ZIOPHARM ONCOLOGY INC
Form 424B3
April 14, 2006

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Registration No. 333-129680

OFFERING PROSPECTUS

ZIOPHARM Oncology, Inc.

7,462,095 Shares
Common Stock

The selling stockholders identified on pages 44-54 of this prospectus are offering on a resale basis a total of 7,462,095 shares of our common stock, including 482,407 shares issuable upon the exercise of outstanding warrants. We will not receive any proceeds from the sale of these shares by the selling stockholders.

Our common stock is quoted on the Over-the-Counter Bulletin Board under the symbol "ZIOP." On April 13, 2006, the last sale price for our common stock as reported on the OTC Bulletin Board was $4.80.

The securities offered by this prospectus involve a high degree of risk.
See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined that this prospectus is truthful or complete. A representation to the contrary is a criminal offense.

The date of this Prospectus is April 14, 2006.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you. Accordingly, you are urged to carefully review this prospectus in its entirety.

Our Company

We are a biopharmaceutical company that is seeking to develop and commercialize a diverse, risk-sensitive portfolio of in-licensed cancer drugs that address unmet medical needs. Our management and advisors are focused on licensing and developing proprietary drug candidate families that are related to cancer therapeutics on the market and where the application of new biology and our drug development expertise will facilitate clinical development, risk management and expedited regulatory approval. We expect to commercialize our products on our own in North America but recognize that promising clinical trial results in cancers with a high incidence and prevalence might also be addressed in a commercial partnership with one or more other companies with the requisite financial resources. Currently, we are in Phase I and Phase I/II studies for two product candidates known as ZIO-101 and ZIO-201. We currently intend to continue with clinical development of ZIO-101 for advanced myeloma and ZIO-201 for advanced sarcoma. None of our product candidates have been approved by the United States Food and Drug Administration (the "FDA") or any other regulatory body. Further, we have not received any commercial revenues to date, and until we receive the necessary approvals from the FDA or a similar foreign regulatory authority, we will not have any commercial revenues.

Our Current Product Candidates: ZIO-101 and ZIO-201

- **ZIO-101** is an organic arsenic compound covered by issued U.S. patents and applications internationally. A form of commercially available inorganic arsenic (arsenic trioxide (Trisenox®) or ATO) has been approved for the treatment of acute promyelocytic leukemia (APL), a precancerous condition, and is on the compendia listing for the therapy of multiple myeloma as well as having been studied for the treatment of various other cancers. Nevertheless, ATO has been shown to be toxic to the heart and liver, limiting its use as an anti-cancer agent. Inorganic arsenic has also been shown to cause cancer of the skin and lung in humans. The toxicity of arsenic generally is correlated to its accumulation in organs and tissues. To date, the Company's preclinical and Phase I studies have demonstrated that ZIO-101 (and organic arsenic in general) is considerably less toxic than inorganic arsenic, particularly with regard to heart toxicity. In vitro testing of ZIO-101 using the National Cancer Institute's human cancer cell panel detected activity against lung, colon, brain, melanoma, ovarian and kidney cancer. Moderate activity was detected against breast and prostate cancer. In addition to solid tumors, in vitro testing in both the National Cancer Institute's cancer cell panel and in vivo testing in a leukemia animal model demonstrated substantial activity against hematological cancers (cancers of the blood and blood-forming tissues) such as leukemia, lymphoma, myelodysplastic syndromes and multiple myeloma.

Phase I testing of ZIO-101 is ongoing with two safety and dose finding studies at the University of Texas M. D. Anderson Cancer Center. As of December 2, 2005, monitored safety data for 8 patients enrolled in the ongoing Phase I clinical study (blood cancers) through to completion at the 109 mg/m2 dose-level cohort are available. The ongoing Phase I study in solid cancers recently completed the 420 mg/m2/d x 5 d dose level with no dose limiting toxicities identified. Monitored safety data, as of November 30, 2005, is available for 16 subjects through to completion of enrollment at the 214 mg/m2 dose level cohort. The Company has seen encouraging signs of clinical activity in both of these studies including impact on blood and bone marrow blast cells in patients with acute myelogenous leukemia (AML) and one patient with metastatic renal cell carcinoma where metastases to the brain resolved. The Company recently initiated a phase I/II advanced multiple myeloma (SGL2001) study to be conducted in the U.S., Canada and Europe designed to determine maximum tolerated dose and to assess clinical activity in this specific indication. This study began at a dose of 109 mg/m2 utilizing the same dosing regimen as the ongoing phase I studies. The Company

expects to pursue registration in the U.S. for the treatment of advanced multiple myeloma with a potentially pivotal trial to begin in 2007.

- **ZIO-201**, or isophosphoramide mustard (IPM), is a proprietary stabilized metabolite of ifosfamide that is also related to cyclophosphamide. A patent application for pharmaceutical composition has been filed. Cyclophosphamide and ifosfamide are alkylating agents. The Company believes cyclophosphamide is the most widely used alkylating agent in cancer therapy and is used to treat breast cancer and non-Hodgkin's lymphoma. Ifosfamide has been shown to be effective in high dose by itself, or in combination in treating sarcoma and lymphoma. Although ifosfamide-based treatment generally represents the standard of care for sarcoma, it is not licensed for this indication by the FDA. Our preclinical studies have shown that, in animal and laboratory models, IPM evidences activity against leukemia and solid tumors. These studies also indicate that ZIO-201 has a better pharmacokinetic and safety profile than ifosfamide or cyclophosphamide, offering the possibility of safer and more efficacious therapy with ZIO-201. Ifosfamide is metabolized to IPM. In addition to IPM, another metabolite of ifosfamide is acrolein, which is toxic to the kidneys and bladder. The presence of acrolein can mandate the administration of a protective agent called mesna, which is inconvenient and expensive. Chloroacetaldehyde is another metabolite of ifosfamide and is toxic to the central nervous system, causing "fuzzy brain" syndrome for which there is currently no protective measure. Similar toxicity concerns pertain to high-dose cyclophosphamide, which is widely used in bone marrow and blood cell transplantation. Because ZIO-201 is independently active—without acrolein or chloroacetaldehyde metabolites—the Company believes that the administration of ZIO-201 may avoid many of the toxicities of ifosfamide and cyclophosphamide without compromising efficacy. In addition to anticipated lower toxicity, ZIO-201 (and without the coadministration of mesna) may have other advantages over ifosfamide and cyclophosphamide. ZIO-201 likely cross-links DNA differently than ifosfamide or cyclophosphamide metabolites, resulting in a different activity profile. Moreover, in some instances ZIO-201 appears to show activity in ifosfamide- and/or cyclophosphamide-resistant cancer cells.

Phase I testing of ZIO-201 is ongoing at two sites in the U.S. (Karmanos Cancer Center at Wayne State University in Detroit and Premiere Oncology in Los Angeles). This study is treating patients at a dose of 787 mg/m2. IPM has been administered without the "uroprotectant" mesna and the toxicities associated with acrolein and chloroacetaldehyde have not been observed. Kidney toxicity seen with ifosfamide has occurred in the higher dose cohorts. One patient with advanced mesothelioma continues to have stable disease following 15 cycles of therapy with ZIO-201 as a single agent. The Company recently initiated a phase I/II trial in advanced sarcoma at the University of Texas M. D. Anderson Cancer Center (the "MDACC"). The MDACC will be joined by additional centers in the U.S., Canada and Europe in the coming months. Additional studies in patients with advanced sarcoma will begin shortly in the U.S. and plans for a phase I/II study in pediatric sarcoma are well advanced. The Company expects to pursue registration in the U.S. for the treatment of advanced sarcoma with a potentially pivotal trial to begin in 2007.

