CALLISTO PHARMACEUTICALS INC
Form DEFM14A
December 07, 2012

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

CALLISTO PHARMACEUTICALS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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Table of Contents

PROXY STATEMENT/PROSPECTUS
OF
SYNERGY PHARMAECUTICALS INC.
2012 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT
OF
CALLISTO PHARMACEUTICALS, INC.
SPECIAL MEETING OF STOCKHOLDERS

YOUR VOTE IS VERY IMPORTANT

Synergy Pharmaceuticals Inc., which we refer to as Synergy, and Callisto Pharmaceuticals, Inc., which we refer to as Callisto, have entered into a merger agreement, as amended, pursuant to which Callisto will merge with and into Synergy, which transaction is referred to as the merger. Synergy and Callisto believe that the merger will enhance stockholders value for both Synergy and Callisto stockholders by (i) providing a method by which the Callisto stockholders can more directly share in the growth of Synergy and (ii) improving the share price of Synergy's common stock as a result of intended cost savings synergies. Before we complete the merger, the stockholders of Synergy and Callisto must approve and adopt the merger agreement. Callisto stockholders will vote to approve and adopt the merger agreement, as amended, and the other transactions and matters described below at a special meeting of stockholders to be held on January 3, 2013. Synergy stockholders will vote to approve and adopt the merger agreement and the other transactions and matters described below at an annual meeting of stockholders to be held on January 3, 2013.

The holders of Callisto common stock will receive in the merger 0.1799 of a share of Synergy common stock in exchange for each share of Callisto common stock (the "Exchange Ratio") and the 22,295,000 shares of Synergy common stock held by Callisto will be canceled. In addition, each stock option exercisable for shares of Callisto common stock that is outstanding at the effective time of the merger will be assumed by Synergy and converted into a stock option to purchase the number of shares of Synergy's common stock that the holder would have received if such holder had exercised such stock option for shares of Callisto common stock prior to the merger and exchanged such shares for shares of Synergy's common stock in accordance with the Exchange Ratio. In addition, each Callisto stock option exercisable for shares of Synergy common stock that is outstanding at the effective time of the merger will be assumed by Synergy and each outstanding warrant or obligation to issue a warrant to purchase shares of Callisto common stock, whether or not vested, shall be cancelled.

Synergy common stock is currently listed on The NASDAQ Capital Market under the symbol "SGYP." On November 30, 2012, the most recent practicable trading day prior to the printing of this Joint Proxy Statement/Prospectus, the closing price of Synergy common stock was $5.53 per share. The market price of the Synergy common stock may fluctuate before the completion of the merger, therefore, you are urged to obtain current market quotations for Synergy common stock. Synergy expects to issue an aggregate of 28,597,905 shares of its common stock in the merger upon completion of the merger, not including assumed stock options. We anticipate that the closing of the merger will occur not later than three business days following the affirmative Synergy and Callisto stockholder votes.

We are asking stockholders of Synergy to adopt and approve the merger agreement at the annual meeting of stockholders to take place on January 3, 2013, at 10:00 am Eastern Time, at the offices of Sichenzia Ross Friedman Ference LLP, 61 Broadway, 32nd Floor, New York, New York 10006. As this will be the annual meeting of Synergy stockholders, Synergy stockholders will also be asked to vote on Synergy director nominees, vote to approve an amendment to Synergy's 2008 Equity Compensation Incentive Plan to increase the number of shares of Synergy common stock reserved for issuance from 7,500,000 to 15,000,000, vote to amend Synergy's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance from 100,000,000 to 200,000,000, to ratify the appointment of BDO USA, LLP as Synergy's independent registered public accounting firm, approve, on an advisory basis, the compensation of Synergy's named executive officers and recommend, on an advisory basis, the frequency with which Synergy should conduct future stockholder advisory votes on named executive officer compensation.

We are asking stockholders of Callisto to adopt and approve the merger agreement at a special meeting of Callisto stockholders to take place on January 3, 2013, at 1:00 pm Eastern Time, at the offices of Callisto Pharmaceuticals, Inc., 420 Lexington Avenue, Suite 1609, New York, New York 10170. We cannot complete the merger unless Callisto and Synergy stockholders adopt and approve the merger agreement.

After careful consideration, the Synergy and Callisto Boards of Directors have unanimously approved the merger agreement and the respective proposals referred to above, and each of the Synergy and Callisto Boards of Directors has determined that it is advisable to enter into the merger. Each of the Board of Directors of Synergy and the Board of Directors of Callisto recommends that its respective stockholders vote "FOR" the respective proposals described in the accompanying Joint Proxy Statement/Prospectus.

PLEASE GIVE ALL OF THE DETAILED INFORMATION ON SYNERGY, CALLISTO AND THE MERGER CONTAINED IN THE JOINT PROXY STATEMENT/PROSPECTUS YOUR CAREFUL ATTENTION, ESPECIALLY THE DISCUSSION IN THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 31 OF THIS JOINT PROXY STATEMENT/PROSPECTUS.

Neither the Securities and Exchange Commission nor any state securities regulators has approved or disapproved the Synergy common stock to be issued under this Joint Proxy Statement/Prospectus or passed upon the adequacy or accuracy of this Joint Proxy

Statement/Prospectus. Any representation to the contrary is a criminal offense.

This Joint Proxy Statement/Prospectus is not an offer to sell the Synergy common stock and it is not soliciting an offer to buy the Synergy common stock in any state where the offer or sale is not permitted.

Joint Proxy Statement/Prospectus dated December 3, 2012 and to be mailed on or around December 5, 2012.

Please also see "Where You Can Find More Information" on page 178.

Table of Contents

ADDITIONAL INFORMATION

This Joint Proxy Statement/Prospectus incorporates business and financial information about Synergy and Callisto that is not included in or delivered with this document. This information is available from Synergy or Callisto without charge by first class mail or equally prompt means within one business day of receipt of your request, excluding exhibits unless the exhibit has been specifically incorporated by reference into the information that this document incorporates. To obtain timely delivery, you must request the information no later than five business days before you must make your investment decision. In the case of Synergy stockholders, this means that you must make your request no later than December 27, 2012, and in the case of Callisto stockholders, this means that you must make your request no later than December 27, 2012. If you want to receive a copy of any document incorporated by reference, please request it in writing or by telephone from the appropriate company at the following address:

Synergy Pharmaceuticals Inc. **420 Lexington Avenue, Suite 1609** **New York, New York 10170** **Attention: Bernard F. Denoyer, Secretary** **Telephone: (212) 297-0020**	**Callisto Pharmaceuticals, Inc.** **420 Lexington Avenue, Suite 1609** **New York, New York 10170** **Attention: Bernard F. Denoyer, Secretary** **Telephone: (212) 297-0010**

Stockholders may also consult Synergy's or Callisto's websites for more information concerning the merger described in this Joint Proxy Statement/Prospectus and each of the parties thereto. Synergy's website is www.synergypharma.com and Callisto's website is www.callistopharma.com. Information included on these websites is not incorporated by reference into this Joint Proxy Statement/Prospectus.

This Joint Proxy Statement/Prospectus is dated December 3, 2012 and is first being mailed to the stockholders of Callisto and the stockholders of Synergy on or about December 5, 2012.

Table of Contents

Synergy Pharmaceuticals Inc.

420 Lexington Avenue, Suite 1609
New York, New York 10170
(212) 297-0020

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF
SYNERGY PHARMACEUTICALS INC.
TO BE HELD ON JANUARY 3, 2013

To the Stockholders of Synergy Pharmaceuticals Inc.:

The annual meeting of Synergy Pharmaceuticals Inc., a Delaware corporation, will be held on January 3, 2013, at 10:00 a.m., Eastern Time, at the offices of Sichenzia Ross Friedman Ference LLP, 61 Broadway, 32nd Floor, New York, New York 10006 for the following purposes:

1. To consider and vote upon a proposal to adopt and approve the Agreement and Plan of Merger, dated as of July 20, 2012, as amended on October 15, 2012, by and between Synergy Pharmaceuticals Inc. and Callisto Pharmaceuticals, Inc, as described in the attached Joint Proxy Statement/Prospectus;

2. To consider and vote upon an adjournment of the meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1;

3. To amend Synergy's 2008 Equity Compensation Incentive Plan to increase the number of shares of Synergy common stock reserved for issuance from 7,500,000 to 15,000,000, as described in the attached Joint Proxy Statement/Prospectus;

4. To amend Synergy's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance from 100,000,000 to 200,000,000, as described in the attached Joint Proxy Statement/Prospectus;

5. To re-elect seven (7) current Synergy directors whose terms will continue until the 2013 Annual Meeting of Stockholders;

6. To ratify the appointment by the Audit Committee of the Board of Directors of BDO USA, LLP as the independent registered public accounting firm of Synergy Pharmaceuticals Inc. for its fiscal year ending December 31, 2012;

7. To approve, on an advisory basis, the compensation of Synergy's named executive officers;

8. To recommend, on an advisory basis, a three-year frequency with which Synergy should conduct future stockholder advisory votes on named executive officer compensation; and

9. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors of Synergy has fixed November 29, 2012 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Synergy annual meeting and any adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the Synergy annual meeting. Only stockholders or their proxy holders and Synergy guests may attend the meeting. A list of stockholders entitled to vote will be kept at the offices of Synergy Pharmaceuticals Inc., 420 Lexington Avenue, Suite 1609, New York, New York for ten days before the meeting. At the close of business on the record date, Synergy had * shares of common stock outstanding and entitled to vote.

/s/ GARY S. JACOB

Gary S. Jacob, *Chief Executive Officer*

December 3, 2012

Table of Contents

Your vote is important.

The affirmative vote of the holders of a majority of the votes cast in person or by proxy at the Synergy annual meeting is required to approve Proposal No. 2 regarding an adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1, Proposal No. 3, Proposal No. 6, Proposal No. 7 and Proposal No. 8. In addition, the affirmative vote of the holders of a majority of the votes cast in person or by proxy at the Synergy annual meeting is required for approval of Proposal No. 3, Proposal No. 6, Proposal No. 7 and Proposal No. 8. The affirmative vote of the holders of a majority of the shares of Synergy common stock outstanding on the record date for the Synergy annual meeting is required for approval of Proposal No. 1 and 4. For the election of directors (Proposal No. 5), the seven nominees receiving the most "For" votes from the shares having voting power present in person or represented by proxy will be elected. You are urged to attend the annual meeting in person, but if you are unable to do so, the Board of Directors would appreciate the prompt return of the enclosed proxy card, dated and signed, or, if your proxy card or voting instruction form so indicates, your prompt vote electronically via the Internet or telephone. ***We strongly encourage you to vote electronically if you have that option.***

Table of Contents

Callisto Pharmaceuticals, Inc.

