious in animal models of ulcerative colitis ("UC"). A second generation GC-C receptor analog, SP-333, is now in pre-clinical development and Synergy plans to file an IND to treat UC patients in 2010.

2. Basis of Presentation and Going Concern

As discussed above, on July 14, 2008, Synergy completed the acquisition of Synergy-DE. The acquisition of Synergy-DE was treated as an asset acquisition, since Synergy-DE is a development stage company and does not have the necessary inputs and outputs to meet the definition of a business. The results of operations of Synergy-DE are included in the accompanying consolidated financial statements from July 14, 2008 forward. As a result of the acquisition of Synergy-DE on July 14, 2008, the Company decided to discontinue its pet food business and accordingly, amounts in the consolidated statements of operations and related notes for all historical periods have been restated to reflect these operations as discontinued.

All intercompany balances and transactions have been eliminated. These unaudited condensed consolidated financial statements include Synergy and its wholly-owned subsidiaries: (1) Synergy-DE, (2) Synergy Advanced Pharmaceuticals, Inc. and (3) IgX, Ltd (Ireland—inactive)). These unaudited condensed consolidated financial statements have been prepared following the requirements of the Securities and Exchange Commission ("SEC") and United States generally accepted accounting principles ("GAAP") for interim reporting. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, which include only normal recurring adjustments, necessary to present fairly Synergy's interim financial information. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 2009. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2008 contained in the Company's Annual Report on Form 10-K filed with the Securities Exchange Commission ("SEC") on April 15, 2009.

These condensed consolidated financial statements as of June 30, 2009 and December 31, 2008 have been prepared under the assumption that Synergy will continue as a going concern for the next twelve months. Synergy's ability to continue as a going concern is dependent upon its ability to obtain additional equity or debt financing, attain further operating efficiencies and, ultimately, to generate revenue. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of June 30, 2009, Synergy had an accumulated deficit of $34,766,504, resulting primarily from acquired in-process research and development valued at $28,156,503 and expensed upon the acquisition of Synergy on July 14, 2008. Synergy expects to incur significant and increasing operating losses for the next several years as Synergy expands its research and development, continues clinical trials of SP-304

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

2. Basis of Presentation and Going Concern (Continued)

for the treatment of GI disorders, acquires or licenses technologies, advances other product candidates into clinical development, seeks regulatory approval and, if FDA approval is received, commercializes products. Because of the numerous risks and uncertainties associated with product development efforts, Synergy is unable to predict the extent of any future losses or when Synergy will become profitable, if at all.

Net cash used in operating activities was $1,607,683 for the six months ended June 30, 2009. As of June 30, 2009 Synergy has $3,459,937 of cash. During the six months ended June 30, 2009, Synergy incurred net losses from continuing operations of $2,971,063. To date, Synergy's sources of cash have been primarily limited to private placements of common stock. Net cash provided by financing activities for the six months ended June 30, 2009 was $4,980,573.

As of June 30, 2009 Synergy had a working capital of $1,192,891 as compared to a working capital deficit of $1,171,893 as of December 31, 2008. During the six months ended June 30, 2009 Synergy sold 7,340,715 shares of unregistered common stock at $0.70 per share to a private investors for aggregate proceeds of $5,138,500. On July 2, 2009, Synergy sold 1,870,000 shares of common stock, to certain investors at a per share price of $0.70 for aggregate gross proceeds of $1,309,000. On July 6, 2009, Synergy sold an additional 921,429 shares of common stock, to certain investors at a per share price of $0.70 for aggregate gross proceeds of $645,000. In July 2009 the Company paid an aggregate $235,000 to selling agents in connection with certain of its June and July 2009 private placements, of which a pro-rata $147,927 was accrued as of and for the period ended June 30, 2009.

Synergy will be required to raise additional capital within the next year to complete the development and commercialization of current product candidates and to continue to fund operations at the current cash expenditure levels. Synergy cannot be certain that additional funding will be available on acceptable terms, or at all. To the extent that Synergy raises additional funds by issuing equity securities, Synergy's stockholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that impact Synergy's ability to conduct business. If Synergy is unable to raise additional capital when required or on acceptable terms, Synergy may have to (i) significantly delay, scale back or discontinue the development and/or commercialization of one or more product candidates; (ii) seek collaborators for product candidates at an earlier stage than otherwise would be desirable and on terms that are less favorable than might otherwise be available; or (iii) relinquish or otherwise dispose of rights to technologies, product candidates or products that Synergy would otherwise seek to develop or commercialize ourselves on unfavorable terms.

Recent worldwide economic conditions and the international equity and credit markets have significantly deteriorated and may remain depressed for the foreseeable future. These developments will make it more difficult to obtain additional equity or credit financing, when needed. Synergy has accordingly taken steps to conserve cash which include extending payment terms to our suppliers as well as substantial management and staff salary cuts and deferrals.

3. Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, "*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles-a replacement of FASB Statement No. 162* ("SFAS 168"), to formally establish the FASB Accounting Standards Codification ("Codification") to

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. Recent Accounting Pronouncements (Continued)

become the source of authoritative U.S. generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. Generally, the Codification is not expected to change U.S. GAAP. All other accounting literature excluded from the Codification will be considered non-authoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company will adopt SFAS 168 for our quarter ending September 30, 2009. All future references to authoritative accounting literature will be references in accordance with the Codification.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009, and is to be applied prospectively. The Company adopted SFAS 165 on June 30, 2009. The Company has evaluated subsequent events through the date of the issuance of this report.

In April 2009, the FASB issued FSP 107-1 and Accounting Principles Board ("APB") 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP 107-1"). FSP 107-1 amends SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP 107-1 also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. FSP 107-1 was effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. FSP 107-1 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, FSP 107-1 requires comparative disclosures only for periods ending after initial adoption. The Company adopted the provisions of FSP FAS 107-1 on June 30, 2009, and its requirements are reflected herein. All of the Company's Financial Instruments consist of cash and cash equivalents, stated at cost on its condensed consolidated balance sheet, which is materially equivalent to fair value.

In April 2009, the FASB issued FSP 115-2 and 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ("FSP 115-2 and 124-2"). FSP 115-2 and 124-2 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FSP 115-2 and 124-2 does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP 115-2 and 124-2 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. FSP 115-2 and 124-2 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, FSP 115-2 and 124-2 requires comparative disclosures only for periods ending after initial adoption. Synergy adopted FSP FAS 115-2 and FAS 124-2 on June 15, 2009 and the adoption did not have a material effect on its consolidated financial position, results of operations or cash flows.

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. Recent Accounting Pronouncements (Continued)

In April 2009, the FASB issued FSP 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4"). FSP 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. FSP 157-4 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, FSP 157-4 requires comparative disclosures only for periods ending after initial adoption. Synergy adopted FSP FAS 157-4 on June 15, 2009 and the adoption did not have a material effect on its consolidated financial position, results of operations or cash flows.