We were originally incorporated in Colorado in September 1998 (under the name Net Escapes, Inc.) and later changed our name to "EasyWeb, Inc." in February 1999. We were re-incorporated in Delaware on May 16, 2005 under the same name. On September 13, 2005, we completed a "reverse" acquisition of privately held ZIOPHARM, Inc., a Delaware corporation. To effect this transaction, we caused ZIO Acquisition Corp., our wholly-owned subsidiary, to merge with and into ZIOPHARM, Inc., with ZIOPHARM, Inc. surviving as our wholly owned subsidiary. In accordance with the terms of the merger, the outstanding common stock of ZIOPHARM, Inc. automatically converted into the right to receive an aggregate of approximately 97.3% of our outstanding Common Stock (after giving effect to the transaction). Following the merger, we caused ZIOPHARM, Inc. to merge with and into us and we changed our name to "ZIOPHARM Oncology, Inc." Although Easy Web was the legal acquirer in the transaction, ZIOPHARM, Inc. became the registrant with the Securities and Exchange Commission because under generally accepted accounting principles the transaction was accounted for as a reverse acquisition. Accordingly, the historical financial statements of ZIOPHARM, Inc. have become our historical financial statements.

Our executive offices are located at 1180 Avenue of the Americas, 19th Floor, New York, NY 10036, and our telephone number is (646) 214-0700. Our internet site is www.ziopharm.com. None of the information on our internet site is part of this prospectus.

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Risk Factors

For a discussion of the risks you should consider before purchasing shares of our common stock, you are urged to carefully review and consider the section entitled “Risk Factors” beginning on page 6 of this prospectus.

The Offering

The shares offered by this prospectus were originally covered by our prospectuses dated November 9, 2005 and November 18, 2005, each as supplemented to date, which originally covered the resale of an aggregate of 7,723,614 shares of our common stock by the selling stockholders identified in such prospectuses. The selling stockholders identified on pages 44-54 of this prospectus are offering on a resale basis a total of 7,462,095 shares of our common stock, of which 482,407 shares are issuable upon exercise of outstanding warrants and options. The shares offered by such selling stockholders reflect those shares of our common stock remaining unsold by the selling stockholders identified in our November 9, 2005 and November 18, 2005 prospectuses.

Common stock offered	7,462,095 shares
Common stock outstanding before the offering[(1)]	7,272,992 shares
Common stock outstanding after the offering[(2)]	7,755,399 shares
Common Stock OTC Bulletin Board symbol	ZIOP

(1) Based on the number of shares outstanding as of March 27, 2006, not including 1,576,980 shares issuable upon exercise of various warrants and options to purchase our common stock.

(2) Assumes the issuance of all shares offered hereby that are issuable upon exercise of warrants.

RISK FACTORS

An investment in our common stock is very risky. You may lose the entire amount of your investment. Prior to making an investment decision, you should carefully review this entire prospectus and consider the following risk factors:

We currently have no product revenues and will need to raise additional capital to operate our business.

To date, we have generated no product revenues. Until and unless we receive approval from the FDA and/or other regulatory authorities for our product candidates, we cannot sell our drugs and will not have product revenues. Currently, our only product candidates are ZIO-101(organic arsenic) and ZIO-201 (isophosphoramide mustard), and they are not approved by the FDA for sale.

We will need to seek additional sources of financing which may not be available on favorable terms, if at all.

As of December 31, 2005, we had incurred approximately $15.4 million of cumulative net losses and had approximately $8.9 million of cash and cash equivalents. Currently, we expect that we will have sufficient cash to fund our operations into the third quarter of 2006. The Company's consolidated financial statements as of December 31, 2005 have been prepared under the assumption that the Company will continue as going concern for the year ending December 31, 2006. The Company's independent registered public accounting firm, Vitale, Caturano & Company, Ltd., has issued a report dated March 9, 2006 that included an explanatory paragraph referring to the Company's significant operating losses and expressing substantial doubt in its ability to continue as a going concern (See Note (1) in the Notes to Consolidated Financial Statements) without additional capital becoming available. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional equity or debt financing, attain further operating efficiencies and, ultimately, to generate revenue. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Although we expect our cash on-hand to fund our operations into the third quarter of 2006, changes may occur that would consume our existing capital prior to that time, including the progress of our research and development efforts, changes in governmental regulation and acquisitions of additional product candidates. If we do not succeed in raising additional funds on acceptable terms, we may be unable to complete planned preclinical and clinical trials or obtain approval of any product candidates from the FDA and other regulatory authorities. In addition, we could be forced to discontinue product development, reduce or forego sales and marketing efforts or forego attractive business opportunities. Any additional sources of financing will likely involve the issuance of our equity securities, which will have a dilutive effect on our existing stockholders.

We are not currently profitable and may never become profitable.

We have a history of losses and expect to incur substantial losses and negative operating cash flow for the foreseeable future, and we may never achieve or maintain profitability. Even if we succeed in developing and commercializing one or more product candidates, we expect to incur substantial losses for the foreseeable future and may never become profitable. We expect also to continue to incur significant operating and capital expenditures and anticipate that our expenses will increase substantially in the foreseeable future as we:

- Continue to undertake preclinical development and clinical trials for product candidates;
- Scale up the formulation and manufacturing of our product candidates;
- Seek regulatory approvals for product candidates;
- Implement additional internal systems and infrastructure; and
- Hire additional personnel.

We also expect to experience negative cash flow for the foreseeable future as we fund our operating losses and capital expenditures. This may result in a negative impact on the value of our common stock.

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We have a limited operating history upon which to base an investment decision.

Prior to the Merger, ZIOPHARM, Inc. was a development-stage company that was incorporated in September 2003. To date, we have not demonstrated an ability to perform the functions necessary for the successful commercialization of any product candidates. The successful commercialization of any product candidates will require us to perform a variety of functions, including:

- Continuing to undertake preclinical development and clinical trials;
- Participating in regulatory approval processes;
- Formulating and manufacturing products; and
- Conducting sales and marketing activities.

Our operations have been limited to organizing and staffing our Company, acquiring, developing and securing our proprietary product candidates, undertaking preclinical trials and clinical trials of our product candidates ZIO-101 and ZIO-201, and manufacturing ZIO-101 and ZIO- 201. These operations provide a limited basis for you to assess our ability to commercialize our product candidates and the advisability of investing in our securities.

We may not obtain the necessary U.S. or worldwide regulatory approvals to commercialize any product candidate.