420 Lexington Avenue, Suite 445
New York, NY 10170
(212) 297-0010

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS OF CALLISTO PHARMACEUTICALS, INC. TO BE HELD ON JANUARY 3, 2013

To the Stockholders of Callisto Pharmaceuticals, Inc:

A special meeting of stockholders of Callisto Pharmaceuticals, Inc., a Delaware corporation, will be held on January 3, 2013, at 1:00 p.m., Eastern Time, at the offices of Callisto Pharmaceuticals, Inc., 420 Lexington Avenue, Suite 1609, New York, New York 10170, for the following purposes:

1. To consider and vote upon a proposal to adopt and approve the Agreement and Plan of Merger, dated as of July 20, 2012, as amended on October 15, 2012, by and between Synergy Pharmaceuticals Inc. and Callisto Pharmaceuticals, Inc., as described in the attached Joint Proxy Statement/Prospectus;

2. To consider and vote upon an adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1; and

3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on November 29, 2012 may vote at the special meeting or any adjournment or postponement thereof. A list of stockholders entitled to vote will be kept at Callisto, 420 Lexington Avenue, Suite 1609, New York, NY 10170, for ten days before the special meeting.

Please do not send any certificates for your stock at this time.

/s/ GARY S. JACOB

Gary S. Jacob, *Chief Executive Officer*

December 3, 2012

Your vote is important.

The affirmative vote of the holders of a majority of the outstanding shares of common stock in person or by proxy at the Callisto special meeting is required to approve Proposal No. 1, regarding adoption and approval of the merger agreement. The affirmative vote of the holders of a majority of the votes cast in person or by proxy at the Callisto special meeting is required to approve Proposal No. 2 regarding an adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1. You are urged to attend the special meeting in person, but if you are unable to do so, the Board of Directors would appreciate the prompt return of the enclosed proxy card, dated and signed, or, if your proxy card or voting instruction form so indicates, your prompt vote by telephone or internet. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of the adoption of the merger agreement and an adjournment of the Callisto special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1. If you fail to return your proxy card or vote by telephone or internet, the effect will be a vote against the adoption of the merger agreement and your shares will not be counted for purposes of determining whether a quorum is present at the Callisto special meeting. If you do attend the Callisto special meeting and wish to vote in person, you may withdraw your proxy and vote in person. If your shares are held in "street name" by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

CHAPTER ONE THE MERGER

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q:
What is the merger?

A:
Synergy and Callisto have entered into an Agreement and Plan of Merger, dated as of July 20, 2012, as amended on October 15, 2012, which is referred to as the merger agreement. The merger agreement contains the terms and conditions of the proposed business combination of Synergy and Callisto. Under the merger agreement, Callisto will merge with Synergy, which transaction is referred to as the merger. At the effective time of the merger, each share of Callisto common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.1799 of a share of Synergy common stock and the 22,295,000 shares of Synergy common stock held by Callisto will be canceled. In addition, each stock option exercisable for shares of Callisto common stock that is outstanding at the effective time of the Merger will be assumed by Synergy and converted into a stock option to purchase the number of shares of Synergy's common stock that the holder would have received if such holder had exercised such stock option for shares of Callisto common stock prior to the Merger and exchanged such shares for shares of Synergy common stock in accordance with the Exchange Ratio. In addition, each Callisto stock option exercisable for shares of Synergy common stock that is outstanding at the effective time of the Merger will be assumed by Synergy and each outstanding warrant or obligation to issue a warrant to purchase shares of Callisto common stock, whether or not vested, shall be cancelled.

Q:
Why are the two companies proposing to merge?

A:
Synergy and Callisto are proposing the merger because, among other things, it is believed that the merger will enhance stockholders value for both Synergy and Callisto stockholders by (i) providing a method by which the Callisto stockholders can more directly share in the growth of Synergy and (ii) resulting in improvement in the share price of Synergy's common stock as a result of anticipated cost savings synergies. Callisto has not been able to fund itself since early 2008 and has relied solely on advances from Synergy to continue its operating activities. From July 2008 through September 30, 2012, Callisto has accumulated $2,655,594 in indebtedness to Synergy, primarily to fund the cost of being a public company. Management estimates that the ongoing cost of a public audit, D&O insurance, printers, transfer agents and other administrative costs associated with being a publicly traded company have totaled between $250,000 and $300,000 per annum. For a discussion of Synergy's and Callisto's reasons for the merger, please see the sections entitled "Chapter One The Merger Transaction Recommendation of the Synergy Board of Directors and the Reasons for the Merger" and "Chapter One The Merger Transaction Recommendation of the Callisto Board of Directors and the Reasons for the Merger" in this Joint Proxy Statement/Prospectus.

Q:
What will happen in the merger?

A:
In the merger, Callisto will be merged into Synergy and will cease to exist. Based solely upon the outstanding shares of Synergy common stock on November 29, 2012 and Callisto's outstanding shares of common stock on November 29, 2012, immediately following the completion of the merger, Callisto stockholders will own approximately 39.5% of the combined company's outstanding common stock. Based upon the fully-diluted outstanding shares of Synergy and Callisto on November 29, 2012, immediately following the completion of the merger, Callisto security holders would own approximately 38.8% of the combined company's fully diluted outstanding common stock.

Table of Contents

Q: **Why am I receiving this Joint Proxy Statement/Prospectus?**

A: You are receiving this Joint Proxy Statement/Prospectus because you have been identified as a stockholder of either Synergy or Callisto as of the applicable record date, and you are entitled to vote at such company's stockholder meeting. This document serves as both a joint proxy statement of Synergy and Callisto used to solicit proxies for the stockholder meetings, and as a prospectus of Synergy used to offer shares of Synergy common stock in exchange for shares of Callisto common stock in the merger. This Joint Proxy Statement/Prospectus contains important information about the merger and the stockholder meetings of Synergy and Callisto, and you should read it carefully.

Q: **Is my vote necessary to complete the Merger?**

A: Yes. The companies have agreed to combine the two companies upon the terms and conditions of the merger agreement that is described in this Joint Proxy Statement/Prospectus. You are receiving these proxy materials to help you decide, among other matters, how to vote your shares with respect to the proposed merger.

The merger cannot be completed unless, among other things, the stockholders of both Synergy and Callisto approve the merger agreement and the transactions contemplated thereby. **Your vote is important. Synergy and Callisto encourage you to vote as soon as possible.**

Q: **On what matters are Synergy stockholders being asked to vote?**

A: Synergy stockholders are asked to vote on the following items:

- the adoption and approval of the merger agreement, described under "Chapter One The Merger Agreement" on page 91;
- the adjournment of the annual meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the merger agreement;
- the approval of the increase in the number of shares authorized under Synergy's 2008 Equity Compensation Incentive Plan, as described under "Chapter Six Synergy Annual Meeting Proposals Synergy Proposal No. 3 Approval of an Increase in the number of authorized shares issuable under the Synergy's 2008 Equity Compensation Incentive Plan" beginning on page 151;
- the approval of the increase in the number of shares of common stock authorized for issuance from 100,000,000 to 200,000,000, as described under "Chapter Six Synergy Annual Meeting Proposals Synergy Proposal No. 4" beginning on page 153;
- the re-election of seven (7) current Synergy directors to hold office until the 2013 Synergy annual meeting as described under "Chapter Six Synergy Annual Meeting Proposals Synergy Proposal No. 5" beginning on page 155;
- the ratification of the appointment of BDO USA, LLP as the independent registered public accounting firm of Synergy for its fiscal year ending December 31, 2012 as described under "Chapter Six Synergy Annual Meeting Proposals Synergy Proposal No. 6" beginning on page 173;

the approval, on an advisory basis, of the compensation of Synergy's named executive officers as described in the compensation discussion and analysis, the compensation tables, and the related disclosures contained in this Joint Proxy Statement/Prospectus as described under "Chapter Six Synergy Annual Meeting Proposals Synergy Proposal No. 7" beginning on page 174;

Table of Contents

approval of a three-year frequency for holding an advisory vote on executive compensation as described under "Chapter Six Synergy Annual Meeting Proposals Synergy Proposal No. 8" beginning on page 175; and

such other matters as may properly come before the Synergy meeting.

Q:
What vote of Synergy stockholders is required to approve the proposals?

A:
The vote required of Synergy stockholders for each of (i) the adoption and approval of the merger agreement with Callisto and (ii) the approval of an amendment to Synergy's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance from 100,000,000 to 200,000,000, is the approval of a majority of the outstanding common stock of the corporation entitled to vote.

The vote required of Synergy stockholders for each of (i) the approval of an increase to the number of authorized shares issuable under Synergy's 2008 Equity Incentive Compensation Plan, (ii) the ratification of BDO USA, LLP as the independent registered public accounting firm, (iii) the advisory vote on the approval of executive compensation, (iv) the advisory vote on the frequency of holding an advisory vote on executive compensation, and (v) an adjournment of the meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the issuance of the shares of Synergy common stock, is the approval of a majority of the votes present, in person or by proxy, and entitled to vote on the matter.

Please note, however, that the proposals regarding the approval of executive compensation and the frequency of holding such an advisory vote are advisory only and will not be binding. The results of the votes on those two advisory proposals will be taken into consideration by the Board of Directors of Synergy when making future decisions regarding these matters.

Director Elections: Each director nominee receiving a majority of the votes cast will be elected as a director. This means that the number of shares voted "FOR" a director nominee must exceed the number of votes cast "AGAINST" that director nominee in order for that nominee to be elected as a director. If, however, the number of nominees exceeds the number of directors to be elected (a situation Synergy does not anticipate), the directors shall be elected by a plurality of the shares present in person or by proxy at the meeting and entitled to vote on the election of directors. A plurality means that the seven (7) director nominees that receive the highest number of votes cast will be elected. In either event, shares not present at the meeting and shares voting "ABSTAIN" have no effect on the election of directors.