4. Accounting for Shared-Based Payments

Stock Options

Synergy adopted The 2008 Equity Compensation Incentive Plan (the "Plan") on July 3, 2008. Stock options granted under the Plan typically vest after three years of continuous service from the grant date and have a contractual term of ten years. Synergy did not issue stock options prior to the quarter ended September 30, 2008. Synergy periodically issues stock options to employees and non-employees and has adopted SFAS No. 123R for employee awards on July 3, 2008 concurrently with adoption of the Plan. Prior to that date Synergy had not issued any stock options. The Company accounts for stock options issued and vesting to non-employees in accordance with EITF No. 96-18: *"Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services"* and EITF No. 00-18 *"Accounting Recognition for Certain Transactions involving Equity Instruments Granted to Other Than Employees"* whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete.

Stock-based compensation expense, including all options and restricted stock units, has been recognized in operating results as follow:

	Three Months Ended June 30,		Six Months Ended June 30		November 15, 2005 (inception) to June 30, 2009
	2009	2008	2009	2008	
Employees—included in research and development	$ 43,055	n/a	$ 86,296	n/a	$ 165,825
Employees—included in general and administrative	56,695	n/a	112,769	n/a	225,496
Non-employees—included in research and development	8,455	n/a	16,817	n/a	25,366
Non-employees—included in general and administrative	69,585	n/a	138,404	n/a	317,482
Total stock-based compensation expense	$ 177,790	n/a	$ 354,286	n/a	$ 734,169

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4. Accounting for Shared-Based Payments (Continued)

The unrecognized compensation cost related to non-vested employee stock options outstanding at June 30, 2009, net of expected forfeitures, was $1,029,223, to be recognized over a weighted-average remaining vesting period of approximately 2.0 years.

A summary of stock option activity and of changes in stock options outstanding under Synergy's plans is presented below:

	Number of Options	Exercise Price Per Share	Weighted Average Exercise Price Per Share	Intrinsic Value
Balance outstanding, December 31, 2008	4,080,016	$ 0.25 - 0.95	$ 0.29	$ 8,933,935
Granted	—	—	—	
Exercised	—	—	—	
Forfeited	—	—	—	
Balance outstanding, June 30, 2009	4,080,016	$ 0.25 - 0.95	$ 0.29	$ 10,851,543
Exercisable at June 30, 2009	74,871	$ 0.25	$ 0.25	$ 202,152

Synergy Restricted Stock Units

Restricted Stock Units, which issue to the holder a specified number of shares of Synergy common stock are accounted for as stock based compensation in accordance with SFAS No. 123R in the same manner as stock options using fair value at the date of grant. Subject to a repurchase agreement, according to which, 50% of the units are released after 1 year of continuous service and the remaining 50% are released after 2 years of continuous service from the grant date. The total fair value is being expensed ratably by month over the 2 year service period.

On July 3, 2008, 874,760 restricted stock units were issued by Synergy-DE and assumed by Synergy as part of the Exchange Transaction and are subject to a repurchase agreement, as defined. These restricted stock units were issued to certain officers and a consultant of Synergy. The fair value of each Synergy restricted stock unit is estimated on the grant date based on the price paid by shareholders participating in Synergy's July 14, 2008 private placement. As of June 30, 2009 there were 874,760 Synergy restricted stock units outstanding. The fair value of the 874,760 Synergy restricted stock units on the date of grant was $524,856 of which $49,069 and $97,599 was recorded as stock-based compensation expense during the three and six months ended June 30, 2009. As of June 30, 2009 the unrecognized fair value of the 437,380 unvested stock units, net of expected forfeitures, was $198,439 to be amortized over 12 months. The intrinsic value of the 874,760 outstanding restricted stock units was $2,580,542 as of June 30, 2009, measured using the closing stock price of $2.95 per share as of that date.

SFAS No. 123R requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised (excess tax benefits) be classified as cash inflows from financing activities and cash outflows from operating activities. Due to Synergy's accumulated deficit position, no tax benefits have been recognized in the cash flow statement.

SYNERGY PHARMACEUTICALS, INC.
(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

5. Stockholder's equity

During the six months ended June 30, 2009 Synergy sold 7,340,715 shares of unregistered common stock at $0.70 per share to private investors, pursuant to a Securities Purchase Agreement, for aggregate proceeds of $5,138,500. There were no warrants issued in connection with these transactions, although the Company incurred $147,927 in fees to selling agents and $10,000 in legal fees in connection with certain of these transactions. Pursuant to the Securities Purchase Agreement the investors agreed to be subject to a lock-up for a period of 270 days beginning on the closing date and the Company agreed to price protection for the investors in the event of subsequent sales of equity securities as defined, until March 31, 2010.

As of June 30, 2009 Synergy's majority shareholder, Callisto, owns approximately 61% of its outstanding shares.

6. Loss Per Share

Basic and diluted net loss per share is presented in conformity with SFAS No. 128, *Earnings per Share*, ("SFAS No. 128") for all periods presented. In accordance with SFAS No. 128, basic and diluted net loss per common share was determined by dividing net loss applicable to common stockholders by the weighted-average common shares outstanding during the period. Diluted weighted-average shares are the same as basic weighted-average shares because shares issuable pursuant to the exercise of stock options would have been antidilutive. For the six months ended June 30, 2009 the effect of 4,080,016 outstanding stock options were excluded from the calculation of diluted loss per share because the effect was antidilutive. As of June 30, 2008 there were no outstanding stock options and other common stock equivalents.

7. Subsequent Events

On July 2, 2009, Synergy sold 1,870,000 shares of unregistered common stock, to certain investors at a price of $0.70 per share for aggregate gross proceeds of $1,309,000. On July 6, 2009, Synergy sold 921,429 shares of unregistered common stock, to certain investors at a per share price of $0.70 for aggregate gross proceeds of $645,000. In July 2009 the Company incurred fees to selling agents of $87,073 in connection with its July 2009 private placements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our condensed consolidated financial statements and other financial information appearing elsewhere in this quarterly report. In addition to historical information, the following discussion and other parts of this quarterly report contain forward-looking statements. You can identify these statements by forward-looking words such as "may," "will," "expect," "intend," "anticipate," believe," "estimate" and "continue" or similar words. Forward-looking statements include information concerning possible or assumed future business success or financial results. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. However, there may be events in the future that we are not able to accurately predict or control. Accordingly, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth under "Risk Factors" in this Report on Form 10-Q as of and for the three and six months ended June 30, 2009 and other periodic reports filed with the United States Securities and Exchange Commission ("SEC"). Accordingly, to the extent that this Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

RECENT DEVELOPMENTS

On July 14, 2008, Pawfect Foods Inc. ("Pawfect"), a Florida corporation incorporated on November 15, 2005, acquired 100% of the common stock of Synergy Pharmaceuticals, Inc. and its wholly-owned subsidiary, Synergy Advanced Pharmaceuticals, Inc. (collectively "Synergy-DE"), a Delaware corporation incorporated on September 11, 1992, under the terms of an Exchange Transaction among Pawfect, Callisto Pharmaceuticals, Inc. ("Callisto'), Synergy-DE, and certain other holders of Synergy-DE common stock ("Exchange Transaction").