We may not be able to obtain the approvals necessary to commercialize our product candidates, ZIO-101 and ZIO-201, or any product candidate that we may acquire or develop in the future for commercial sale. We will need FDA approval to commercialize our product candidates in the U.S. and approvals from regulatory authorities in foreign jurisdictions equivalent to the FDA to commercialize our product candidates in those jurisdictions. In order to obtain FDA approval of any product candidate, we must submit to the FDA a New Drug Application (NDA), demonstrating that the product candidate is safe for humans and effective for its intended use. This demonstration requires significant research and animal tests, which are referred to as preclinical studies, as well as human tests, which are referred to as clinical trials. Satisfaction of the FDA's regulatory requirements typically takes many years, depending upon the type, complexity and novelty of the product candidate, and will require substantial resources for research, development and testing. We cannot predict whether our research, development, and clinical approaches will result in drugs that the FDA considers safe for humans and effective for their intended uses. The FDA has substantial discretion in the drug approval process and may require us to conduct additional preclinical and clinical testing or to perform post-marketing studies. The approval process may also be delayed by changes in government regulation, future legislation or administrative action or changes in FDA policy that occur prior to or during our regulatory review. Delays in obtaining regulatory approvals may:

- Delay commercialization of, and our ability to derive product revenues from, our product candidates;
- Impose costly procedures on us; and
- Diminish any competitive advantages that we may otherwise enjoy.

Even if we comply with all FDA requests, the FDA may ultimately reject one or more of our NDAs. We cannot be sure that we will ever obtain regulatory clearance for our product candidates, ZIO-101 and ZIO-201. Failure to obtain FDA approval of our product candidates will severely undermine our business by leaving us without a saleable product, and therefore without any potential revenue source, until another product candidate can be developed. There is no guarantee that we will ever be able to develop or acquire another product candidate.

In foreign jurisdictions, we similarly must receive approval from applicable regulatory authorities before we can commercialize any drugs. Foreign regulatory approval processes generally include all of the risks associated with the FDA approval procedures described above.

Our product candidates are in early stages of clinical trials, and we cannot be certain when we will be able to file an NDA with the FDA.

Our product candidates, ZIO-101 and ZIO-201, are in early stages of development and require extensive clinical testing. Notwithstanding our current clinical trial plans for each of our existing product candidates, we may not be able to commence additional trials or see results from these trials within our anticipated timelines. As such, we cannot predict with any certainty if or when we might submit an NDA for regulatory approval of our product candidates or whether such an NDA will be accepted.

Clinical trials are very expensive, time-consuming and difficult to design and implement.

Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The clinical trial process is also time consuming. We estimate that clinical trials of our product candidates will take at least several years to complete. Furthermore, failure can occur at any stage of the trials, and we could encounter problems that cause us to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including:

- Unforeseen safety issues;
- Determination of dosing issues;
- Lack of effectiveness during clinical trials;
- Slower than expected rates of patient recruitment;
- Inability to monitor patients adequately during or after treatment; and
- Inability or unwillingness of medical investigators to follow our clinical protocols.

We are hopeful that we may be able to obtain “Fast Track” and or “Orphan Drug” status from the FDA for one or more of our product candidates. Fast Track allows the FDA to facilitate development and expedite review of drugs that treat serious and life-threatening conditions so that an approved product can reach the market expeditiously. Fast Track status does not apply to a product alone, but applies to a combination of a product and the specific indications for which it is being studied. Therefore, it is a drug’s development program for a specific indication that receives Fast Track designation. Orphan Drug status promotes the development of products that demonstrate the promise for the diagnosis and treatment of one disease or condition and affords certain financial and market protection benefits to successful applicants. However, there is no guarantee that any of our product candidates will be granted Fast Track or Orphan Drug status by the FDA or that, even if such product candidate is granted such status, the product candidate’s clinical development and regulatory approval process will not be delayed or will be successful.

In addition, we or the FDA may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the FDA finds deficiencies in our IND submission or in the conduct of these trials. Therefore, we cannot predict with any certainty the schedule for future clinical trials.

The results of our clinical trials may not support our product candidate claims.

Even if our clinical trials are completed as planned, we cannot be certain that their results will support approval of our product candidates. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and we cannot be sure that the results of later clinical trials will replicate the results of prior clinical trials and preclinical testing. The clinical trial process may fail to demonstrate that our product candidates are safe for humans and effective for indicated uses. This failure would cause us to abandon a product candidate and may delay development of other product candidates. Any delay in, or termination of, our clinical trials will delay the filing of our NDAs with the FDA and, ultimately, our ability to commercialize our product candidates and generate product revenues. In addition, our clinical trials involve small patient populations. Because of small sample size, the results of these clinical trials may not be indicative of future results.

Even if the FDA approves our product candidates, physicians and patients may not accept and use them. Acceptance and use of our products will depend upon a number of factors including:

- Perceptions by members of the health care community, including physicians, regarding the safety and effectiveness of our drugs;
- Cost-effectiveness of our products relative to competing products;
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Availability of reimbursement for our products from government or other healthcare payers; and

- Effectiveness of marketing and distribution efforts by us and our licensees and distributors, if any.

Because we expect sales of our current product candidates, if approved, to generate substantially all of our product revenues for the foreseeable future, the failure of a drug to find market acceptance would harm our business and could require us to seek additional financing in order to fund the development of future product candidates.

Our drug development program materially depends upon third-party researchers who are outside our control.

We materially rely upon independent investigators and collaborators, such as universities and medical institutions, to conduct our preclinical and clinical trials under agreements with us. These collaborators are not our employees and we cannot control the amount or timing of resources that they devote to our programs. These investigators may not assign as great a priority to our programs or pursue them as diligently as we would if we were undertaking such programs ourselves. If outside collaborators fail to devote sufficient time and resources to our drug development programs, or if their performance is substandard, the approval of our FDA applications, if any, and our introduction of new drugs, if any, will be delayed. These collaborators may also have relationships with other commercial entities, some of whom may compete with us. If our collaborators assist our competitors to our detriment, our competitive position would be harmed.

We rely exclusively on third parties to formulate and manufacture our product candidates.

We do not have experience in drug formulation or manufacturing and do not intend to establish our own manufacturing facilities. We lack the resources and expertise to formulate or manufacture our own product candidates. We currently are contracting for the commercial scale manufacture of our product candidates. We intend to contract with one or more manufacturers to manufacture, supply, store and distribute drug supplies for our clinical trials. If a product candidate we develop or acquire in the future receives FDA approval, we will rely on one or more third-party contractors to manufacture our drugs. Our anticipated future reliance on a limited number of third-party manufacturers exposes us to the following risks:

- We may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the FDA must approve any replacement contractor. This approval would require new testing and compliance inspections. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our products after receipt of FDA approval, if any.
- Our third-party manufacturers might be unable to formulate and manufacture our drugs in the volume and of the quality required to meet our clinical needs and commercial needs, if any.
- Our future contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our products.
- Drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the Drug Enforcement Administration (the "DEA"), and corresponding state agencies to ensure strict compliance with good manufacturing practices and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.
- If any third-party manufacturer makes improvements in the manufacturing process for our products, we may not own, or may have to share, the intellectual property rights to the innovation.

Each of these risks could delay our clinical trials, the approval, if any, of our product candidates by the FDA or the commercialization of our product candidates or result in higher costs or deprive us of potential product revenues.

We do not have experience selling, marketing or distributing products and we have no internal capability to do so.