Q:
What constitutes a quorum for the Synergy Annual Meeting?

A:
A majority of the outstanding shares of Synergy's common stock entitled to vote being present in person or represented by proxy constitutes a quorum for the annual meeting. If a quorum is not present, the stockholders present, in person or by proxy, may adjourn the meeting, without notice other than announced at the meeting, to another place, if any, date or time.

Q:
On what matters are Callisto stockholders being asked to vote?

A:
Callisto stockholders will be asked to vote on the following items:

adoption and approval of the merger agreement as described under "Chapter One The Merger The Merger Agreement" on page 91;

adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of adoption of the merger agreement; and such other matters as may be properly presented at the Callisto special meeting.

Table of Contents

Q:

What vote of Callisto stockholders is required to approve the proposals?

A:

The vote required of Callisto Stockholders for the adoption and the approval of the merger agreement is the approval of a majority of the outstanding common stock of the corporation entitled to vote and for an adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the adoption and approval of the merger agreement, is the approval of a majority of the votes present, in person or by proxy, and entitled to vote on the matter.

Q:

What constitutes a quorum for the Callisto Special Meeting?

A:

A majority of the outstanding shares of Callisto's common stock entitled to vote being present in person or represented by proxy constitutes a quorum for the special meeting. If a quorum is not present, the stockholders present, in person or by proxy, may adjourn the meeting, without notice other than announced at the meeting, to another place, if any, date or time.

Q:

When and where are the stockholder meetings?

A:

The Synergy annual meeting will take place on January 3, 2013 at 10:00 a.m., Eastern Time, at the offices of Sichenzia Ross Friedman Ference LLP, 61 Broadway, 32nd Floor, New York, New York 10006.

The Callisto special meeting will take place on January 3, 2013 at 1:00 p.m., Eastern Time, at the offices of Callisto Pharmaceuticals, Inc., 420 Lexington Avenue, Suite 1609, New York, New York, 10170.

Q:

Who is entitled to vote at Synergy's Annual Meeting?

A:

Each outstanding share of Synergy's common stock entitles its holder to cast one vote on each matter to be voted upon at the annual meeting. Only stockholders of record at the close of business on the record date, November 29, 2012, are entitled to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at the meeting, or any adjournment or postponement of the meeting. If your shares are held for you as a beneficial holder in "street name," please refer to the information forwarded to you by your bank, broker or other holder of record to see what you must do to vote your shares.

A complete list of stockholders entitled to vote at the annual meeting will be available for examination by any stockholder at Synergy's corporate headquarters, 420 Lexington Avenue, Suite 1609, New York, New York, 10170, during normal business hours for a period of ten days before the annual meeting and at the time and place of the annual meeting.

Q:

Who is entitled to vote at Callisto's Special Meeting?

A:

Each outstanding share of Callisto's common stock entitles its holder to cast one vote on each matter to be voted upon at the special meeting. Only stockholders of record at the close of business on the record date, November 29, 2012, are entitled to receive notice of the special meeting and to vote the shares of common stock that they held on that date at the meeting, or any adjournment or postponement of the meeting. If your shares are held for you as a beneficial holder in "street name," please refer to the information forwarded to you by your bank, broker or other holder of record to see what you must do to vote your shares.

Q:

How do the boards of directors of Synergy and Callisto recommend I vote?

A:

The Boards of Directors of both companies have recommended that stockholders vote Yes for the merger. After careful consideration, Synergy's Board of Directors has determined by unanimous

vote the merger to be fair to Synergy stockholders and in their best interests, and declared the merger advisable. Synergy's Board of Directors approved the merger agreement and recommends that Synergy stockholders adopt and approve the merger agreement.

After careful consideration, Callisto's Board of Directors has determined, by unanimous vote, the merger to be fair to Callisto stockholders and in their best interests, and declared the merger advisable. Callisto's Board of Directors approved the merger agreement and recommends the adoption and approval of the merger agreement by Callisto stockholders. In considering the recommendation of the Callisto Board of Directors with respect to the merger agreement, Callisto stockholders should be aware that certain directors and officers of Callisto have certain interests in the merger that are different from, or are in addition to, the interests of Callisto stockholders generally. We encourage you to read the sections titled "Interests of Synergy Directors and Executive Officers in the Merger" and "Interests of Callisto Directors and Executive Officers" on pages 89 and 90 for a discussion of these interests.

Q:

How do I vote?

A:

You may vote by mail by completing, signing and dating your proxy card and returning it in the enclosed, postage-paid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted:

- as you instruct; and

- according to the best judgment of the proxy holders if a proposal comes up for a vote at the annual or special meeting that is not on the proxy card.

If you return a signed card, but do not provide voting instructions, your shares will be voted:

- if you are a Synergy stockholder, FOR the issuance of shares of Synergy common stock in the merger, FOR the approval of an increase to the number of authorized shares issuable under Synergy's 2008 Equity Incentive Compensation Plan, FOR the approval of an increase in the number of authorized shares of common stock, FOR the re-election of the current Synergy directors, FOR the ratification of BDO USA, LLP as the independent registered public accounting firm, FOR the advisory vote on the approval of executive compensation, FOR the recommendation, on an advisory basis, a three-year frequency with which Synergy should conduct future stockholder advisory votes on executive officer compensation and FOR an adjournment of the meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the issuance of the shares of Synergy common stock;

- if you are a Callisto stockholder, FOR the adoption and approval of the merger agreement and FOR adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of adoption of the merger agreement; and

- according to the best judgment of the proxy holders if a proposal properly comes up for a vote at the annual or special meeting that is not on the proxy card.

If you are a stockholder of record of Synergy, you may also vote on the Internet at www.pstvote.com/synergy2012. If you are a stockholder of record of Callisto, you may also vote on the internet at www.pstvote.com/callisto2012. See the instructions on your proxy card or voting instruction form. ***You are strongly encouraged to vote electronically.***

Q:

What do I do if I want to change my vote?

A:

You may send in a later-dated, signed proxy or proxy card to your company's Secretary before your meeting or you can attend your meeting in person and vote. You may also revoke your proxy by

5

Table of Contents

sending a notice of revocation to your company's Secretary at 420 Lexington Ave., Suite 1609, New York, NY 10170. If you voted by the Internet, you can submit a later vote using such method.

Q:

If my shares are held in "street name" by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

A:

If you do not provide your broker, bank or nominee with instructions on how to vote your "street name" shares, your broker, bank or nominee will not be permitted to vote them on the matters that are to be considered by the Synergy stockholders and the Callisto stockholders at their respective meetings relating to the merger. You should therefore be sure to provide your broker with instructions on how to vote your shares.

If you wish to vote your shares in person, you must bring to the meeting a letter from the broker, bank or nominee confirming your beneficial ownership in the shares to be voted.

Q:

What is the effect of abstentions and broker non-votes?

A:

Abstentions with respect to Synergy Proposal No. 1 and Proposal No. 4 and Callisto Proposal No. 1 will have the same effect as an AGAINST vote. Abstentions with respect to all other proposals will have no effect on the outcome of the vote. Abstentions will be counted for the purpose of determining a quorum at the stockholder meetings.

Matters subject to stockholder vote are classified as "routine" or "non-routine." In the case of non-routine matters, brokers may not vote shares held in "street name" for which they have not received voting instructions from the beneficial owner ("Broker Non-Votes"), whereas they may vote those shares in their discretion in the case of any routine matter. Broker Non-Votes will be counted for purposes of calculating whether a quorum is present at the stockholder meetings, but will not be counted for purposes of determining the numbers of votes present in person or represented by proxy and entitled to vote with respect to a particular proposal. Broker Non-Votes for Synergy Proposals No. 1 and 4 and Callisto Proposal No. 1 will have the same effect as an AGAINST vote. Synergy Proposals No. 1, 2, 3, 4, 5, 7 and 8 as well as Callisto Proposals No. 1 and 2 are non-routine matters, but the Synergy Proposal No. 6 is a routine matter. Therefore, it is important that you complete and return your proxy early so that your vote may be recorded.

Votes cast by proxy or in person at the stockholder meetings will be tabulated by the inspectors of election appointed for the stockholder meetings, who also will determine whether a quorum is present.

Q:

What appraisal rights do stockholders have in connection with the merger?

A:

The holders of Synergy common stock do not have any right to an appraisal of the value of their shares in connection with the merger. The holders of Callisto common stock do have a right to an appraisal of the value of their shares in connection with the merger if they do not vote for the merger and if they follow certain procedures described in the section entitled "Chapter One The Merger The Merger Transaction Appraisal Rights" beginning on page 85.

Q:

What happens if I do not return a proxy card or otherwise provide proxy instructions?

A:

If you are a Synergy stockholder, the failure to return your proxy card or otherwise provide proxy instructions could be a factor in establishing a quorum for the annual meeting of Synergy stockholders for purposes of approving the issuance of shares pursuant to the merger agreement or other actions sought to be taken, which is required to transact business at the meeting. If you are a Callisto stockholder, the failure to return your proxy card or otherwise provide proxy instructions could be a factor in establishing a quorum for the special meeting of Callisto stockholders for purposes of approving the merger agreement, which is required to transact business at the meeting.

Table of Contents

Q:

Should I send in my stock certificates now?

A:

No. If the merger is completed, Synergy will send Callisto stockholders written instructions for exchanging their stock certificates. Synergy stockholders will keep their existing certificates.

Q:

When do you expect the merger to be completed?

A:

Both Synergy and Callisto are working towards completing the merger as quickly as possible. We hope to complete the merger by February 14, 2013. However, the exact timing of completion of the merger cannot be determined yet because completion of the merger is subject to a number of conditions.

Q:

How many authorized but unissued shares of Synergy common stock will exist after the closing of the merger?

A:

Following the closing of the merger, we anticipate that there will be approximately 127,591,006 shares of authorized but unissued Synergy common stock. In addition to the number of issued and outstanding shares of Synergy common stock after the closing of the merger, Synergy will be required to reserve approximately 16,446,756 shares for future issuance following the merger as follows:
(i) approximately 8,461,930 shares for issuance of Synergy common stock as a result of outstanding Synergy stock options;
(ii) approximately 5,647,203 shares for issuance of Synergy common stock as a result of outstanding Synergy warrants; (iii) 1,000,000 shares for issuance of outstanding Callisto warrant to purchase shares of Synergy Common Stock to be assumed in connection with the merger and (iv) 1,337,623 shares for issuance of outstanding stock options assumed in connection with the merger.