On July 14, 2008, Synergy discontinued its pet food business and is now exclusively focused on the development of drugs to treat gastrointestinal ("GI") disorders and diseases. Synergy acquired the GI drugs and related technology in connection with the Exchange Transaction.

On July 21, 2008, Pawfect amended its articles of incorporation to effect the actions necessary to complete the transactions contemplated by the Exchange Transaction and changed its name to Synergy Pharmaceuticals, Inc. ("Synergy" or "the Company").

Synergy's lead drug candidate is SP-304, a guanylyl cyclase C ("GC-C") receptor agonist to treat GI disorders, primarily chronic constipation ("CC") and constipation-predominant irritable bowel syndrome ("IBS-C"). On April 2, 2008, Synergy-DE filed an investigational new drug ("IND") application with the United States Food and Drug Administration ("FDA"). On May 2, 2008, Synergy-DE received notice from the FDA that the proposed study was deemed safe to proceed and Synergy-DE initiated a Phase I clinical trial in volunteers on June 4, 2008.

On December 9, 2008, Synergy announced the completion of the Phase I clinical trial of SP-304 in healthy volunteers that was initiated in June 2008. This first study was a double-blind, placebo-controlled, randomized single, oral, ascending dose trial performed in 71 healthy male and female volunteers. The primary objective of the Phase I clinical trial with SP-304 was to characterize the safety,

tolerability, pharmacokinetic and pharmacodynamic effects of the drug in healthy volunteers. The clinical data from the SP-304 Phase I healthy volunteer study was included in an abstract presented at the Digestive Disease Week conference held in Chicago IL from May 30 through June 4, 2009. SP-304 was well tolerated at all doses studied (0.1 mg to 48.6 mg) and exhibited pharmacodynamic activity in healthy volunteers with no detectable systemic absorption. These data clearly supported advancing SP-304 for further clinical studies in patients with CC and IBS-C. Synergy plans to initiate a Phase IIa 7-day, repeated-oral-dose trial of SP-304 in chronic constipation patients in early 2010.

SP-304 was developed by Synergy scientists based on structure-function studies performed in-house. A patent covering composition of matter and therapeutic applications of SP-304 was granted by the U.S. Patent and Trademark Office on May 9, 2006. SP-304 is an analog of uroguanylin, a natural GI hormone produced in the gut that is a key regulator of intestinal function. Uroguanylin works by activating GC-C receptors on intestinal cells. The GC-C receptor, promotes fluid and ion transport in the GI tract. Under normal conditions, the receptor is activated by the natural hormones uroguanylin and guanylin. Activation of the receptor leads to the transport of chloride and bicarbonate into the intestine, and water is carried with these ions into the lumen of the intestine, thereby softening stool, and producing other pharmacologic, beneficial effects that could potentially benefit patients with CC and IBS-C.

A practical, efficient and cost effective method for producing SP-304 on a commercial scale is currently being investigated in concert with multiple manufacturing contract research organizations (CRO's). At present, the Company has about 500 grams of SP-304, produced under current good manufacturing practices ("cGMP"), which are being used for non-clinical work to support further human clinical trials.

SP-304 has also undergone pre-clinical animal studies as a treatment for GI inflammation in a collaborative study involving clinical gastroenterologist Dr. Scott Plevy of the University of North Carolina, Chapel Hill, NC. Results from his laboratory and from separate CRO's who conducted animal model studies for us showed that SP-304 was efficacious in animal models of ulcerative colitis ("UC"). A second generation GC-C receptor analog, SP-333, is now in pre-clinical development and Synergy plans to file an IND to treat UC patients in 2010.

FINANCIAL OPERATIONS OVERVIEW

From inception through June 30, 2009, we have sustained cumulative net losses of $34,766,504, resulting primarily from acquired in-process research and development valued at $28,156,503 which was expensed upon the acquisition of Synergy on July 14, 2008. From inception through June 30, 2009, we have not generated any revenue from operations and expect to incur additional losses to perform further research and development activities and do not currently have any commercial biopharmaceutical products. We do not expect to have such for several years, if at all.

Our product development efforts are thus in their early stages and we cannot make estimates of the costs or the time they will take to complete. The risk of completion of any program is high because of the many uncertainties involved in bringing new drugs to market including the long duration of clinical testing, the specific performance of proposed products under stringent clinical trial protocols, the extended regulatory approval and review cycles, our ability to raise additional capital, the nature and timing of research and development expenses and competing technologies being developed by organizations with significantly greater resources.

CRITICAL ACCOUNTING POLICIES

Financial Reporting Release No. 60 requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Our accounting policies are described in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA of our

Annual Report on Form 10-K as of and for years ended December 31, 2008 and 2007, filed with the SEC on April 15, 2009. There have been no changes to our critical accounting policies since December 31, 2008.

We prepare our financial statements in conformity with accounting principles generally accepted in the U.S. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosure of contingent assets and contingent liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the uncertainty of factors surrounding the estimates or assumptions used in the preparation of the consolidated financial statements, actual results may vary from these estimates.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

For a discussion of our contractual obligations see (i) our Financial Statements and Notes To Consolidated Financial Statements—Note 7. *Commitments and Contingencies*, and (ii) Item 7 Management Discussion and Analysis of Financial Condition and Results of Operations—*Contractual Obligations and Commitments*, included in our Annual Report on Form 10-K as of December 31, 2008. There have been no changes in our contractual obligations and commitments during the three and six months ended June 30, 2009.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as of June 30, 2009.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2009 AND 2008

As discussed above, on July 14, 2008, Synergy completed the acquisition of Synergy-DE. The acquisition of Synergy-DE was treated as an asset acquisition, since Synergy-DE is a development stage company and does not have the necessary inputs and outputs to meet the definition of a business. The results of operations of Synergy-DE are included in the accompanying consolidated financial statements from July 14, 2008 to June 30, 2009. As a result of the acquisition of Synergy-DE on July 14, 2008, we decided to discontinue our pet food business and accordingly, amounts in the consolidated statements of operations and related notes for all historical periods have been restated to reflect these operations as discontinued.

We had no revenues during the three months ended June 30, 2009 and 2008 because we do not have any commercial biopharmaceutical products and we do not expect to have such products for several years, if at all.