We currently have no marketing, sales or distribution capabilities. If and when we become reasonably certain that we will be able to commercialize our current or future products, we anticipate allocating resources to the marketing, sales and distribution of our proposed products in North America, however, we cannot assure that we will be able to market, sell and distribute our products successfully. Our future success also may depend, in part, on our ability to enter into and maintain collaborative relationships for such capabilities and to encourage the collaborator's strategic interest in the products under development and such collaborator's ability to successfully market and sell any such products. Although we intend to pursue certain collaborative arrangements regarding the sale and marketing of our products, there can be no assurance that we will be able to establish or maintain our own sales operations or affect collaborative arrangements, or that if we are able to do so, our collaborators will have effective sales forces. There can also be no assurance that we will be able to establish or maintain relationships with third party collaborators or develop in-house sales and distribution capabilities. To the extent that we depend on third parties for marketing and distribution, any revenues we receive will depend upon the efforts of such third parties, and there can be no assurance that such efforts will be successful. In addition, there can also be no assurance that we will be able to market and sell our products in the United States or overseas.

If we cannot compete successfully for market share against other drug companies, we may not achieve sufficient product revenues and our business will suffer.

The market for our product candidates is characterized by intense competition and rapid technological advances. If a product candidate receives FDA approval, it will compete with a number of existing and future drugs and therapies developed, manufactured and marketed by others. Existing or future competing products may provide greater therapeutic convenience or clinical or other benefits for a specific indication than our products, or may offer comparable performance at a lower cost. If our products fail to capture and maintain market share, we may not achieve sufficient product revenues and our business will suffer.

We will compete against fully integrated pharmaceutical companies and smaller companies that are collaborating with larger pharmaceutical companies, academic institutions, government agencies and other public and private research organizations. Many of these competitors have products already approved or in development. In addition, many of these competitors, either alone or together with their collaborative partners, operate larger research and development programs or have substantially greater financial resources than we do, as well as significantly greater experience in:

- Developing drugs;
- Undertaking preclinical testing and human clinical trials;
- Obtaining FDA and other regulatory approvals of drugs;
- Formulating and manufacturing drugs; and
- Launching, marketing and selling drugs.

If we fail to adequately protect or enforce our intellectual property rights or secure rights to patents of others, the value of our intellectual property rights would diminish.

Our success, competitive position and future revenues will depend in part on our ability and the abilities of our licensors to obtain and maintain patent protection for our products, methods, processes and other technologies, to preserve our trade secrets, to prevent third parties from infringing on our proprietary rights and to operate without infringing the proprietary rights of third parties.

To date, we have exclusive rights to certain U.S. and foreign intellectual property. We anticipate filing additional patent applications both in the U.S. and in other countries, as appropriate. However, we cannot predict:

- The degree and range of protection any patents will afford us against competitors, including whether third parties will find ways to invalidate or otherwise circumvent our patents;
- If and when patents will issue;
- Whether or not others will obtain patents claiming aspects similar to those covered by our patents and patent applications; or
- Whether we will need to initiate litigation or administrative proceedings which may be costly whether we win or lose.

Our success also depends upon the skills, knowledge and experience of our scientific and technical personnel, our consultants and advisors as well as our licensors and contractors. To help protect our proprietary know-how and our inventions for which patents may be unobtainable or difficult to obtain, we rely on trade secret protection and confidentiality agreements. To this end, it is our policy generally to require our employees, consultants, advisors and contractors to enter into agreements which prohibit the disclosure of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business. These agreements may not provide adequate protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information. If any of our trade secrets, know-how or other proprietary information is disclosed, the value of our trade secrets, know-how and other proprietary rights would be significantly impaired and our business and competitive position would suffer.

If we infringe the rights of third parties we could be prevented from selling products, forced to pay damages, and defend against litigation.

If our products, methods, processes or other technologies infringe the proprietary rights of other parties, we could incur substantial costs and we may have to:

- Obtain licenses, which may not be available on commercially reasonable terms, if at all;
- Abandon an infringing drug candidate;
- Redesign our products or processes to avoid infringement;
- Stop using the subject matter claimed in the patents held by others;
- Pay damages; or
- Defend litigation or administrative proceedings which may be costly whether we win or lose, and which could result in a substantial diversion of our valuable management resources.

Our ability to generate product revenues will be diminished if our drugs sell for inadequate prices or patients are unable to obtain adequate levels of reimbursement.

Our ability to commercialize our drugs, alone or with collaborators, will depend in part on the extent to which reimbursement will be available from:

- Government and health administration authorities;
- Private health maintenance organizations and health insurers; and
- Other healthcare payers.

Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. Healthcare payers, including Medicare, are challenging the prices charged for medical products and services. Government and other healthcare payers increasingly attempt to contain healthcare costs by limiting both coverage and the level of reimbursement for drugs. Even if our product candidates are approved by the FDA, insurance coverage may not be available, and reimbursement levels may be inadequate, to cover our drugs. If government and other healthcare payers do not provide adequate coverage and reimbursement levels for our products, once approved, market acceptance of such products could be reduced.

We may not be able to successfully manage our growth.

Our success will depend upon the expansion of our operations and the effective management of our growth, which will place a significant strain on our management and on our administrative, operational and financial resources. To manage this growth, we must expand our facilities, augment our operational, financial and management systems and hire and train additional qualified personnel. If we are unable to manage our growth effectively, our business may be harmed.

Our business will subject us to the risk of liability claims associated with the use of hazardous materials and chemicals.

Our contract research and development activities may involve the controlled use of hazardous materials and chemicals. Although we believe that our safety procedures for using, storing, handling and disposing of these materials comply with federal, state and local laws and regulations, we cannot completely eliminate the risk of accidental injury or contamination from these materials. In the event of such an accident, we could be held liable for any resulting damages and any liability could have a materially adverse effect on our business, financial condition and results of operations. In addition, the federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of hazardous or radioactive materials and waste products may require our contractors to incur substantial compliance costs that could materially adversely affect our business, financial condition and results of operations.

We rely on key executive officers and scientific and medical advisors, and their knowledge of our business and technical expertise would be difficult to replace.

We are highly dependent on our principal scientific, regulatory and medical advisors. We do not have “key person” life insurance policies on any of our officers. The loss of the technical knowledge and management and industry expertise of any of our key personnel could result in delays in product development, loss of customers and sales and diversion of management resources, which could adversely affect our operating results.

If we are unable to hire additional qualified personnel, our ability to grow our business may be harmed.

We will need to hire additional qualified personnel with expertise in preclinical testing, clinical research and testing, government regulation, formulation and manufacturing, as well as sales and marketing. We compete for qualified individuals with numerous biopharmaceutical companies, universities and other research institutions. Competition for such individuals is intense, and we cannot be certain that our search for such personnel will be successful. Attracting and retaining qualified personnel will be critical to our success.

We may incur substantial liabilities and may be required to limit commercialization of our products in response to product liability lawsuits.

The testing and marketing of medical products entail an inherent risk of product liability. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products. Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of pharmaceutical products we develop, alone or with collaborators. We currently carry clinical trial insurance and product liability insurance.

There are certain interlocking relationships among us and certain affiliates of a significant stockholder of ours, which may present potential conflicts of interest.

Lindsay A. Rosenwald, M.D., who may be deemed to beneficially own approximately 17.52% of our common stock, is Chairman and Chief Executive Officer of Paramount BioCapital, Inc., an investment banking firm that served as placement agent in connection with a private placement of ZIOPHARM, Inc.'s Series A Convertible Preferred Stock that was completed in May 2005. Paramount BioCapital also served as a finder in connection with the Company's option and research agreements with Southern Research Institute. The Company paid fees and issued securities to Paramount BioCapital or its designees in connection with these transactions and Paramount BioCapital currently has a right of first refusal to act as the placement agent for the private sale of our securities until May 31, 2008. Dr. Michael Weiser and Timothy McInerney, each of whom is a member of the Company's board of directors, are also full-time employees of Paramount BioCapital. See "Certain Relationships and Related Transactions."