Q:

What are the federal income tax consequences of the merger?

A:

Neither Synergy nor Callisto has requested or received a ruling from the Internal Revenue Service that the merger will qualify as a reorganization. The merger is intended to qualify as a reorganization pursuant to Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code. Assuming that the merger qualifies as a reorganization, Callisto stockholders should not recognize any gain or loss for U.S. federal income tax purposes if they exchange their Callisto shares solely for shares of Synergy common stock.

Tax matters are very complicated, and the tax consequences of the merger to each Callisto stockholder will depend on the facts of that stockholder's particular situation. You are urged to consult your own tax advisors regarding the specific tax consequences of the merger, including tax return reporting requirements, the applicability of federal, state, local and foreign tax laws and the effect of any proposed changes in the tax laws. See "Chapter One The Merger The Merger Transaction Certain U.S. Federal Income Tax Consequences of the Merger" beginning on page 82.

Q:

Whom do I call if I have questions about the meetings or the merger?

A:

Synergy stockholders may call Synergy Investor Relations at 212-297-0020. Callisto stockholders may call Callisto Investor Relations at 212-297-0010.

Table of Contents

SUMMARY

This summary highlights selected information from this Joint Proxy Statement/Prospectus and may not contain all of the information that is important to you. This summary discusses all of the material aspects of the merger. However, to understand the merger fully and for a more complete description of the legal terms of the merger, you should read this Joint Proxy Statement/Prospectus and the documents we have referred you to carefully. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled "Chapter Eight Additional Information for Stockholders Where You Can Find More Information" on page 178.

The Companies

Synergy Pharmaceuticals Inc.
420 Lexington Avenue, Suite 1609
New York, New York 10170
(212) 297-0020

Synergy Pharmaceuticals Inc. is a development stage biopharmaceutical company focused primarily on the development of drugs to treat gastrointestinal, or GI, disorders and diseases. Synergy's lead product candidate is plecanatide (formerly called SP-304), a guanylyl cyclase C, or GC-C, receptor agonist, to treat GI disorders, primarily chronic constipation, or CC, and constipation-predominant-irritable bowel syndrome, or IBS-C. CC and IBS-C are functional gastrointestinal disorders that afflict millions of sufferers worldwide. CC is primarily characterized by constipation symptoms but a majority of these patients report experiencing bloating and abdominal discomfort as among their most bothersome symptoms. IBS-C is characterized by frequent and recurring abdominal pain and/or discomfort associated with chronic constipation. Synergy is also developing SP-333, its second generation GC-C receptor agonist for the treatment of gastrointestinal inflammatory diseases, such as ulcerative colitis, or UC.

Callisto Pharmaceuticals, Inc.
420 Lexington Avenue, Suite 1609
New York, New York 10170
(212) 297-0010

Callisto Pharmaceuticals, Inc. is a development stage biopharmaceutical company that until May 9, 2012, focused primarily on the development of drugs to treat gastrointestinal disorders and diseases. Prior to May 9, 2012, Callisto operated as a holding company through two controlled subsidiaries: Synergy and Callisto Research Labs, LLC (100% owned). On May 9, 2012, Synergy closed an underwritten public offering of 10 million shares of common stock at an offering price of $4.50 per share, resulting in gross proceeds of $45 million before deducting underwriting discounts, commissions and other estimated offering expenses of approximately $3 million (the "Offering"). As a result Callisto's equity ownership in Synergy decreased to approximately 34% and Callisto's management determined that Callisto no longer had control over the operations and decision making of Synergy. Therefore, Callisto deconsolidated Synergy and derecognized the Synergy assets, liabilities, and non-controlling interest from its financial statements (the "Deconsolidation").

The Merger Agreement (see page 91)

A copy of the merger agreement, as amended, is attached as Annex A and Annex B to this Joint Proxy Statement/Prospectus and is incorporated herein by reference. *Synergy and Callisto encourage you to read the entire merger agreement, as amended, carefully because it is the principal document governing the merger.* We currently expect that the merger will be completed during the first quarter of 2013. However, we cannot predict the actual timing of the completion of the merger.

Table of Contents

Merger Consideration (see page 91)

If the merger is completed, Callisto will merge with and into Synergy, and Synergy will survive the merger. Each Callisto stockholder will receive, in exchange for each share of Callisto common stock held or deemed to be held by such stockholder immediately prior to the closing of the merger, 0.1799 shares of Synergy Common Stock and the 22,295,000 shares of Synergy common stock held by Callisto will be canceled. As a result, immediately after the merger Callisto stockholders will own approximately 38.8% of the outstanding shares of the combined company on a fully diluted basis and Synergy stockholders will own approximately 61.2% of the outstanding shares of the combined company on a fully diluted basis.

In addition, each stock option exercisable for shares of Callisto common stock that is outstanding at the effective time of the Merger will be assumed by Synergy and converted into a stock option to purchase the number of shares of Synergy's common stock that the holder would have received if such holder had exercised such stock option for shares of Callisto common stock prior to the Merger and exchanged such shares for shares of Synergy's common stock in accordance with the Exchange Ratio, respectively. In addition, each Callisto stock option exercisable for shares of Synergy common stock that is outstanding at the effective time of the Merger will be assumed by Synergy and each outstanding warrant or obligation to issue a warrant to purchase shares of Callisto common stock, whether or not vested, shall be cancelled.

For a more complete description of the merger consideration to be issued by Synergy and the treatment of Callisto options , please see the section entitled "Chapter One The Merger The Merger Agreement" in this Joint Proxy Statement/Prospectus.

Risks Relating to the Merger (see page 31)

In evaluating the adoption of the merger agreement or the issuance of shares of Synergy common stock in the merger, you should carefully read this Joint Proxy Statement/Prospectus and especially consider the factors discussed in the section titled "Chapter One The Merger Risk Factors," starting on page 31, for a description of risks relating to the merger, the combined company's businesses, and Synergy's common stock.

Reasons for the Merger

Recommendation of the Synergy Board of Directors and its Reasons for the Merger (see page 64)

The Synergy Board of Directors approved the merger based on a number of factors, including, among other factors, the following:

- the potential opportunity for the two companies to integrate their operations and development processes and to combine their technological resources to increase functionality and bring drug therapies to market faster;

- the competitive and market environments in which Synergy and Callisto operate, and the potential for the merger to enhance the scale of Synergy's ability to compete effectively in those environments;

- historical and current information about each of the combining companies and their businesses, prospects, financial performance and condition, operations, technology, management and competitive position, before and after giving effect to the merger and the merger's potential effect on stockholder value, including public reports filed with the SEC, analyst estimates, market data and management's knowledge of the industry;

- the potential cost savings synergies derived from the Merger, thus enhancing stockholders value. Callisto has not been able to fund itself since early 2008 and has relied solely on advances from

Table of Contents

Synergy to continue its operating activities. From July 2008 through June 30, 2012, Callisto has accumulated $1,936,609 of indebtedness to Synergy, primarily to fund the cost of being a public company. Management estimates that the ongoing cost of a public audit, D&O insurance, printers, transfer agents and other administrative costs associated with being a publicly traded company have totaled between $250,000 and $300,000 per annum;

- the results of the due diligence review of Callisto's business and operations by Synergy's management, legal advisors and financial advisors;
- the terms and conditions of the merger agreement;
- the likelihood that the merger will be consummated on a timely basis; and
- the opinion of Synergy's financial advisor, dated October 15, 2012, to the Synergy board of directors that, as of such date and based on and subject to the assumptions, limitations, qualifications and other matters set forth in the opinion, the exchange ratio of 0.1799 shares of Synergy common stock to be issued in exchange for each share of Callisto common stock pursuant to the merger agreement was fair to Synergy from a financial point of view.

The Synergy Board of Directors considered the potential risks of the merger, including, but not limited to, the following:

- the risks, challenges and costs inherent in combining the operations of two companies and the substantial expenses to be incurred in connection with the merger, including the possibility that delays or difficulties in completing the integration could adversely affect the combined company's operating results and preclude the achievement of some benefits anticipated from the merger;
- the possible volatility, at least in the short term, of the trading price of Synergy's common stock resulting from the merger announcement;
- the possible loss of key management, technical or other personnel of either of the combining companies as a result of the management and other changes that will be implemented in integrating the businesses;
- the risk of diverting management's attention from other strategic priorities to implement merger integration efforts;
- the possibility that the reactions of existing and potential competitors to the combination of the two businesses could adversely impact the competitive environment in which the companies operate;
- the risk that the merger might not be consummated in a timely manner, or that the merger might not be consummated at all;
- the risk to Synergy's business, operations and financial results in the event that the merger is not consummated;
- the risk that the anticipated benefits of product integration and interoperability and cost savings will not be realized;
- the potential incompatibility of business cultures; and

various other applicable risks associated with the combined company and the merger, including those described in the section of this Joint Proxy Statement/Prospectus entitled "Risk Factors" beginning on page 31.

Table of Contents

Recommendation of the Callisto Board of Directors and its Reasons for the Merger (see page 72)

The Callisto Board of Directors approved the merger based on a number of factors, including, among other factors, the following:

- the strategic rationale for the merger and the potential benefits of the contemplated transaction;
- the possible alternatives to the merger, including the possibility of continuing to operate as an independent entity and the perceived risks thereof, and the potential for an alternative combination transaction to the merger based upon the discussions held by Callisto and senior management, with the assistance of Callisto's financial advisor;
- current and historical information concerning Callisto's and Synergy's respective businesses, operations, management, financial performance and conditions, technology, operations, prospects and competitive position, before and after giving effect to the merger and the merger's potential effect on stockholder value;
- the potential business, operational and financial synergies that may be realized over time by the combined company following the merger. Callisto has not been able to fund itself since early 2008 and has relied solely on advances from Synergy to continue its operating activities. From July 2008 through September 30, 2012, Callisto has accumulated $2,655,594 of indebtedness to Synergy, primarily to fund the cost of being a public company. Management estimates that the ongoing cost of a public audit, D&O insurance, printers, transfer agents and other administrative costs associated with being a publicly traded company have totaled between $250,000 and $300,000 per annum;
- its knowledge of the business, operations, financial condition and earnings of Synergy, taking into account the results of the due diligence review of Synergy;
- the likelihood that the merger will be completed;
- current financial market conditions and historical market prices, volatility and trading information with respect to Callisto's and Synergy's common stock;
- the terms of the merger agreement, including the parties' representations, warranties and covenants, and the conditions to their respective obligations;
- the consideration to be received by Callisto stockholders in the merger, including the form of such consideration, which enables Callisto's stockholders to continue to have a substantial equity interest in the combined company following the merger, as well as the fact that the shares of Synergy common stock to be received by Callisto's stockholders will be received in a tax-free exchange; and
- the opinion of Callisto's financial advisor, dated October 11, 2012 to the Callisto special committee of the board of directors that as of July 20, 2012, based on and subject to the assumptions, limitations, qualifications and other matters set forth in the opinion, the exchange ratio of 0.1799 shares of Synergy common stock to be issued in exchange for each share of Callisto common stock pursuant to the merger agreement was fair to the Callisto stockholders from a financial point of view.