For the three months ended June 30, 2009, research and development expenses totaled $1,114,876. These research and development expenses were entirely attributable to continuing the development of our SP-304 product candidate. These expenses included (i) procurement of drug substance, totaling approximately $916,000, to move clinical trials into Phase Ib, (ii) program expenses including analytical testing and clinical trial insurance of approximately $26,000, (iii) scientific and regulatory advisory fees and expenses of approximately $38,000, (iv) in-house staff salaries and wages, stock based compensation and employee benefits of approximately $120,000 and (v) patent related legal fees of approximately $15,000. There were no such expenses during the three months ended June 30, 2008 because the SP-304 product was acquired in connection with the July 14, 2008 Exchange Transaction discussed above.

For the three months ended June 30, 2009, general and administrative expenses were $859,672. These expenses primarily include (i) non-scientific salaries and wages, stock based compensation and

related employee benefits of approximately $377,000, (ii) facilities cost of approximately $124,000, (iii) independent public accounting, corporate legal and tax services of approximately $116,000 and (iv) consultants and advisors, including Board of Director fees, of approximately $214,000. Such expenses during the three months ended June 30, 2008 were exclusively devoted to our pet food business which was discontinued on July 14, 2008 and reported as $24,686 "loss from discontinued operations" in the accompanying financial statements.

Net loss for the three months ended June 30, 2009 was $1,974,534 compared to a net loss (from discontinued operations) of $24,686 incurred for the three months ended June 30, 2008.

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

We had no revenues during the six months ended June 30, 2009 and 2008 because we do not have any commercial biopharmaceutical products and we do not expect to have such products for several years, if at all.

For the six months ended June 30, 2009, research and development expenses totaled $1,448,023. These research and development expenses were entirely attributable to continuing the development of our SP-304 product candidate. These expenses included (i) procurement of drug substance, totaling approximately $916,000, to move clinical trials into Phase Ib, (ii) program expenses including analytical testing and clinical trial insurance of approximately $96,000 (iii) scientific and regulatory advisory fees and expenses of approximately $107,000, (iv) in-house staff salaries and wages, stock based compensation and employee benefits of approximately $265,000 and (v) patent related legal fees of approximately $74,000. There were no such expenses during the six months ended June 30, 2008 because the SP-304 product was acquired in connection with the July 14, 2008 Exchange Transaction discussed above.

For the six months ended June 30, 2009, general and administrative expenses were $1,523,185. These expenses primarily include (i) non-scientific salaries and wages, stock based compensation and related employee benefits of approximately $730,000, (ii) facilities cost of approximately $231,000, (iii) independent public accounting, corporate legal and tax services of approximately $185,000 (iv) consultants and advisors, including Board of Director fees, of approximately $319,000 and (v) travel of approximately $58,000. Such expenses during the six months ended June 30, 2008 were exclusively devoted to our pet food business which was discontinued on July 14, 2008 and reported as $31,560 "loss from discontinued operations" in the accompanying financial statements.

Net loss for the six months ended June 30, 2009 was $2,971,063 compared to a net loss (from discontinued operations) of $31,560 incurred for the six months ended June 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2009 we had $3,459,937 in cash and cash equivalents, compared to $216,007 as of December 31, 2008. Net cash used in operating activities was $1,607,683 for the six months ended June 30, 2009. During the six months ended June 30, 2009, we incurred net losses from continuing operations of $2,971,063. To date, our sources of cash have been primarily limited to private placements of common stock. Net cash provided by financing activities for the six months ended June 30, 2009 was $4,980,573. As of June 30, 2009 we had a working capital of $1,192,891 as compared to a working capital deficit of $1,171,893 as December 31, 2008.

During the six months ended June 30, 2009 Synergy sold 7,340,715 shares of unregistered common stock at $0.70 per share to a private investor for aggregate proceeds of $5,138,500. On July 2, 2009, we sold 1,870,000 shares of common stock, to certain investors at a per share price of $0.70 for aggregate gross proceeds $1,309,000. On July 6, 2009, we sold an additional 921,429 shares of common stock, to

certain investors at a per share price of $0.70 for aggregate gross proceeds $645,000. We paid an aggregate $235,000 to selling agents in connection with certain of these private placements.

We will be required to raise additional capital within the next year to complete the development and commercialization of current product candidates and to continue to fund operations at the current cash expenditure levels. We cannot be certain that additional funding will be available on acceptable terms, or at all. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that impact our ability to conduct business. If we are unable to raise additional capital when required or on acceptable terms, we may have to (i) significantly delay, scale back or discontinue the development and/or commercialization of one or more product candidates; (ii) seek collaborators for product candidates at an earlier stage than otherwise would be desirable and on terms that are less favorable than might otherwise be available; or (iii) relinquish or otherwise dispose of rights to technologies, product candidates or products that we would otherwise seek to develop or commercialize ourselves on unfavorable terms.

Recent worldwide economic conditions and the international equity and credit markets have significantly deteriorated and may remain depressed for the foreseeable future. These developments will make it more difficult to obtain additional equity or credit financing, when needed. We have accordingly taken steps to conserve cash which include extending payment terms to our suppliers as well as substantial management and staff salary cuts and deferrals.

Our condensed consolidated financial statements as of June 30, 2009 and December 31, 2008 have been prepared under the assumption that we will continue as a going concern for the next twelve months. Our ability to continue as a going concern is dependent upon our ability to obtain additional equity or debt financing, attain further operating efficiencies and, ultimately, to generate revenue. The financial statements do not include any adjustments that might result from the negative outcome of this uncertainty.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk on the fair values of certain assets is related to credit risk associated with securities held in money market accounts and the FDIC insurance limit on our bank balances. At June 30, 2009, we had no money market balances.

ITEM 4.T. CONTROLS AND PROCEDURES

Based on an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, as of June 30, 2009, our Chief Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were not effective in ensuring 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 Commission's rules and forms.

In connection with the preparation of our annual financial statements, our management performed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2008. Management's assessment included an evaluation of the design of our internal control over financial reporting and the operational effectiveness of those controls. Based on this evaluation, management determined that, as of December 31, 2008, there were material weaknesses in our internal control over financial reporting. The material weaknesses identified during management's assessment were (i) a lack of sufficient internal accounting expertise to provide reasonable assurance that our financial statements and notes thereto, are prepared in accordance with generally accepted accounting principles (GAAP) and (ii) a lack of segregation of duties to ensure adequate review of financial statement preparation. In

light of these material weaknesses, management concluded that, as of December 31, 2008, we did not maintain effective internal control over financial reporting. As defined by Regulation S-X, Rule 1-02(a)(4), a material weakness is a deficiency or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the relationship between the benefit of desired controls and procedures and the cost of implementing new controls and procedures.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As of June 30, 2009 we are planning to remediate the material weaknesses which existed at December 31, 2008 by adding financial staff resources to our accounting and finance department when funding becomes available. Management believes this will substantially reduce the risk of a material misstatement resulting from the material weaknesses described above. However, it will require a period of time to determine the operating effectiveness of these newly implemented internal controls over financial reporting.