Paramount BioCapital, Dr. Rosenwald, Dr. Weiser, and Mr. McInerney are not obligated pursuant to any agreement or understanding with us to make any additional products or technologies available to us, nor can there be any assurance that any biomedical or pharmaceutical products or technologies identified in the future by such parties will be made available to us. In addition, certain of our current officers and directors, as well as officers or directors that may be hereafter appointed, may from time to time serve as officers or directors of other biopharmaceutical or biotechnology companies. There can be no assurance that such other companies will not have interests in conflict with our own.

Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.

Additional risks may exist as a result of our becoming a public reporting company through a "reverse merger." Security analysts of major brokerage firms may not provide coverage of the Company. Because we became public through a reverse merger, there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will want to provide analyst coverage of our Company in the future.

We are subject to Sarbanes-Oxley and the reporting requirements of federal securities laws, which can be expensive.

As a public reporting company, we are subject to the Sarbanes-Oxley Act of 2002, as well as the information and reporting requirements of the Securities Exchange Act of 1934, as amended, and other federal securities laws. As a result, we incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with our public company reporting requirements and corporate governance requirements. As an example of public reporting company requirements, we evaluate the effectiveness of disclosure controls and procedures and of our internal control over financing reporting in order to allow management to report on such controls.

As a company with limited capital and human resources, our management has identified that there is a lack of segregation of duties due to the limited number of employees within our company's financial and administrative functions. Management believes that, based on the employees involved and the control procedures in place, risks associated with such lack of segregation are not significant and that the potential benefits of adding employees to segregate duties more clearly do not justify the associated added expense. However, management continues to evaluate this segregation of duties. Furthermore, management is aware that many of our currently existing internal controls are undocumented. Our management will be working to document such internal controls over the coming year. In the event we identify significant deficiencies or material weaknesses in our internal control over financial reporting that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements and the trading price of our common stock and ability to obtain any necessary equity or debt financing could suffer.

Our common stock trades only in an illiquid trading market.

Trading of our common stock is conducted on the Over-The-Counter Bulletin Board ("OTCBB"). This has an adverse effect on the liquidity of our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts' and the media's coverage of our Company and its common stock. This may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock.

There is not now, and there may not ever be an active market for shares of our common stock.

In general, there has been limited trading activity in shares of the Company's common stock. The small trading volume may make it more difficult for our stockholders to sell their shares as and when they choose. Furthermore, small trading volumes generally depress market prices. As a result, you may not always be able to resell shares of our common stock publicly at the time and prices that you feel are fair or appropriate.

Because it is a "penny stock," you may have difficulty selling shares of our common stock.

Our common stock is a "penny stock" and is therefore subject to the requirements of Rule 15g-9 under the Securities and Exchange Act of 1934. Under this rule, broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the Securities and Exchange Commission. Under applicable regulations, our common stock will generally remain a "penny stock" until and for such time as it meets certain per share price requirements (as determined in accordance with SEC regulations), or until we meet certain net asset or revenue thresholds.

The penny stock rules severely limit the liquidity of securities in the secondary market, and many brokers choose not to participate in penny stock transactions. As a result, there is generally less trading in penny stocks. If you become a holder of our common stock, you may not always be able to resell shares of our common stock publicly at the time and prices that you feel are fair or appropriate.

We have never paid dividends and do not intend to do so for the foreseeable future.

We have never paid dividends on our capital stock and we do not anticipate that we will pay any dividends for the foreseeable future. Accordingly, any return on an investment in our Company will be realized, if at all, only when you sell shares of our common stock.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus that are forward-looking in nature are based on the current beliefs of our management as well as assumptions made by and information currently available to management, including statements related to the markets for our products, general trends in our operations or financial results, plans, expectations, estimates and beliefs. In addition, when used in this prospectus, the words "may," "could," "should," "anticipate," "believe," "estimate," "expect," "intend," "plan," "predict" and similar expressions and their variants, as they rela or our management, may identify forward-looking statements. These statements reflect our judgment as of the date of this prospectus with respect to future events, the outcome of which is subject to risks, which may have a significant impact on our business, operating results or financial condition. You are cautioned that these forward-looking statements are inherently uncertain. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein. We undertake no obligation to update forward-looking statements. The risks identified under the heading "Risk Factors" in this prospectus, among others, may impact forward-looking statements contained in this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview:

ZIOPHARM Oncology, Inc. is a biopharmaceutical company that is seeking to develop and commercialize a diverse, risk-sensitive portfolio of in-licensed cancer drugs that address unmet medical needs. Our principal focus is on the licensing and development of proprietary drug candidate families that are related to cancer therapeutics that are already on the market or in development. We believe this strategy will result in lower risk and expedited drug development programs. We expect to commercialize our products on our own in North America but recognize that promising clinical trial results in cancers with a high incidence and prevalence might also be addressed in a commercial partnership with another company with the requisite financial resources. Currently, we are in U.S. phase I and I/II studies for two product candidates known as ZIO-101 and ZIO-201. We currently intend to continue with clinical development of ZIO-101 for advanced myeloma and ZIO-201 for advanced sarcoma and to study preclinically product candidates (ZIO-102, ZIO-202, etc.) in the same product families while licensing additional candidates.

We currently have two products in development:

- ZIO-101 is an organic arsenic compound covered by issued U.S. patents and applications internationally. A form of commercially available inorganic arsenic (arsenic trioxide (Trisenox®) or ATO) has been approved for the treatment of acute promyelocytic leukemia (APL), a precancerous condition, and is on the compendia listing for the therapy of multiple myeloma as well as having been studied for the treatment of various other cancers. Nevertheless, ATO has been shown to be toxic to the heart and liver, limiting its use as an anti-cancer agent. Inorganic arsenic has also been shown to cause cancer of the skin and lung in humans. The toxicity of arsenic generally is correlated to its accumulation in organs and tissues. Our preclinical and phase I clinical studies to date have demonstrated that ZIO-101 (and organic arsenic in general) is considerably less toxic than inorganic arsenic, particularly with regard to heart toxicity. In vitro testing of ZIO-101 using the National Cancer Institute's human cancer cell panel detected activity against lung, colon, brain, melanoma, ovarian and kidney cancer. Moderate activity was detected against breast and prostate cancer. In addition to solid tumors, in vitro testing in both the National Cancer Institute's cancer cell panel and in vivo testing in a leukemia animal model demonstrated substantial activity against hematological cancers (cancers of the blood and blood-forming tissues) such as leukemia, lymphoma, myelodysplastic syndromes and multiple myeloma.