The Callisto Board of Directors considered the potential risks of the merger, including, but not limited to, the following:

the fact that because of the fixed exchange ratio of 0.1799 shares of Synergy common stock for each share of Callisto common stock, if Synergy's share price declines prior to the consummation of the merger, the consideration to be received by the stockholders of Callisto would also decline;

Table of Contents

the inability of Callisto's stockholders to realize the long-term value of the successful execution of Callisto's current strategy as an independent company;

the risks associated with remaining an independent company, including increased competition, industry consolidation trends, difficulties of achieving scale, the significant and increasing cost of complying with obligations as a publicly traded company, anticipated operating performance and a review of ongoing product development initiatives;

the possibility that the merger might not be completed and the potential effects of the public announcement and pendency of the merger on management attention;

the trading values of Callisto's common stock relative to trading values of Synergy's common stock;

the fact that certain of the directors and executive officers of Callisto may have conflicts of interest in connection with the merger, as they may receive certain benefits that are different from, and in addition to, those of the other stockholders of Callisto;

that, while the merger is expected to be completed, there can be no assurance that all conditions to the parties' obligations to complete the merger will be satisfied, and as a result, it is possible that the merger may not be completed, even if the merger agreement is adopted by the stockholders of Callisto;

the risk of not realizing all of the anticipated strategic benefits between Callisto and Synergy and the risk that other anticipated benefits might not be realized;

the risk that the merger may not be consummated in a timely manner or that the merger may not be consummated at all;

the substantial costs to be incurred in connection with the merger, including the costs of integrating the businesses of Callisto and Synergy and the transaction expenses arising from the merger; and

various other applicable risks associated with the combined company and the merger, including the risks described in the section titled "Risk Factors" beginning on page 42.

Opinion of Synergy's Financial Advisor (see page 66)

In connection with the merger, Canaccord Genuity Inc., or Canaccord Genuity, Synergy's financial advisor, delivered to the Special Project Committee of the Synergy Board of Directors an opinion, dated July 20, 2012, as to the fairness, from a financial point of view and as of the date of such opinion, to Synergy of the issuance of the shares of Synergy common stock to be issued in the merger pursuant to the terms of the merger agreement entered into on July 20, 2012 (prior to being amended). Subsequently, Canaccord Genuity delivered to the Special Project Committee of the Synergy Board of Directors an opinion, dated October 15, 2012, as to the fairness, from a financial point of view and as of the date of such opinion, to Synergy of the issuance of the shares of Synergy common stock to be issued in the merger pursuant to the merger agreement, as amended by amendment no. 1 entered into on October 15, 2012. The full text of Canaccord Genuity's opinion is attached to this Joint Proxy Statement/Prospectus as Annex C and is incorporated into this Joint Proxy Statement/Prospectus by reference. Holders of Synergy common stock are encouraged to read Canaccord Genuity's opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Canaccord in connection with its opinion. **Canaccord Genuity's opinion was addressed to the Special Project Committee of the Synergy Board of Directors, was only one of many factors considered by the Special Project Committee and the Synergy Board of Directors in their evaluation of the merger and only addresses the fairness, from a financial point of view, to Synergy of the issuance of the shares of Synergy common stock to be**

Table of Contents

issued in the merger. Canaccord Genuity's opinion does not address the merits of the underlying decision by Synergy to engage in the merger or related transactions or the relative merits of the merger or related transactions as compared to any other transaction or business strategy in which Synergy might engage and is not intended to, and does not, constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to the merger or related transactions or any other transaction or business strategy in which Synergy might engage.

Opinion of Callisto's Financial Advisor (see page 74)

In connection with the merger, the Callisto Board of Directors originally received an opinion, dated July 20, 2012, from Brean Murray, Carret & Co., LLC, Callisto's financial advisor, as to the fairness, from a financial point of view and as of the date of such opinion, to Callisto of the Exchange Ratio provided for in the merger which at the time was .17 of a share of Synergy common stock for each share of Callisto common stock. Subsequently, Synergy and Callisto entered into an amendment to the merger agreement dated October 15, 2012, which among other things, increased the Exchange Ratio to .1799 of a share of Synergy common stock in exchange for each share of Callisto common stock, and extended the stockholder lock up period to 24 months. In connection with the amendment to the merger agreement, the Callisto Board of Directors received an opinion, dated October 11, 2012, from Brean Murray that as of the execution of the merger agreement on July 20, 2012, prior to the impact of the merger announcement on the market, the increased Exchange Ratio, from a financial point of view was fair to Callisto. See "Chapter One The Merger Risk Factors Risk Factors Related to the Merger" on page 31. The full text of Brean Murray's opinion is attached to this Joint Proxy Statement/Prospectus as Annex D and is incorporated into this Joint Proxy Statement/Prospectus by reference. Holders of Callisto common stock are encouraged to read Brean Murray's opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Brean Murray in connection with its opinion. **Brean Murray's opinion was addressed to the Special Committee of the Callisto Board of Directors, was only one of many factors considered by the Callisto Board of Directors in its evaluation of the merger and only addresses the fairness of the exchange ratio from a financial point of view to Callisto. Brean Murray's opinion does not address the merits of the underlying decision by Callisto to engage in the merger or related transactions or the relative merits of the merger or related transactions as compared to any other transaction or business strategy in which Callisto might engage and is not intended to, and does not, constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to the merger or related transactions or any other transaction or business strategy in which Callisto might engage.**

Interests of Certain Persons in the Merger

In considering the recommendation of the Callisto board of directors with respect to approving the merger, Callisto stockholders should be aware that certain members of the board of directors and executive officers of Callisto have interests in the merger that may be different from, or in addition to, interests they have as Callisto stockholders. For example, following the consummation of the merger, certain directors and executive officers of Callisto will continue to serve on the board of directors and management, respectively, of the combined company. In addition, certain executive officers and directors of Callisto entered into voting agreements with Callisto in connection with the merger.

Table of Contents

The following table sets forth the beneficial ownership interest of the principal stockholders in Callisto, Synergy and the combined company:

Name	Synergy Number of shares	Synergy Percentage**	Callisto Number of shares	Callisto Percentage***	Combined Company Number of shares	Combined Company Percentage****
Gabriele M. Cerrone	1,389,378(1)	2.1%	3,417,292(2)	2.1%	2,004,149	2.7%
Gary S. Jacob	813,670(3)	1.2%	1,851,745(4)	1.2%	1,146,799	1.6%
Bernard Denoyer	79.445(5)	*	300,000(6)	*	133,415	*
John P. Brancaccio	135,688(7)	*	283,759(8)	*	186,736	*
Randall K. Johnson			260,636(9)	*	46,888	*
Kunwar Shailubhai	538,331(10)	*	325,000(11)	*	596,799	1.0%
Chris McGuigan	119,401(11)	*			119,401	*
Thomas Adams	117,492(11)	*			117,492	*
Melvin K. Spigelman	172,247(11)	*			172,247	*
Alan F. Joslyn	55,000(11)	*			55,000	*
R. Merrill Hunter	3,305,200	5.0%	25,376,872	16.0%	7,870,499	10.9%

* Less than one percent (1%)

** Percentage of Synergy is based upon 66,130,746 shares of common stock outstanding as of November 29, 2012.

*** Percentage of Callisto is based upon 158,965,565 shares of common stock outstanding as of November 29, 2012.

**** Percentage of common stock of the combined company is based on 72,433,621 shares of common stock of the combined company outstanding upon the consummation of the merger and assumes that the exchange ratio to be used in connection with the merger is approximately 0.1799 shares of Synergy common stock for each share of Callisto common stock.

(1) Consists of 187,470 shares of common stock held by Mr. Cerrone, 462,531 shares of common stock issuable upon exercise of stock options held by Mr. Cerrone, 443,760 shares of common stock held by Panetta Partners, Ltd and 295,617 shares of common stock issuable upon exercise of warrants held by Panetta Partners, Ltd. Mr. Cerrone is the sole director of Panetta Partners, Ltd. and in such capacity exercises voting and dispositive control over securities owned by Panetta Partners, Ltd. despite him having only a small pecuniary interest in such securities.

(2) Includes 1,368,055 shares of common stock issuable upon exercise of stock options.

(3) Consists of 288,296 shares of common stock, 50,413 shares of common stock issuable upon exercise of warrants and 474,961 shares of common stock issuable upon exercise of stock options.

(4) Includes 1,597,500 shares of common stock issuable upon exercise of stock options.

(5) Consists of 2,952 shares of common stock, 1,476 shares of common stock issuable upon exercise of warrants and 75,017 shares of common stock issuable upon exercise of stock options.

(6) Consists of shares of common stock issuable upon exercise of stock options.

(7) Consists of shares of common stock issuable upon exercise of stock options.

(8) Includes 170,123 shares of common stock issuable upon exercise of stock options.

(9) Includes 140,500 shares of common stock issuable upon exercise of stock options.

(10) Consists of 88,018 shares of Synergy common stock, 12,788 shares of Synergy common stock issuable upon exercise of warrants and 437,526 shares of Synergy common stock issuable upon exercise of stock options.

(11) Consists of shares of common stock issuable upon exercise of stock options.

Regulatory Approvals

Synergy must comply with applicable federal and state securities laws in connection with the issuance of shares of Synergy common stock to Callisto's stockholders and the filing of this Joint Proxy Statement/Prospectus with the Securities and Exchange Commission, or the SEC. As of the date hereof, the registration statement of which this Joint Proxy Statement/Prospectus is a part has not become effective.