Other than described above there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that could significantly affect internal controls over financial reporting during the quarter ended June 30, 2009.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes from the legal proceedings disclosed in our Form 10-K for the year ended December 31, 2008. We are not currently a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in our Form 10-K for the year ended December 31, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On June 26, 2009 and July 2, 2009, we closed a private placement of 5,729,286 and 1,870,000 shares of common stock, respectively, to certain investors at a per share price of $0.70 for aggregate gross proceeds of $5,319,500 pursuant to a Securities Purchase Agreement dated as of June 26, 2009 and July 2, 2009, respectively (the "June/July Placement"). On July 6, 2009, we sold an additional 921,429 shares of common stock, to certain investors at a per share price of $0.70 for aggregate gross proceeds $645,000. We paid an aggregate $235,000 to selling agents in connection with the June/July Placement.

All such shares were sold in reliance on Section 4(2) of the Securities Act of 1933 for transactions by us not involving a public offering.

ITEM 6. EXHIBITS

(a) Exhibits

10.1 Form of Securities Purchase Agreement

31.1 Certification of Chief Executive Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act.

31.2 Certification of Principal Financial Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

SYNERGY PHARMACEUTICALS, INC.
(Registrant)

Date: August 14, 2009 By: /s/ GARY S. JACOB

Gary S. Jacob
President and Chief Executive Officer

Date: August 14, 2009 By: /s/ BERNARD F. DENOYER

Bernard F. Denoyer
Senior Vice President, Finance

Exhibit 10.1

SYNERGY PHARMACEUTICALS, INC.

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement ") is dated as of , 2009 among Synergy Pharmaceuticals, Inc., a Florida corporation (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a " Investor " and collectively the " Investors").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Investor (the "Offering"), and each Investor, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and each Investor agree as follows:

SECTION 1.

1.1 Subscription. The Company is offering a maximum of 20,000,000 shares of common stock, $.0001 par value, of the Company (the "Common Stock"). The Investor, intending to be legally bound, hereby irrevocably subscribes for and agrees to purchase the number of shares (the "Shares") of the Common Stock, indicated on the signature page hereof, on the terms and conditions described herein. All fractional shares will be rounded up or down to the nearest whole number.

1.2 Purchase of Shares. The Investor understands and acknowledges that the purchase price per Share to be remitted to the Company in exchange for the Shares is $0.70. The Investor or the Investor's agent has deposited the Subscription Amount (defined below) in an interest bearing escrow account. There is a minimum investment of $50,000 or such smaller amount in the sole discretion of the Company.

SECTION 2.

2.1 Acceptance or Rejection.

(a) The Investor understands and agrees that the Company reserves the right to reject this subscription for the Shares in whole or part in any order, if, in its reasonable judgment, it deems such action in the best interest of the Company, at any time prior to the Closing, notwithstanding prior receipt by the Investor of notice of acceptance of the Investor's subscription.

(b) The Investor understands and agrees that subscriptions may be revoked provided that written notice of revocation is sent by certified or registered mail, return receipt requested, and is received by the Company at least two business days prior to the Closing.

(c) In the event (i) of rejection of this subscription, or (ii) the sale of the Shares subscribed for by the Investor is not consummated by the Company for any reason by March 31, 2009, which date may be extended by the Company, this Subscription Agreement and any other agreement entered into between the Investor and the Company relating to this subscription shall thereafter have no force or effect and the Company shall promptly return or cause to be returned to the Investor the purchase price remitted in accordance with clause 1.2 by the Investor, without interest thereon or deduction therefrom, in exchange for the Shares.

2.2 Closing. The closing (the "Closing") of the purchase and sale of any of the Shares, following the acceptance by the Company of the Investors' subscriptions for not less than the Minimum Offering has, as evidenced by the Company's execution of this Subscription Agreement, shall take place at the principal offices of Sichenzia Ross Friedman Ference LLP, counsel to the Company, at 61 Broadway, 32nd Floor, New York, New York 10006, or such other place as determined by the Company, on such date (the "Closing Date") as is determined by the Company. At the Closing of the purchase and sale of the Shares subscribed to by the Investors, the Company shall prepare for delivery to the Investors the certificates for the securities to be issued and sold to the Investors, duly registered in the Investor's name against payment in full by the Investor in accordance with clause 1.2. Additional Closings will be held until the Maximum Offering has been achieved or the Offering has terminated.

SECTION 3.

3.1 Investor Representations and Warranties.

The Investor hereby acknowledges, represents and warrants to, and agrees with, the Company and its affiliates as follows:

(a) The Investor is acquiring the Shares for his or its own account as principal, not as a nominee or agent, for investment purposes only, and not with a view to, or for, resale, distribution or fractionalization thereof in whole or in part and no other person has a direct or indirect beneficial interest in such Shares or any of the components of the Shares. Further, the Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third

person, with respect to any of the Shares for which the Investor is subscribing.

(b) The Investor has full power and authority to enter into this Agreement, the execution and delivery of this Agreement has been duly authorized, if applicable, and this Agreement constitutes a valid and legally binding obligation of the Investor.

(c) The Investor acknowledges its understanding that the offering and sale of the Shares is intended to be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act") by virtue of Section 4(2) of the Securities Act and the provisions of Regulation D promulgated thereunder ("Regulation D"). In furtherance thereof, the Investor represents and warrants to and agrees with the Company and its affiliates as follows:

(i) The Investor realizes that the basis for the exemption may not be present if, notwithstanding such representations, the Investor has in mind merely acquiring Shares for a fixed or determinable period in the future, or for a market rise, or for sale if the market does not rise. The Investor does not have any such intention.

(ii) The Investor has the financial ability to bear the economic risk of his investment, has adequate means for providing for his current needs and personal contingencies and has no need for liquidity with respect to his investment in the Company;

(iii) (insert name of Investor Representative: <u>if none, so state</u>) has acted as the Investor's Investor Representative for purposes of the private placement exemption under the Securities Act. If the Investor has appointed a Investor Representative (which term is used herein with the same meaning as given in Rule 501(h) of Regulation D), the Investor has been advised by his Investor Representative as to the merits and risks of an investment in the Company in general and the suitability of an investment in the Shares for the Investor in particular; and

(iv) The Investor (together with his Investor Representative(s), if any) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the prospective investment in the Shares. If other than an individual, the Investor also represents it has not been organized for the purpose of acquiring the Shares.

(d) The information in the Accredited Investor Questionnaire completed and executed by the Investor is substantially in the form of the Accredited Investor Questionnaire (the "Accredited Investor Questionnaire") and is accurate and true in all respects and the Investor is an "accredited investor," as that term is defined in Rule 501 of Regulation D.