Phase I testing of ZIO-101 is ongoing with two safety and dose finding studies at The University of Texas M. D. Anderson Cancer Center ("MDACC"). As of December 2, 2005, monitored safety data for 8 patients enrolled in the ongoing phase I clinical study (blood cancers) through to completion at the 109 mg/m2 (milligrams per meter squared) dose-level cohort are available. The ongoing phase I study in solid cancers recently completed the 420 mg/m2/d x 5 d dose level with no dose limiting toxicities identified. Monitored safety data, as of November 30, 2005, is available for 16 subjects through to completion of enrollment at the 214 mg/m2 dose level cohort. The Company has seen encouraging signs of clinical activity in both of these studies including impact on blood and bone marrow blast cells in patients with acute myelogenous leukemia (AML) and one patient with metastatic renal cell carcinoma where metastasis to the brain resolved. The Company recently initiated a phase I/II advanced multiple myeloma study to be conducted in the U.S., Canada and Europe designed to determine maximum tolerated dose and to assess clinical activity in this specific indication. This study began at a dose of 109 mg/m2 utilizing the same dosing regimen as the ongoing phase I studies. The Company expects to pursue registration in the U.S. for the treatment of advanced multiple myeloma with a potentially pivotal trial to begin in 2007.

- ZIO-201, or isophosphoramide mustard (IPM), is a proprietary stabilized metabolite of ifosfamide that is also related to cyclophosphamide. A patent application for pharmaceutical composition has been filed. Cyclophosphamide and ifosfamide are alkylating agents. The Company believes cyclophosphamide is the most widely used alkylating agent in cancer therapy and is used to treat breast cancer and non-Hodgkin's lymphoma. Ifosfamide has been shown to be effective in high dose by itself, or in combination in treating sarcoma and lymphoma. Although ifosfamide-based treatment generally represents the standard of care for sarcoma, it is not licensed for this indication by the FDA. Our preclinical studies have shown that, in animal and laboratory models, IPM evidences activity against leukemia and solid tumors. These studies also indicate that ZIO-201 has a better pharmacokinetic and safety profile than ifosfamide or cyclophosphamide, offering the possibility of safer and more efficacious therapy with ZIO-201. Ifosfamide is metabolized to IPM. In addition to IPM, another metabolite of ifosfamide is acrolein, which is toxic to the kidneys and bladder. The presence of acrolein can mandate the administration of a protective agent called mesna, which is inconvenient and expensive. Chloroacetaldehyde is another metabolite of ifosfamide and is toxic to the central nervous system, causing "fuzzy brain" syndrome for which there is currently no protective measure. Similar toxicity concerns pertain to high-dose cyclophosphamide, which is widely used in bone marrow and blood cell transplantation. Because ZIO-201 is independently active—without acrolein or chloroacetaldehyde metabolites—we believe that the administration of ZIO-201 may avoid many of the toxicities of ifosfamide and cyclophosphamide without compromising efficacy. In addition to anticipated lower toxicity, ZIO-201 (and without the co-administration of mesna) may have other advantages over ifosfamide. In preclinical studies ZIO-201 likely cross-links DNA differently than ifosfamide or cyclophosphamide metabolites, resulting in a different activity profile. Moreover, in some instances ZIO-201 appears to show activity in ifosfamide- and/or cyclophosphamide-resistant cancer cells.

Phase I testing of ZIO-201 is ongoing at two sites in the U.S. (Karmanos Cancer Center at Wayne State University in Detroit and Premiere Oncology in Los Angeles). This study is treating patients at a dose of 787 mg/m2. IPM has been administered without the "uroprotectant" mesna and the toxicities associated with acrolein and chloroacetaldehyde have not been observed. Kidney toxicity seen with ifosfamide has occurred in the higher dose cohorts. One patient with advanced mesothelioma continues to have stable disease following 15 cycles of therapy with ZIO-201 as a single agent. The Company recently initiated a phase I/II trial in advanced sarcoma at The University of Texas M. D. Anderson Cancer Center. The MDACC will be joined by additional centers in the U.S., Canada and Europe in the coming months. Additional studies in patients with advanced sarcoma will begin shortly in the U.S. and plans for a phase I/II study in pediatric sarcoma are well advanced. The Company expects to pursue registration in the U.S. for the treatment of advanced sarcoma and a pivotal trial to begin in 2007.

Currently, we are in U.S. phase I/II studies for both of these drug candidates. In January 2006, we initiated a phase I/II with ZIO-101 in advanced multiple myeloma and in February 2006 with ZIO-201 in advanced sarcoma. We intend to continue with clinical development of ZIO-101 for advanced myeloma and ZIO-201 for advanced sarcoma. However, the successful development of our product candidates is highly uncertain. Product development costs and timelines can vary significantly for each product candidate and are difficult to accurately predict. Various statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of each product. The lengthy process of seeking these approvals, and the subsequent compliance with applicable statutes and regulations, require the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could materially adversely affect our business. To date, we have not received approval for the sale of any drug candidates in any market and, therefore, have not generated any revenues from our drug candidates.

We were originally incorporated in Colorado in September 1998 (under the name Net Escapes, Inc.) and later changed our name to "EasyWeb, Inc." in February 1999. We were re-incorporated in Delaware on May 16, 2005 under the same name. On September 13, 2005, we completed a "reverse" acquisition of privately held ZIOPHARM, Inc., a Delaware corporation. To effect this transaction, we caused ZIO Acquisition Corp., our wholly-owned subsidiary, to merge with and into ZIOPHARM, Inc., with ZIOPHARM, Inc. surviving as our wholly owned subsidiary. In accordance with the

terms of the merger, the outstanding common stock of ZIOPHARM, Inc. automatically converted into the right to receive an aggregate of approximately 97.3% of our outstanding common stock (after giving effect to the transaction). Following the merger, we caused ZIOPHARM, Inc. to merge with and into us and we changed our name to "ZIOPHARM Oncology, Inc."

Plan of Operation

Our plan of operation for the fiscal year ended December 31, 2006, is to continue implementing our business strategy, including the clinical development of our two lead product candidates, ZIO-101 and ZIO-201. We also intend to expand our drug candidate portfolio by seeking additional drug candidates through in-licensing arrangements. We expect our principal expenditures during those 12 months to include:

- Fees and milestone payments required under the license agreements relating to our existing product candidates and additional in-licensed candidates;
- Clinical trial expenses, including the costs incurred with respect to the conduct of clinical trials for ZIO-101 and ZIO-201 and preclinical costs associated with back-up candidates ZIO-102 and ZIO-202;
- Costs related to the scale-up and manufacture of ZIO-101 and ZIO-201;
- Rent for our facilities; and
- General corporate and working capital, including general and administrative expenses.

As part of our plan for additional employees, we anticipate hiring several additional full-time employees in medical, regulatory and administrative support. In addition, we intend to use senior advisors, consultants, clinical research organizations and third parties to perform certain aspects of product development, manufacturing, clinical and preclinical development, and regulatory and quality assurance functions.

At our current and desired pace of clinical development of our two product candidates, over the next 12 months we expect to spend approximately $5.9 million on clinical trials (including milestone payments that we expect to be triggered under the license agreements relating to our product candidates), approximately $3.2 million on manufacturing costs, $244,000 on facilities, rent and other facilities related costs, and approximately $9.4 million on general corporate and working capital. We believe that we currently have sufficient capital to fund development and commercialization activities of ZIO-101 and ZIO-201 into the third quarter of 2006. See “Liquidity and Capital Resources” below.