Please see the section entitled "Chapter One The Merger Transaction Regulatory Approvals" in this Joint Proxy Statement/Prospectus.

Accounting Treatment of the Merger

As Callisto does not meet the definition of a business under ASC 805, the merger will not be accounted for as a business combination. The merger is expected to be accounted for as a recapitalization of Synergy, effected through exchange of Callisto shares for Synergy shares, and the cancellation of Synergy shares held by Callisto. The excess of Synergy shares issued to Callisto shareholders over the Synergy shares held by Callisto is the result of a discount associated with the restricted nature of the Synergy shares to be received by Callisto shareholders. Therefore, considering this discount, the share exchange has been determined to be equal from a fair value stand point. Upon the effective date of the Merger, Synergy will account for the merger by assuming Callisto's net liabilities. Synergy's financial statements will reflect the operations of Callisto prospectively and will not be restated retroactively to reflect the historical financial position or results of operations of Callisto.

Material U.S. Federal Income Tax Consequences

It is expected that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, and the completion of the merger is conditioned on the receipt by Callisto of an opinion from its outside counsel to the effect that the merger will qualify as such a reorganization. If the merger qualifies as a reorganization, Callisto stockholders generally will not recognize gain or loss upon the receipt of Synergy common stock in exchange for Callisto common stock in connection with the merger.

Tax matters are very complicated, and the tax consequences of the merger to a particular stockholder will depend in part on such stockholder's circumstances. Accordingly, you are urged to consult your own tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws. For more information on the federal income tax effect of the merger, see the section entitled "Chapter One The Merger Transaction Certain U.S. Federal Income Tax Consequences of the Merger."

Comparison of Stockholder Rights

If Synergy and Callisto successfully complete the merger, holders of Callisto common stock will become Synergy stockholders, and their rights as stockholders will be governed by Synergy's second amended and restated certificate of incorporation and bylaws. There are differences between the certificates of incorporation and bylaws of Synergy and Callisto. Since Callisto and Synergy are both Delaware corporations, the rights of Callisto stockholders will continue to be governed by Delaware law after the completion of the merger. See "Chapter Five Comparison of Rights of Holders of Synergy Common Stock and Callisto Common Stock" in this Joint Proxy Statement/Prospectus for more information.

Table of Contents

Appraisal Rights in Connection with the Merger

Under Delaware law, Callisto common stockholders are entitled to appraisal rights in connection with the merger. Holders of Synergy common stock are not entitled to appraisal rights in connection with the merger. For more information about appraisal rights, see the provisions of Section 262 of the DGCL, attached as Annex G to this Joint Proxy Statement/Prospectus, and the section entitled "Chapter One The Merger Transaction Appraisal Rights" in this Joint Proxy Statement/Prospectus.

Conditions to Completion of the Merger

Synergy and Callisto are required to complete the merger only if certain customary conditions are satisfied or waived, including, but not limited to:

- approval of the merger by stockholders holding a majority of the outstanding shares of Callisto common stock in person or by proxy at Callisto's special meeting;
- approval of the merger by stockholders holding a majority of the outstanding shares of Synergy common stock in person or by proxy at Synergy's annual meeting;
- the filing and effectiveness of a registration statement under the Securities Act of 1933, as amended, in connection with the issuance of Synergy common stock in the merger;
- the respective representations and warranties of Synergy and Callisto, shall be true and correct in all material respects as of the date of the merger agreement and the closing;
- each executive of Synergy or any of its subsidiaries and Callisto or any of its subsidiaries shall have delivered a waiver of rights to payments, bonuses, vesting, acceleration or other similar rights that are or may be triggered by the merger;
- the shares of Synergy common stock to be issued in the merger and such other shares of Synergy common stock to be reserved for issuance in connection with the merger shall have been approved for listing on The NASDAQ Capital Market;
- no material adverse effect with respect to Synergy or Callisto or their respective subsidiaries shall have occurred since the date of the merger agreement and the closing of the merger;
- performance or compliance in all material respects by Synergy and Callisto with their respective covenants and obligations in the merger agreement; and
- Callisto shall have obtained any consents or waivers of approvals required in connection with the merger.

Termination of the Merger Agreement

The merger agreement may be terminated at any time before the completion of the merger, whether before or after the required stockholder approval to complete the merger has been obtained, as set forth below:

by mutual written consent of Synergy and Callisto, duly authorized by their respective boards of directors;

by either Synergy or Callisto if the merger is not consummated by the date that is 6 months after the signing date of the merger agreement for any reason; *provided, however*, that this right to terminate is not available to any party whose action or failure to act has been a principal cause of the failure of the merger to occur on or before such date;

by either Synergy or Callisto if a court, administrative agency, commission, governmental or regulatory authority issues a final and nonappealable order, decree or ruling or taken, any other action having the effect of permanently restraining, enjoining or otherwise prohibiting the merger;

by either Synergy or Callisto if the requisite approval of the stockholders of Callisto is not obtained by reason of the failure to obtain the requisite vote at a meeting of the stockholders of Callisto, duly convened therefore or at any adjournment or postponement; *provided, however*, that this right to terminate is not available to Callisto if the failure to obtain the requisite approval of the stockholders of Callisto was caused by the action or failure to act of Callisto, and such action or failure to act constitutes a breach of the merger agreement;

by Synergy if a triggering event (as defined below) occurs;

by Callisto, upon a breach of any representation, warranty, covenant or agreement on the part of Synergy set forth in the merger agreement, or if any representation or warranty of Synergy becomes untrue, such that the conditions to the merger would not be satisfied as of the time of such breach or as of the time such representation or warranty becomes untrue; *provided, however*, that if such inaccuracy in Synergy's representations and warranties or breach by Synergy is curable by Synergy through the exercise of its commercially reasonable efforts, then Callisto may not terminate the merger agreement for thirty (30) calendar days following the delivery of written notice from Callisto to Synergy of such breach, provided Synergy continues to exercise commercially reasonable efforts to cure such breach (it being understood that Callisto may not terminate the agreement if such breach by Synergy is cured during such thirty (30) calendar day period); or

by Synergy, upon a breach of any representation, warranty, covenant or agreement on the part of Callisto set forth in the merger agreement, or if any representation or warranty of Callisto becomes untrue, such that the conditions to the merger would not be satisfied as of the time of such breach or as of the time such representation or warranty becomes untrue; *provided, however*, that if such inaccuracy in Callisto' representations and warranties or breach by Callisto is curable by Callisto through the exercise of its commercially reasonable efforts, then Synergy may not terminate the merger agree-ment for thirty (30) calendar days following the delivery of written notice from Synergy to Callisto of such breach, provided Callisto continues to exercise commercially reasonable efforts to cure such breach (it being understood that Synergy may not terminate the agreement if such breach by Callisto is cured during such thirty (30) calendar day period); or

by Synergy if a change that is materially adverse to the business, assets, capitalization, financial condition or results of operations with respect to Callisto or its subsidiaries occurs since the date of the merger agreement; *provided, however*, that if such change is curable by Callisto through commercially reasonable efforts, then Synergy may not terminate the merger agreement for thirty (30) calendar days following the occurrence of such change, provided Callisto continues to exercise commercially reasonable efforts to cure the effect that is materially adverse to the business, assets, capitalization, financial condition or results of operations with respect to Callisto (it being understood that Synergy may not terminate the agreement if such breach by Callisto is cured during such thirty (30) calendar day period).

a "*triggering event*" has occurred if (i) the board of directors of Callisto or any of its committees has withdrawn or has amended or modified in a manner adverse to Synergy its recommendation in favor of the adoption and approval of the merger agreement or the approval of the merger; (ii) Callisto failed to include in the proxy statement/prospectus the recommendation of the board of directors of Callisto in favor of the adoption and approval of the merger agreement and the approval of the merger; (iii) the board of directors of Callisto failed to reaffirm its recommendation in favor of the adoption and approval of the merger agreement and the approval of the merger within five (5) business days after Synergy requests in writing that such

Table of Contents

recommendation be reaffirmed at any time following the announcement of a superior offer; (iv) the board of directors of Callisto or any of its committees has approved or recommended any superior offer; (v) Callisto has entered into any letter of intent or similar document accepting any acquisition proposal; or (vi) a tender or exchange offer relating to securities of Callisto has been commenced by a person unaffiliated with Synergy or its stockholders and Callisto has not sent to its security holders pursuant to Rule 14e-2 promulgated under the Securities Act, within ten (10) business days after such tender or exchange offer is first published, a statement indicating that Callisto recommends rejection of such tender or exchange offer.

Voting Agreements

In connection with the execution of the merger agreement, certain stockholders of Callisto, indicated below, entered into voting agreements with Synergy and Callisto pursuant to which, among other things, each of these stockholders agreed, to vote all of their shares of Callisto capital stock in favor of the approval of the merger and against any matter that would result in a breach of the merger agreement by Callisto and any proposal made in opposition to, or in competition with, the consummation of the merger and the other transactions contemplated by the merger agreement. As of November 29, 2012, these stockholders owned an aggregate of 27,680,354 shares of the issued and outstanding Callisto capital stock, representing approximately 17.4% of the issued and outstanding shares of Callisto capital stock. The stockholders who have entered into Voting Agreements, include, Gabriele Cerrone, Gary Jacob, Bernard Denoyer, John Brancaccio, Randall Johnson and R. Merrill Hunter.

Management of the Combined Company Following the Merger

Effective as of the closing of the merger, the combined company will have a seven member board of directors, which is anticipated to be comprised of Thomas Adams, Chris McGuigan, Melvin Spigelman and Alan Joslyn, from Synergy's board of directors, and Gabriele Cerrone, Gary Jacob and John Brancaccio, current members of both Callisto's and Synergy's board of directors. In addition, effective as of the closing of the merger, the combined company's executive officers, is anticipated to be comprised of Kunwar Shailubhai, from Synergy and Gary Jacob and Bernard Denoyer, current officers of both Callisto and Synergy.

Matters to Be Considered at the Meetings

Synergy

Synergy stockholders will be asked to vote on proposals related to the following:

- the approval of the merger agreement;
- an adjournment of the meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the issuance of the shares of Synergy common stock;
- the approval of an increase to the number of authorized shares issuable under Synergy's 2008 Equity Incentive Compensation Plan;
- the approval of an increase in the number of shares of common stock authorized for issuance;
- the re-election of seven current Synergy directors;
- the ratification of BDO USA, LLP as the independent registered public accounting firm.