(e) The Investor and his Investor Representative, if any, have:

(i) had access to and carefully reviewed the Company's SEC Documents and other public filings, the Schedules and Exhibits to this Agreement and has had on opportunity for a reasonable period of time prior to the date hereof to obtain additional information concerning the offering of the Shares, the Company, and all other information to the extent the Company possesses such information or can acquire it without unreasonable effort or expense;

(iii) been given the opportunity for a reasonable period of time prior to the date hereof to ask questions of, and receive answers from, the Company or its representatives concerning the terms and conditions of the offering of the Shares and other matters pertaining to this investment, and have been given the opportunity for a reasonable period of time prior to the date hereof to obtain such additional information necessary to verify the accuracy of the information provided in order for him to evaluate the merits and risks of purchase of the

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Shares to the extent the Company possesses such information or can acquire it without unreasonable effort or expense;

(iv) not been furnished with any oral representation or oral information in connection with the offering of the Shares which is not contained herein; and

(v) determined that the Shares are a suitable investment for the Investor and that at this time the Investor could bear a complete loss of such investment.

(f) The Investor is not relying on the Company, or its affiliates with respect to economic considerations involved in this investment. The Investor has relied on the advice of, or has consulted with only those persons, if any, named as Investor Representative(s) herein and in the Accredited Investor Questionnaire. Each Investor Representative is capable of evaluating the merits and risks of an investment in the Shares on the terms and conditions set forth herein and each Investor Representative has disclosed to the Investor in writing (a copy of which is annexed to this Agreement) the specific details of any and all past, present or future relationships, actual or contemplated, between himself and the Company or any affiliate or subsidiary thereof.

(g) The Investor represents, warrants and agrees that he will not sell or otherwise transfer the Shares without registration under the Securities Act or an exemption therefrom and fully understands and agrees that he must bear the economic risk of his purchase because, among other reasons, the Shares have not been registered under the Securities Act or under the securities laws of any state and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and under the applicable securities laws of such states or an exemption from such registration is available. In particular, the Investor is aware

that the Shares are "restricted securities," as such term is defined in Rule 144 promulgated under the Securities Act ("Rule 144"), and they may not be sold pursuant to Rule 144 unless all of the conditions of Rule 144 are met. The Investor also understands that, except as otherwise provided herein and in the certificates for the Shares, the Company is under no obligation to register the Shares on his behalf or to assist him in complying with any exemption from registration under the Securities Act or applicable state securities laws. The Investor further understands that sales or transfers of the Shares are further restricted by state securities laws and the provisions of this Agreement.

(h) No representations or warranties have been made to the Investor by the Company, or any officer, employee, agent, affiliate or subsidiary of the Company, other than the representations of the Company contained herein, and in subscribing for Shares the Investor is not relying upon any representations other than those contained herein. Investor has carefully reviewed filings made by the Company with the U.S. Securities and Exchange Commission and the Company's Confidential Private Placement Memorandum dated February 2, 2009.

(i) Any information which the Investor has heretofore furnished to the Company with respect to his financial position and business experience is correct and complete as of the date of this Agreement and if there should be any material change in such information he will immediately furnish such revised or corrected information to the Company.

(j) The Investor understands and agrees that the certificates for the Shares shall bear the following legend until (i) such securities shall have been registered under the Securities Act and effectively been disposed of in accordance with a registration statement that has been declared effective; or (ii) in the opinion of counsel for the Company such securities may be sold without registration under the Securities Act as well as any applicable "Blue Sky" or state securities laws. Accordingly the Investor understands and consents that the certificates representing the Shares, in addition to any notation required by law or by this Agreement, shall have the following legend:

> "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED, ASSIGNED OR TRANSFERRED EXCEPT (i) PURSUANT TO A REGISTRATION STATEMENT UNDER THE SECURITIES ACT WHICH HAS BECOME EFFECTIVE AND IS CURRENT WITH RESPECT TO THESE SECURITIES, OR (ii) PURSUANT TO A SPECIFIC EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT BUT ONLY UPON A HOLDER HEREOF FIRST HAVING OBTAINED THE WRITTEN OPINION OF COUNSEL TO THE CORPORATION, OR OTHER COUNSEL REASONABLY ACCEPTABLE TO THE CORPORATION, THAT THE PROPOSED DISPOSITION IS CONSISTENT WITH ALL APPLICABLE PROVISIONS OF THE SECURITIES ACT AS WELL AS ANY APPLICABLE "BLUE SKY" OR SIMILAR SECURITIES LAW."

(k) The Investor understands that an investment in the Shares is a speculative investment which involves a high degree of risk and the potential loss of his entire investment.

(l) The Investor's overall commitment to investments which are not readily marketable is not disproportionate to the Investor's net worth, and an investment in the Shares will not cause such overall commitment to become excessive.

(m) Investor is not purchasing the Shares as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(n) Other than the transaction contemplated hereunder, such Investor has not directly or indirectly, nor has any person acting on behalf of or pursuant to any understanding with such Investor, executed any disposition, including Short Sales (defined below), in the securities of the Company during the period commencing from the time that such Investor first received a term sheet from the Company or any other person setting forth the material terms of the transactions contemplated hereunder until the date hereof ("Discussion Time"). Notwithstanding the foregoing, in the case of a Investor that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Investor's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager

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that made the investment decision to purchase the Shares covered by this Agreement. Other than to other persons party to this Agreement, such Investor has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). For the purpose of this Agreement, "Short Sales" shall include all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

(m) Investor hereby acknowledges that the Company seeks to comply with all applicable laws concerning money laundering and related activities. In furtherance of those efforts, Investor hereby represents, warrants and agrees that, to the best of Investor's knowledge based upon appropriate diligence and investigation:

(i) none of the cash or property that Investor has paid, will pay or will contribute to the Company has been or shall be derived from, or related to, an activity that is deemed criminal under United States law;

(ii) no contribution or payment by Investor to the Company shall cause the Company to be in violation of the

United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986 or the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001;

(iii) Investor agrees to promptly notify the Company if any of these representations cease to be true and accurate regarding Investor, and to provide to the Company any additional information regarding Investor that the Company deems necessary or appropriate to ensure compliance with all applicable laws concerning money laundering and similar activities;

(iv) Investor agrees that if at any time the Company determines that any of the foregoing representations are incorrect with respect to Investor, or if otherwise required by applicable law or regulation related to money laundering and similar activities, the Company may undertake whatever actions it considers appropriate to ensure compliance with applicable law or regulation, including causing the withdrawal of Investor from the Company in accordance with such terms as the Company shall determine in its discretion are required to comply with applicable laws and regulations; and

(v) Investor further agrees that the Company may release confidential information about such Investor to proper authorities if the Company, in its sole discretion, determines that it is in the best interests of the Company in light of relevant rules and regulations under the laws described herein.