Product Candidate Development and Clinical Trials

ZIO-101. ZIO-101, organic arsenic, is being developed presently to treat advanced myeloma. As a follow-on to the ongoing phase I trials, a phase I/II trial in advanced multiple myeloma was initiated in January 2006. With the completion of patient enrollment of this trial in 2006, we expect to initiate a registration trial in advanced multiple myeloma. We will continue to explore the use of ZIO-101 in solid tumors as well as other phase II trials. Preclinical development will continue with a back-up compound designated as ZIO-102. Additional compounds are being synthesized under our agreement with The University of Texas M.D. Anderson Cancer Center and the Texas A&M University System. Technology transfer and scale-up for the commercial manufacture of the active pharmaceutical ingredient, its lyophilization, and final product specification will continue through the period leading to the expected registration trial 2007. Preclinical development will continue with additional compounds and routes of administration.

ZIO-201. ZIO-201, stabilized isophosphoramide mustard, is being developed presently to treat advanced sarcoma. As follow-on to the ongoing phase I trial, a phase I/II trial in advanced sarcoma was initiated in February 2006 and other trials are in the advanced planning stage. With the completion of patient enrollment of this trial in 2006, we expect to initiate a registration trial in advanced sarcoma. Technology transfer and scale-up for the commercial manufacture of the active pharmaceutical ingredient, its lyophilization, and final product specification will continue through the period leading to the expected registration trial in the first half of 2007. Preclinical development with continue with back-up analogues.

Results of Operations for the fiscal year ended December 31, 2005 versus December 31, 2004

Revenues. We had no revenues for the fiscal year ended December 31, 2005 and 2004.

Research and development expenses. For the year ended December 31, 2005, research and development expenses increased to approximately $5.6 million from approximately $2.1 million in the twelve-month period ended December 31, 2004, an increase of approximately 163%. The increase is attributable to an increase of $1.2 million spent on clinical trials, $1.9 in manufacturing related costs, $0.2 million in pre-clinical costs, and $0.3 million in employee related costs as we built infrastructure to support the research and development efforts. For the next year, we expect research and development spending to continue to increase as we continue to progress our clinical trials and continue with commercial scale-up manufacturing activities.

General and administrative expenses. For the year ended December 31, 2005, general and administrative expenses increased to approximately $4.2 million from approximately $3.6 million in the year ended December 31, 2004, and increase of approximately 17%. The increase is primarily attributable to a nonrecurring payment of $425,000 due on closing of the merger. For the next year, we expect general and administrative spending to approximate the same level as seen in the year ended December 31, 2005.

Other income (expense). Other income increased to approximately $270,000 in the year ended December 31, 2005 from approximately $21,000 in the year ended December 31, 2004, an increase of approximately 1117%. Other income during the year ended December 31, 2005 was primarily comprised of interest income. The increase in the period is due to higher cash balances available for investing purposes.

Net income (loss). For the reasons described above, the net loss increased to approximately $9.5 million in the year ended December 31, 2005 from approximately $5.7 million in the year ended December 31, 2005, an increase of approximately 67%,.

Liquidity and Capital Resources

As of December 31, 2005, we had approximately $8.9 million in cash and cash equivalents. We believe we currently have sufficient capital to fund development and commercialization activities of ZIO-101 and ZIO-201 into the third quarter of 2006. Because our business does not generate any cash flow, however, we will need to raise additional capital to continue development of the product candidates beyond that time. We expect to raise such additional capital by either borrowing money or by selling shares of our capital stock. To the extent additional capital is not available when we need it, we may be forced to abandon our development and commercialization efforts, which would have a material adverse effect on the prospects of our business. Further, our assumptions relating the expected costs of development and commercialization and timeframe for completion are dependent on numerous factors other than available financing, including significant unforeseen delays in the clinical trial and regulatory approval process, which could be extremely costly. In addition, our estimates assume that we will be able to enroll a sufficient number of patients in each clinical trial.

The Company anticipates that losses will continue for the foreseeable future. At December 31, 2005, the Company's accumulated deficit was approximately $15.4 million. The Company has incurred significant losses from operations and has an accumulated deficit that raises substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue operations after its current cash resources are exhausted depends on its ability to obtain additional financing and achieve profitable operations, as to which no assurances can be given.

Our actual cash requirements may vary materially from those now planned because of a number of factors including:

- changes in the focus and direction of our research and development programs;
- competitive and technical advances;
- costs of commercializing any of product candidates;
- costs of filing, prosecuting, defending and enforcing any patent claims and any other intellectual property rights;
- or other developments.

We will need to raise additional capital to continue to fund our research and development and operations after we exhaust our current cash resources in order to continue our long-term plans for clinical trials and new product development. We expect to finance our cash needs through the sale of equity securities and possibly strategic collaborations or debt financings or through other sources that may be dilutive to existing stockholders. There can be no assurance that any such financing can be realized by the Company, or if realized, what the terms thereof may be, or that any amount that Company is able to raise will be adequate to support the Company's working capital requirements until it achieves profitable operations.

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When we seek to raise additional capital to fund our operations, funding may not be available to us on acceptable terms, or at all. If we are unable to raise additional funds when needed., we may not be able to market our products as planned or continue development and regulatory approval of our products, or we could be required to delay, scale back or eliminate some or all our research and development programs. If we raise additional funds through equity sales, these sales may be highly dilutive to existing investors.

Since inception, our primary source of funding for our operations has been the private sale of our securities. During the twelve months ended December 31, 2005, we received $4,815 proceeds from the exercise of stock options and gross proceeds of approximately $18.1 million ($16.8 net of issuance costs) as a result of the sale by ZIOPHARM, Inc. of Series A Convertible Preferred Stock in a private placement transaction. During the twelve months ended December 31, 2004, we received proceeds of approximately $4.5 million as a result of the sale by ZIOPHARM, Inc. of common stock in a private placement transaction.

At December 31, 2005, working capital was approximately $6.8 million, compared to working capital deficit of approximately $445,000 at December 31, 2004. The increase in working capital reflects the approximately $16.8 million in net proceeds received in ZIOPHARM, Inc.’s sale of Series A Preferred stock offset by the use of funds for operations.

Capital expenditures were approximately $130,000 for the year ended December 31, 2005. We anticipate capital expenditures will be approximately $100,000 for the fiscal year ended December 31, 2006.

The Company’s significant lease obligation payable is as follows:

	Payments due by Period				
	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Operating lease	$ 846,151	$ 189,776	$ 398,038	$ 258,337	$ —

Critical Accounting Policies and Significant Estimates

The preparation of financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to accounting for stock-based compensation and research and development activities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under difference assumptions or conditions.

Research and development expenses consist primarily of salaries and related personnel costs, fees paid to consultants and outside service providers for development, legal expenses resulting from intellectual property prosecution and organizational affairs and other expenses relating to the design, development, testing, and enhancement of our product candidates. We expense our research and development costs as they are incurred. General and administrative expenses consist primarily of salaries and related expenses for executive, finance and other administrative personnel, recruitment expenses, professional fees and other corporate expenses, including business development and general legal activities.