18

Table of Contents

- the approval, on an advisory basis, of the compensation of Callisto's named executive officers as described in the compensation discussion and analysis, the compensation tables, and the related disclosures contained in this Joint Proxy Statement/Prospectus; and

- approval of a three-year frequency for holding an advisory vote on executive compensation;

The Synergy board of directors recommends that Synergy stockholders vote "FOR" all of the proposals set forth above. For further discussion of the Synergy annual meeting, see "Chapter Six Synergy Annual Meeting Proposals," beginning on page 151.

Callisto

Callisto stockholders will be asked to consider and vote on the following proposals:

- the adoption and approval of the merger agreement; and

- adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of adoption of the merger agreement.

The Callisto board of directors recommends that Callisto stockholders vote "FOR" all of the proposals set forth above. For further discussion of the Callisto special meeting, see "Chapter Seven Callisto Special Meeting Proposals," beginning on page 177.

Where You Can Find More Information

If you would like more information about Synergy or Callisto, you should refer to the documents filed by each company with the SEC. The companies have identified these documents and have set out instructions as to how you can obtain copies of these documents beginning on page 178 under the section "Chapter Eight Additional Information for Stockholder Where You Can Find More Information."

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document contains certain forward-looking information about Synergy, Callisto and the combined company that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. These statements may include statements for the period after the completion of the merger. Representatives of Synergy and Callisto may also make forward-looking statements. Forward-looking statements are statements that are not historical facts. Words such as "expect," "believe," "will," "may," "anticipate," "plan," "estimate," "intend," "should," "can," "likely," "could" and similar expressions are intended to identify forward-looking statements. These statements include statements about the expected benefits of the merger, information about the combined company's objectives, plans and expectations, the likelihood of satisfaction of certain conditions to the completion of the merger and whether and when the merger will be completed. Forward-looking statements are not guarantees of performance. These statements are based upon the current beliefs and expectations of the management of each of Synergy and Callisto and are subject to risks and uncertainties, including the risks described in this Joint Proxy Statement/Prospectus under the section "Risk Factors," that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

In light of these risks, uncertainties, assumptions and factors, the results anticipated by the forward-looking statements discussed in this Joint Proxy Statement/Prospectus or made by representatives of Synergy or Callisto may not occur. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof or, in the case of statements made by representatives of Synergy or Callisto, on the date those statements are made. All subsequent written and oral forward-looking statements concerning the merger or the combined company or other matters addressed in this Joint Proxy Statement/Prospectus and attributable to Synergy or Callisto or any person acting on behalf of either are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, neither Synergy nor Callisto undertakes any obligation to update or publish revised forward-looking statements to reflect events or circumstances after the date hereof or the date of the forward-looking statements or to reflect the occurrence of unanticipated events.

Table of Contents

SELECTED HISTORICAL FINANCIAL DATA

SELECTED HISTORICAL FINANCIAL DATA OF SYNERGY

The following table sets forth the selected consolidated financial data of Synergy and has been derived from Synergy's audited consolidated financial statements. Consolidated balance sheets as of December 31, 2011, 2010, 2009, 2008 and 2007, as well as consolidated statements of operations for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 and the reports thereon incorporated by reference in this Joint Proxy Statement/Prospectus. You should read this information in conjunction with Synergy's consolidated financial statements and related notes included in Synergy's Annual Report on Form 10-K for the year ended December 31, 2011 which is incorporated herein by reference. The statement of operations data for the nine months ended September 30, 2012 and 2011 and the balance sheet data as of September 30, 2012 have been derived from unaudited financial statements contained in the Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 which is incorporated herein by reference. Historical results are not necessarily indicative of the results to be expected in the future.

	Year ended December 31,					Nine Months ended September 30,	
	2011	2010	2009	2008	2007	2012	2011
	(in thousands, except per share data)						
Consolidated Statement of Operations Data:							
Revenues	$	$	$	$	$	$	$
Costs and Expenses:							
Research and development	13,419	9,559	3,733	1,773		21,210	7,715
Purchased in-process research and development				28,157			
General and administrative	6,746	6,562	4,467	1,799		5,493	4,525
Loss from Operations	(20,165)	(16,121)	(8,200)	(31,729)		(26,703)	(12,240)
Other income	363	494				255	
Interest and investment income	90	108	75	5		150	64
Interest expense	(12)						(12)
Change in Fair Value of Financial Instruments	5,257	297				(1,169)	3,346
Loss from Continuing Operations	(14,467)	(15,222)	(8,125)	(31,724)		(27,466)	(8,842)
Net Loss from Discontinued Operations				(32)	(20)		
Net Loss	$ (14,467)	$ (15,222)	$ (8,125)	$ (31,756)	$ (20)	$ (27,466)	$ (8,842)
Net Loss per common share, basic and diluted	$ (0.30)	$ (0.34)	$ (0.22)	$ (0.54)	$	$ (0.46)	$ (0.19)
Weighted Average Common Shares Outstanding(a)	47,598	44,875	36,641	59,300	82,541	60,194	46,708

(a) Restated for one for two (1:2) reverse stock split effective on November 30, 2011

	December 31,					September 30,
	2011	2010	2009	2008	2007	2012
	(in thousands)					
Consolidated Balance Sheet Data:						

Cash and cash equivalents	$ 13,245	$ 1,708	$ 7,153	$ 216	$ 2	$ 37,367
Working capital	11,561	(2,307)	6,487	(1,172)	(14)	33,677
Total assets	15,870	4,401	9,211	922	4	41,330
Total stockholder's equity	$ 9,797	$ (4,099)	$ 7,484	$ (1,156)	$ (11)	$ 31,691

Table of Contents

SELECTED HISTORICAL FINANCIAL DATA OF CALLISTO

The statement of operations data for the years ended December 31, 2011, 2010 and 2009 and the balance sheet data as of December 31, 2011 and 2010 have been derived from Callisto's audited financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2011 included as Annex H to this Joint Proxy Statement/Prospectus. The statement of operations data for the nine months ended September 30, 2012 and 2011 and the balance sheet data as of September 30, 2012 have been derived from unaudited financial statements contained in the Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 included as Annex I to this Joint Proxy Statement/Prospectus.

	Year ended December 31,			Nine Months Ended September 30,	
	2011	2010	2009	2012	2011
	(in thousands except for per share data)				
Revenues	$	$	$	$	$
Costs and Expenses:					
Research and development	13,319	9,589	3,424	7,880	7,611
Government grants				3	
General and administrative	7,610	7,343	5,106	3,177	5,124
Loss from Operations	(20,929)	(16,932)	(8,530)	(11,060)	(12,735)
Gain on deconsolidation of Synergy				120,393	
Loss related to equity method investment				(5,751)	
Interest and investment income	2	26	25	21	
Other income/(expense)	(12)	(323)	(437)	45	(10)
Tax credit (expense)	368	1,026		(298)	
Loss on debt extinguishment		(2,100)			
Change in fair value of derivative instruments	5,257	(15,345)	(9,414)	(431)	3,346
Net Income (Loss)	(15,314)	(33,648)	(18,355)	102,919	(9,399)
Net Loss (income) of subsidiary attributable to non-controlling interest	8,521	7,854		6,958	4,624
Net income/(loss) available to Callisto common stockholders	(6,793)	(25,794)	(18,356)	109,877	(4,775)
Series A Preferred stock conversion rate change and beneficial conversion feature accreted as a dividend			(137)		
Series B Preferred stock conversion rate change and beneficial conversion feature accreted as a dividend			(1,679)		
Cumulative effect of adopting ASC Topic 815 January 1, 2009					
Net Loss attributable to common stockholders	$ (6,793)	$ (25,794)	$ (20,172)	$ 109,877	$ 4,775)
Weighted Average Common Shares Outstanding					
Basic	158,299	69,033	51,395	158,634	158,225
Diluted	158,299	69,033	51,395	159,201	158,225
Net Loss per Common Share					
Basic and Diluted	$ (0.10)	$ (0.37)	$ (0.39)	$ 0.69	$ (0.03)

	As of December 31,		September 30,
	2011	2010	2012
	(In thousands)		
Selected Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 13,245	$ 1,709	$
Working (deficit) capital	9,755	(3,807)	(1,739)
Total assets	14,512	3,357	114,527

Deficit accumulated during the development stage	(142,366)	(135,573)	(59,105)
Total stockholders' (deficiency) equity	6,523	(7,198)	110,132

22

Table of Contents

UNAUDITED PRO FORMA
COMBINED CONSOLIDATED FINANCIAL INFORMATION OF SYNERGY AND CALLISTO

The following unaudited pro forma combined consolidated financial information assumes that each share of Callisto common stock will be exchanged for 0.1799 shares of Synergy common stock. Utilizing the exchange ratio of 0.1799, it is anticipated that Callisto common stockholders will own approximately 39.5% of the voting stock of the combined company after the merger.

The unaudited pro forma combined consolidated financial information is based upon the assumption that the total number of shares of Callisto common stock outstanding immediately prior to the completion of the merger will be 158,965,565 and utilizes the exchange ratio of 0.1799 which will result in 28,597,905 shares of Synergy common stock being issued in the transaction. Callisto options will convert into options to purchase Synergy common stock.

The following unaudited pro forma combined consolidated financial statements as of September 30, 2012 combine the historical consolidated financial statements of Synergy and Callisto. The unaudited pro forma combined consolidated financial statements give effect to the proposed merger as if the merger occurred on September 30, 2012 with respect to the consolidated statement of condition, and at the beginning of the periods for the nine months ended September 30, 2012 and the twelve months ended December 31, 2011, with respect to the consolidated statements of income.

The notes to the unaudited pro forma combined consolidated financial statements describe the pro forma amounts and adjustments presented below. **This pro forma data is not necessarily indicative of the operating results that Synergy would have achieved had it completed the merger as of the beginning of the period presented and should not be considered as representative of future operations.**

The unaudited pro forma combined consolidated financial information presented below is based on, and should be read together with, the historical financial information that Synergy and Callisto have included in this Joint Proxy Statement/Prospectus as of and for the indicated periods.