(n) The foregoing representations, warranties and agreements shall survive the Closing.

3.2 Company Representations And Warranties.

The Company hereby acknowledges, represents and warrants to, and agrees with each Investor (which representations and will be true and correct as of the date of the Closing as if the Agreement were made on the date of Closing) as follows:

(a) The Company has been duly organized, is validly existing and is in good standing under the laws of the State of Florida. The Company has full corporate power and authority to enter into this Agreement and this Agreement, has been duly and validly authorized, executed and delivered by the Company and are valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as such enforcement may be limited by the United States Bankruptcy Code and laws effecting creditors rights, generally.

(b) Subject to the performance by the Investors of their respective obligations under this Agreement and the accuracy of the representations and warranties of the Investor, the offering and sale of the Securities will be exempt from the registration requirements of the Act.

(c) The execution and delivery by the Company of, and the performance by the Company of its obligations hereunder in accordance with its terms will not contravene any provision of applicable law or the charter documents of the Company or any agreement or other instrument binding upon the Company, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement in accordance with its terms.

(d) All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid, non-assessable and free of preemptive or similar rights. The Shares have been duly authorized and, when issued and delivered as provided by this Agreement, will be validly issued and fully paid and non-assessable, and the Shares are not subject to any preemptive or similar rights. In addition, the shares of Common Stock issuable pursuable to Section 4.3 of this Agreement, when issued as provided in Section 4.3, will be validly issued and fully paid and non-assessable, and such shares are not subject to any preemptive or similar rights. No further corporate action is required on the Company's part to issue, if required to do so after the Closing, additional shares of Common Stock pursuant to Section 4.3 of this Agreement.

(e) The Company is not in violation of its charter or bylaws and is not in default in the performance of any bond, debenture, note or any other evidence of indebtedness or any indenture, mortgage, deed of trust, license, contract, lease or other instrument to which the Company is a party or by which it is bound, or to which any of the property or assets of the Company is subject, except such as have been waived or which would not have, singly or in the aggregate, a material adverse effect on the Company, taken as a whole.

(f) The execution and delivery by the Company of, and the performance by the Company of its obligations under this Agreement will not contravene any provision of law

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known by the Company to be applicable to it, or the charter documents of, the Company or any subsidiary of the Company, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary of the Company and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement in accordance with its terms.

(g) There is no material litigation or governmental proceeding pending, or to the knowledge of the Company, threatened against, or involving the property or the business of the Company, or, to the best knowledge of the Company which would adversely affect the condition (financial or otherwise), business, prospects or results of operations of the Company, taken as a whole.

(h) The audited and unaudited consolidated financial statements set forth in the SEC Documents fairly present the financial position and the results of operations of the Company, at the dates and periods therein specified. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the respective periods involved and are complete and accurate and are in accordance with the books and records of the Company. Since September 30, 2008, the Company;

(i) has not entered into any transaction outside of the ordinary course of business except pursuant to this and similar subscription agreements; or

(ii) suffered any material adverse change in its financial condition or results of operations except as disclosed or contemplated in the SEC Documents.

(i) The foregoing representations, warranties and agreements shall survive the Closing.

SECTION 4.

4.1 Lock-Up.

(a) The Investor hereby agrees to be subject to a lock-up until August 15, 2010. During such period, the Investor agrees not to directly or indirectly sell, offer to sell, contract to sell, including, without limitation, "short" or "short against the box" (as those terms are generally understood), grant any option to purchase or otherwise transfer or dispose of (other than upon a distribution to the partners members of the Investor who agree to be similarly bound) the Shares of the Company held by it at any time during such period.

(b) The Company may terminate or diminish the restrictions set forth in this Section as to all or any portion of the Shares at its sole discretion, provided that such termination or diminution shall apply to all Investors, pro rata according to their respective Subscription Amounts. In such event, the Company will notify all the Investors of the nature and extent of such termination or diminution.

4.2 Stop Transfer and Legend. In order to enforce the foregoing covenant, the Company may impose stock-transfer instructions with respect to the Shares of each Holder (and the Shares or securities of every other person subject to the foregoing restriction) until the end of such period and the Investor consents to the imprinting of a legend given notices of these restriction on certificates representing the Shares, substantially in the following form:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, AS SET FORTH IN THE SECURITIES PURCHASE AGREEMENT DATED , 2009 BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES."

4.3 Per Share Purchase Price Protection. From the date hereof until February 15, 2011, if the Company or any Subsidiary shall issue any Common Stock or Common Stock Equivalents, in transaction other than in an Exempt Transaction, (a "Subsequent Financing") entitling any person or entity to acquire shares of Common Stock at an effective price per share less than the Per Share Purchase Price (subject to prior adjustment for reverse and forward stock splits and the like) (the "Discounted Purchase Price," as further defined below), the Company shall issue to such Investor that number of additional shares of Common Stock equal to (a) the Subscription Amount paid by such Investor at the Closing divided by the Discounted Purchase Price, less (b) the Shares issued to such Investor at the Closing pursuant to this Agreement and pursuant to this Section 4.3. The term "Discounted Purchase Price" shall mean the amount actually paid in new cash consideration by third parties for each share of Common Stock. The sale of Common Stock Equivalents shall be deemed to have occurred at the time of the issuance of the Common Stock Equivalents and the Discounted Purchase Price covered thereby shall also include the actual exercise or conversion price thereof at the time of the conversion or exercise (in addition to the consideration per share of Common Stock underlying the Common Stock Equivalents received by the Company upon such sale or issuance of the Common Stock Equivalents). In the case of any Subsequent Financing involving an "MFN Transaction" (as defined below), the Discounted Purchase Price shall be deemed to be the lowest actual conversion or exercise price at which such securities are converted or exercised in the case of a Variable Rate Transaction, or the lowest adjustment price in the case of an MFN Transaction. If shares are issued for a consideration other than cash, the per share selling price shall be the fair value of such consideration as determined in good faith by the Board of Directors of the Company. The term "MFN Transaction" shall mean a transaction in which the Company issues or sells any securities in a capital raising transaction or series of related transactions which grants to an investor the right to receive additional shares based upon future transactions of the Company on terms more favorable than those granted to the such investor in such offering. The Company shall not refuse to issue an Investor additional Shares hereunder based on any claim that such Investor or any one associated or affiliated with such Investor has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice, restraining and or enjoining an issuance hereunder shall have been sought and obtained. Nothing herein shall limit a Investor's right to pursue actual damages for the Company's failure to deliver Shares hereunder and such Investor shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive

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relief. Notwithstanding anything to the contrary herein, this Section 4.3 not apply in respect of an Exempt Issuance. Additionally, prior to any issuance to an Investor pursuant to this Section 4.3, such Investor shall have the right to irrevocably defer such issuances to such Investor under this Section 4.3, in whole or in part, for continuous periods of not less than 75 days.