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

$000's

	Synergy Pharmaceuticals Inc. September 30, 2012	Callisto Pharmaceuticals, Inc. September 30, 2012	Eliminations and Merger Adjustments	Synergy Pharmaceuticals Inc. Pro Forma September 30, 2012
ASSETS				
Current assets:				
Cash and cash equivalents	$ 17,244	$	$	$ 17,244
Available-for-sale securities	20,124			20,124
Prepaid expenses and other current assets	1,285			1,285
Total current assets	38,653			38,653
Property and equipment net	2			2
Security deposits	19	74		93
Due from related parties	2,656		(2,656)(2)	
Investment in Synergy		114,453	(114,453)(1)	
Total assets	$ 41,330	$ 114,527	$ (117,109)	$ 38,748
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	2,506	1,625		4,131
Accrued expenses and other	2,470	114		2,584
Total current liabilities	4,975	1,739		6,715
Derivative Liability	4,663			4,663
Due to related parties		2,656	(2,656)(2)	
Total liabilities	9,639	4,395	(2,656)	11,378
Stockholder's equity:				
Common Stock	7	16	(16)(1)	7
Additional paid-in-capital	128,760	169,221	(173,543)(1)	124,438
Deficit accumulated during development stage	(97,075)	(59,105)	59,105(1)	(97,075)
Total stockholders' equity	31,691	110,132	(114,454)	27,370
Total Liabilities and Stockholders' equity	$ 41,330	$ 114,527	$ (117,109)	$ 38,748

(1) Represents adjustment for (i) elimination of Callisto's investment in Synergy $114,453, (ii) elimination of Callisto accumulated deficit $59,105 and (iii) elimination of Callisto capital stock $16.

(2) Represents elimination of Callisto note payable to Synergy.

Table of Contents

UNAUDITED PROFORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2012

$(000's) except earnings per share

	Synergy Pharmaceutical, Inc Nine Months Ended September 30, 2012	Callisto Pharmaceutical, Inc. Nine Months Ended September 30, 2012	Eliminations and Merger Adjustments	Synergy Pharmaceutical, Inc. Nine Months Ended September 30, 2012 Pro Forma
Revenues	$	$	$	$
Costs and Expenses				
Research and development	21,210	7,880	(7,880)(1)	21,210
Government grants		4		4
General and administrative	5,493	3,177	(2,401)(1)	6,268
Loss from operations	(26,703)	(11,061)	10,281	(27,482)
Gain on deconsolidation of Synergy		120,393	(120,393)(2)	
Loss related to equity method investment		(5,751)	5,751(2)	
Interest and investment income (expense)	150	21	(21)(3)	150
Other income and (expenses)	256	45	(45)(3)	256
Tax credit/(expense)		(298)		(298)
Change in FV of financial instruments	(1,169)	(431)	431(4)	(1,169)
Net loss	(27,466)	102,919	(103,996)	(28,543)
less: Net loss attributable to non-controlling interest		6,958	(6,958)	
Net Income/(loss) available to common stockholders	$ (27,466)	$ 109,877	$ (110,954)	$ (28,543)
Weighted average common shares outstanding				
basic	60,194	158,624	(152,331)(5)	66,497
diluted(6)	60,194	159,201	(152,898)(5)	66,497
Net income (loss) per common share				
Basic	$ (0.46)	$ 0.69		$ (0.43)
diluted(6)	$ (0.46)	$ 0.69		$ (0.43)

(1) Represents elimination of Synergy expenses that were consolidated with Callisto from January 1, 2012 through May 9, 2012 (date of deconsolidation).

(2) Represents adjustment for elimination of gain on deconsolidation of investment in Synergy, upon deconsolidation on May 9, 2012, and loss related to equity method investment accounting from May 9, 2012 through September 30, 2012.

(3) Represents adjustment for elimination of interest income and expense related to Callisto's note payable to Synergy.

Table of Contents

(4) Represents adjustment of Synergy's change in fair value of financial instruments that were consolidated with Callisto from January 1, 2012 through May, 9, 2012.

(5) Represents elimination of Callisto's weighted average shares outstanding, net of additional 6,302,905 Synergy shares issued as a result of the Merger, weighted as though these incremental shares had been issued on January 1, 2012.

(6) Basic and diluted net loss per share is presented in conformity with ASC Topic 260, Earnings per Share, ("ASC Topic 260"+A125). In accordance with this guide, 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 for Synergy are the same as basic weighted-average shares because shares issuable pursuant to the exercise of stock options would have been antidilutive.

Table of Contents

UNAUDITED PROFORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011

$(000's) except earnings per share

	Synergy Pharmaceuticals, Inc. Year Ended December 31, 2011	Callisto Pharmaceuticals, Inc. Year Ended December 31, 2011	Eliminations and Merger Adjustments	Synergy Pharmaceuticals, Inc. Year Ended December 31, 2011 Pro Forma
Revenues	$	$	$	$
Costs and Expenses				
Research and development	13,419	13,318	(13419)(1)	13,318
General and administrative	6,745	7,610	(6,745)(1)	7,610
Loss from operations	(20,164)	(20,929)	(20,164)	(20,929)
Interest and investment income (expense)	87	2	(87)(2)	2
Interest expense	(12)	(12)	12(1)	(12)
Tax credit	362	368	(362)(1)	368
Change in FV of financial instruments	5,257	5,257	(5,257)(3)	5,257
Total other income (expenses)	5,697	5,615	(5,697)	5,615
Net loss	(14,467)	(15,314)	(14,467)	(15,314)
less: Net loss attributable to non-controlling interest		8,521	(8,521)	
Net Income/(loss)attributable to common stockholders	$ (14,467)	$ (6,793)	$ (5,946)	$ (15,314)
Weighted average common shares outstanding				
Basic and Diluted(5)	47,598	158,298	(151,995)(4)	53,901
Net income (loss) per common share				
Basic and Diluted(5)	$ (0.30)	$ (0.10)		$ (0.28)

(1) Represents elimination of Synergy income and expenses that were consolidated with Callisto for the year ended December 31, 2011.

(2) Represents adjustment for elimination of Synergy interest income related to Callisto's note payable to Synergy.

(3) Represents adjustment of Synergy's change in fair value of financial instruments that were consolidated with Callisto for the year ended December 31, 2011.

(4) Represents elimination of Callisto's weighted average shares outstanding, net of additional 6,302,905 Synergy shares issued as a result of the Merger, weighted as though these incremental shares had been issued on January 1, 2012.

(5) Basic and diluted net loss per share is presented in conformity with ASC Topic 260, Earnings per Share , ("ASC Topic 260"+A125). In accordance with this guide, 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 for Synergy are

the same as basic weighted-average shares because shares issuable pursuant to the exercise of stock options would have been antidilutive.

Table of Contents

COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA

The following tables set forth certain historical per share data of Synergy and Callisto combined per share data on an unaudited pro forma and pro forma equivalent basis after giving effect to the merger using the acquisition method of accounting, and assuming 0.1799 shares of Synergy common stock exchanged for each share of Callisto common stock outstanding as of the effective date of the merger. The following data should be read in conjunction with the separate historical consolidated financial statements of Synergy and Callisto included in this Joint Proxy Statement/Prospectus. The unaudited pro forma combined per share data do not necessarily indicate the operating results that would have been achieved had the merger been completed as of the beginning of the earliest period presented and should not be taken as representative of future operations. The results may have been different if the companies had always been combined. No cash dividends have ever been declared or paid on Synergy common stock or Callisto common stock.

	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
Synergy Historical		
Loss per share basic and diluted	$ (0.46)	$ (0.30)
Weighted average common shares outstanding basic and diluted	60,194,004	47,598,240
Book value per share	$ 0.53	$ 0.21
Callisto Historical		
Income (Loss) per share basic and diluted	$ 0.69	$ (0.10)
Weighted average common shares outstanding basic	158,633,596	158,298,920
Weighted average common shares outstanding diluted	159,201,398	158,298,920
Book value per share	$ 0.69	$ 0.04
Pro Forma Combined Consolidated		
Loss per share from continuing operations basic and diluted	$ (0.43)	$ (0.28)
Weighted average common shares outstanding basic and diluted	66,496,909	53,901,145
Book value per share	$ 0.41	$ 0.12

Table of Contents

MARKET PRICE AND DIVIDEND INFORMATION

Recent Share Prices

Synergy

From August 11, 2008 until February 18, 2011, Synergy's common stock was quoted on the Over the Counter Bulletin Board under the symbol "SGYP.OB." From February 22, 2011 until November 30, 2011 Synergy's common stock was traded on the OTC QB under the symbol "SGYP." Since December 1, 2011 Synergy's common stock has been traded on The NASDAQ Capital Market under the symbol "SGYP". As of November 29, 2012, Synergy had approximately 83 holders of record of Synergy common stock. The following table shows the reported high and low closing prices per share for Synergy's common stock as reported on the Over the Counter Bulletin Board, the OTC QB and The NASDAQ Capital Market during the periods indicated.

	High*	Low*
Year ended December 31, 2010		
First quarter	$ 16.90	$ 11.20
Second quarter	$ 22.00	$ 14.60
Third quarter	$ 15.00	$ 5.00
Fourth quarter	$ 10.10	$ 6.00
Year ended December 31, 2011		
First quarter	$ 10.98	$ 5.72
Second quarter	$ 8.90	$ 6.00
Third quarter	$ 8.70	$ 4.10
Fourth quarter	$ 4.68	$ 3.35
Year ended December 31, 2012		
First quarter	$ 4.48	$ 3.35
Second quarter	$ 5.93	$ 3.90
Third quarter	$ 5.00	$ 3.74
Fourth quarter (through November 29, 2012)	$ 5.53	$ 3.03

* All per share amounts have been restated to reflect a one for two (1:2) reverse stock split effective November 30, 2011.

Callisto

Callisto's common stock currently trades on the OTC QB under the symbol "CLSP". As of November 29, 2012, Callisto had approximately 114 holders of record of Callisto common stock. The

Table of Contents

following table shows the reported high and low closing prices per share for Callisto's common stock as reported on the OTC QB.

	High	Low
Year ended December 31, 2010		
First quarter	$ 0.49	$ 0.18
Second quarter	$ 0.43	$ 0.30
Third quarter	$ 0.41	$ 0.22
Fourth quarter	$ 0.86	$ 0.30
Year ended December 31, 2011		
First quarter	$ 0.70	$ 0.54