SECTION 5.

Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings indicated in this Section 5:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 144 under the Securities Act. With respect to a Investor, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Investor will be deemed to be an Affiliate of such Investor.

"Business Day" means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Closing" means the closing of the purchase and sale of the Shares pursuant to Section 2.2.

"Closing Date" means the Trading Day when all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Investors' obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Securities have been satisfied or waived.

"Closing Price" means on any particular date (a) the last reported closing bid price per share of Common Stock on such date on the Trading Market (as reported by Bloomberg L.P. at 4:15 p.m. (New York City time)), or (b) if there is no such price on such date, then the closing bid price on the Trading Market on the date nearest preceding such date (as reported by Bloomberg L.P. at 4:15 p.m. (New York City time)), or (c) if the Common Stock is not then listed or quoted on the Trading Market and if prices for the Common Stock are then reported in the "pink sheets" published by Pink Sheets LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) if the shares of Common Stock are not then publicly traded the fair market value of a share of Common Stock as determined by an appraiser selected in good faith by the Investors of a majority in interest of the Shares then outstanding.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the common stock of the Company, par value $0.0001 per share and any other class of securities into which such securities may hereafter be reclassified or changed into.

"Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exempt Issuance" means the issuance of (a) shares of Common Stock or options to employees, officers, consultants or directors of the Company or any Subsidiary pursuant to any stock or option plan duly adopted or ratified by a majority of the non-employee members of the Board of Directors of the Company present or former corporate parent or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise, exchange or conversion price of any such securities, and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors, provided that any such issuance shall only be to a Person which is, itself or through its subsidiaries, an operating company in a business synergistic with the business of the Company and in which the Company receives benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

"Per Share Purchase Price" equals $0.70, subject to adjustment for stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"SEC Documents" means the filings made by the Company with the Commission under the Securities Act and Exchange Act, including those made not more than 48 hours prior to Closing.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shares" means the shares of Common Stock issued or issuable to each Investor pursuant to this Agreement.

"Subscription Amount" means, as to each Investor, the aggregate amount to be paid for Shares purchased hereunder as specified below such Investor's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsequent Financing" shall have the meaning ascribed to such term in Section 4.3.

"Subsidiary" means any subsidiary of the Company.

"Trading Day" means a day on which the Common Stock is traded on a Trading Market.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the Nasdaq Capital Market, the American Stock Exchange, the New York Stock Exchange, the Nasdaq National Market or the OTC Bulletin Board.

SECTION 5

5.1 Indemnity. The Investor agrees to indemnify and hold harmless the Company, its officers and directors, employees and its affiliates and each other person, if any, who controls any thereof, against any loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon any false representation or warranty or breach or failure by the Investor to comply with any covenant or agreement made by the Investor herein or in any other document furnished by the Investor to any of the foregoing in connection with this transaction.

5.2 Modification. Neither this Agreement nor any provisions hereof shall be modified, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

5.3 Notices. Any notice, demand or other communication which any party hereto may be required, or may elect, to give to anyone interested hereunder shall be sufficiently given if (a) deposited, postage prepaid, in a United States mail letter box, registered or certified mail, return receipt requested, addressed to such address as may be given herein, or (b) delivered personally at such address.

5.4 Counterparts. This Agreement may be executed through the use of separate signature pages or in any number of counterparts, and each of such counterparts shall, for all purposes, constitute one agreement binding on all parties, notwithstanding that all parties are not signatories to the same counterpart.

5.5 Binding Effect. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and assigns. If the Investor is more than one person, the obligation of the Investor shall be joint and several and the agreements, representations, warranties and acknowledgments herein contained shall be deemed to be made by and be binding upon each such person and his heirs, executors, administrators and successors.

5.6 Entire Agreement. This Agreement and the documents referenced herein contain the entire agreement of the parties and there are no representations, covenants or other agreements except as stated or referred to herein and therein.

5.7 Assignability. This Agreement is not transferable or assignable by the Investor.

5.8 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of law principles.

5.9 Pronouns. The use herein of the masculine pronouns "him" or "his" or similar terms shall be deemed to include the feminine and neuter genders as well and the use herein of the singular pronoun shall be deemed to include the plural as well.

[SIGNATURE PAGES FOLLOW]

ALL INVESTORS MUST COMPLETE THIS PAGE

IN WITNESS WHEREOF, the Investor has executed this Agreement on the day of , 2009.

_____ X $0.70 Per Share = $ _____

Shares Subscribed for Purchase Price

_____

Name of Entity (Please Print)

Address for Registration of Ownership: _____

US Taxpayer ID # (or attach W8-BEN): _____

Name:

ACCEPTED this st day of , 2009 on behalf of the Company.

SYNERGY PHARMACEUTICALS, INC.

By:

Name: Gary S. Jacob, Ph.D.
Title: President and Acting CEO

EXHIBIT 31.1

CERTIFICATIONS

I, Gary S. Jacob, certify that:

1) I have reviewed this report on Form 10-Q of Synergy Pharmaceuticals, Inc.

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 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 we 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

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

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

Date: August 14, 2009

/s/ GARY S. JACOB

Gary S. Jacob
President and Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATIONS

I, Bernard F. Denoyer, certify that:

1) I have reviewed this report on Form 10-Q of Synergy Pharmaceuticals, Inc.

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 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 we 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

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

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

Date: August 14, 2009

/s/ BERNARD F. DENOYER

Bernard F. Denoyer
Senior Vice President, Finance

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EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
SYNERGY PHARMACEUTICALS, INC.
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2009
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I am the Chief Executive Officer of Synergy Pharmaceuticals, Inc., a Florida corporation (the "Company"). I am delivering this certificate in connection with the Form 10-Q of the Company for the quarter ended June 30, 2009 and filed with the Securities and Exchange Commission ("Form 10-Q").

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I hereby certify that, to the best of my knowledge, the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2009

/s/ GARY S. JACOB

Gary S. Jacob
President and Chief Executive Officer

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EXHIBIT 32.2

CERTIFICATION OF SENIOR VICE PRESIDENT, FINANCE
SYNERGY PHARMACEUTICALS, INC.
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2009
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I am the Senior Vice President, Finance of Synergy Pharmaceuticals, Inc., a Florida corporation (the "Company"). I am delivering this certificate in connection with the Form 10-Q of the Company for the quarter ended June 30, 2009 and filed with the Securities and Exchange Commission ("Form 10-Q").

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I hereby certify that, to the best of my knowledge, the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2009

/s/ BERNARD F. DENOYER

Bernard F. Denoyer
Senior Vice President, Finance

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