Our results include non-cash compensation expense as a result of the issuance of stock option and warrants grants. We account for stock-based awards to employees using the intrinsic value method as prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. We follow the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, for disclosure purposes. All stock-based

awards to non-employees are accounted for at their fair value in accordance with SFAS No. 123 and Emerging Issues Task Force (EITF) 96-18, Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. The fair value of each stock option is estimated at the date of grant using the Black-Scholes option pricing model. We have adopted the disclosure provisions of SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of SFAS No. 123, for all stock-based awards as of December 31, 2004. Had we applied the fair value recognition provisions of SFAS No. 123, our net loss for the year ended December 31, 2004 and 2005 would have increased by approximately $110,000 and $844,000, respectively. We expect to record additional non-cash compensation expense in the future, which may be significant. The Company’s most critical estimates consist of accounting for stock-based compensation.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123R, Share-Based Payment ("SFAS No. 123R"). This Statement is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The Statement requires entities to recognize stock compensation expense for awards of equity instruments to employees based on the grant-date fair value of those awards (with limited exceptions). SFAS No. 123R is effective for the first fiscal year beginning after December 15, 2005. Based on current options outstanding, we anticipate the adoption of this statement to result in approximately $765,000 of additional compensation expense to be recognized in the year of adoption.

Off-Balance Sheet Arrangements

We do not have any “off-balance sheet agreements,” as that term is defined by SEC regulation.

DESCRIPTION OF BUSINESS

General

ZIOPHARM Oncology, Inc. is a biopharmaceutical company that is seeking to develop and commercialize a diverse, risk-sensitive portfolio of in-licensed cancer drugs that address unmet medical needs. Our principal focus is on the licensing and development of proprietary drug candidate families that are related to cancer therapeutics that are already on the market or in development. We believe this strategy will result in lower risk and expedited drug development programs. We expect to commercialize our products on our own in North America but recognize that promising clinical trial results in cancers with a high incidence and prevalence might also be addressed in a commercial partnership with another company with the requisite financial resources. Currently, we are in U.S. phase I and I/II studies for two product candidates known as ZIO-101 and ZIO-201. We currently intend to continue with clinical development of ZIO-101 for advanced myeloma and ZIO-201 for advanced sarcoma and to study preclinically product candidates (ZIO-102, ZIO-202, etc.) in the same product families while licensing additional candidates.

Our corporate office is located at 1180 Avenue of the Americas, 19th Floor, New York, NY 10036, and our telephone number is (646) 214-0700. Our business and development operations are located in Charlestown, Massachusetts.

Cancer Overview

Cancer is a group of diseases characterized by either the runaway growth of cells or the failure of cells to die normally. Often, cancer cells spread to distant parts of the body, where they can form new tumors. Cancer can arise in any organ of the body and, according to the American Cancer Society, strikes one of every two American men and one of every three American women at some point in their lives.

It is reported that there are more than 100 different varieties of cancer divided into six major categories. Carcinomas, the most common type of cancer, originate in tissues that cover a surface or line a cavity of the body. Sarcomas begin in tissue that connects, supports or surrounds other tissues and organs. Lymphomas are cancers of the lymph system, the circulatory system that bathes and cleanses the body’s cells. Leukemias involve blood-forming tissues and blood cells. As their name indicates, brain tumors are cancers that begin in the brain, and skin cancers, including dangerous melanomas, originate in the skin. Cancers are considered metastatic if they spread via the blood or lymphatic system to other parts of the body to form secondary tumors.

Cancer is caused by a series of mutations, or alterations, in genes that control cells’ ability to grow and divide. Some mutations are inherited; others arise from environmental factors such as smoking or exposure to chemicals, radiation, or viruses that damage cells’ DNA. The mutations cause cells to divide relentlessly or lose their normal ability to die.

The cost of cancer to the healthcare system is significant. The National Institute of Health estimates that the overall cost of cancer in 2004 was $189.8 billion. This cost includes an estimate of $69.4 billion in direct medical expenses, $16.9 billion in indirect morbidity costs, and $103.5 billion in indirect mortality costs**.**

Cancer Treatments

Major treatments for cancer include surgery, radiotherapy, and chemotherapy. There are many different drugs that are used to treat cancer, including cytotoxics or antineoplastics, hormones, and biologics. There are also many experimental treatments under investigation including radiation sensitizers, vaccines, gene therapy and immunotoxins. We believe cancer treatment represents a significant unmet medical need.

Radiotherapy. Also called radiation therapy, radiotherapy is the treatment of cancer and other diseases with ionizing radiation. Ionizing radiation deposits energy that injures or destroys cells in the area being treated - the target tissue -

by damaging their genetic material, making it impossible for these cells to continue growing. Although radiation damages both cancer cells and normal cells, the latter are able to repair themselves and regain proper function. Radiotherapy may be used to treat localized solid tumors, such as cancers of the skin, tongue, larynx, brain, breast, or uterine cervix. It can also be used to treat leukemia and lymphoma.

Scientists are also looking for ways to increase the effectiveness of radiation therapy. Two types of investigational drugs are being studied for their effect on cells exposed to radiation. Radiosensitizers increase the damage done to tumor cells by radiation; and radioprotectors protect normal tissues from the effects of radiation.

Cytotoxics. Cytotoxics are anticancer drugs that destroy cancer cells by stopping them from multiplying. Healthy cells can also be harmed with the use of cytotoxics, especially those that divide quickly. Harm to healthy cells is what causes side effects. These cells usually repair themselves after chemotherapy. Chemotherapy can be used for different purposes which include curing cancer (when the patient remains free of evidence of cancer cells), controlling cancer (by preventing the cancer from spreading), and to relieving symptoms of cancer (such as pain, helping patients live more comfortably).

Cytotoxic agents act primarily on macromolecular synthesis, repair or activity, which affects the production or function of DNA, RNA or protein. Although there are many cytotoxic agents, there is a considerable amount of overlap in their mechanisms of action. As such, the choice of a particular agent or group of agents is generally not a consequence of a prior prediction of antitumor activity by the drug, but instead the result of empirical clinical trials.

Supportive Care. The treatment of a cancer may include the use of chemotherapy, radiation therapy, biologic response modifiers, surgery, or some combination of all of these or other therapeutic options. All of these treatment options are directed at killing or eradicating the cancer that exists in the patient's body. Unfortunately, the delivery of many cancer therapies adversely affects the body's normal organs. The undesired consequence of harming an organ not involved with cancer is referred to as a complication of treatment or a side effect.

Side effects, or complications of treatment cause inconvenience, discomfort, and occasionally, may even be fatal. Additionally and perhaps more importantly, side effects may also prevent doctors from delivering the prescribed dose of therapy at the specific time and schedule of the treatment plan. Therefore, side effects not only cause discomfort, but may also limit a patient's ability to achieve the best outcome from treatment by preventing the delivery of therapy at its optimal dose and time.

In addition to anemia, fatigue, hair-loss, reduction in blood platelets and white and red blood cells, and bone pain, one of the most common side effects of chemotherapy is nausea and vomiting. Several drugs have been developed to help prevent and control chemotherapy-induced nausea and vomiting, which have led to improvements in the management of symptoms associated with this cancer treatment, allowing for greater accuracy and consistency concerning the administration of cancer treatment. Nausea and vomiting induced by chemotherapy are treated by drugs such as 5HT3 receptor antagonists, like ondansetron, which is a selective blocking agent of the hormone serotonin.

Product Candidates

ZIO-101

General. ZIO-101 is an organic arsenic compound covered by issued U.S. patents and applications internationally. A form of commercially available inorganic arsenic (arsenic trioxide (Trisenox®) or ATO) has been approved for the treatment of acute promyelocytic leukemia (APL) and is on the compendia listing for the therapy of multiple myeloma as well as having been studied for the treatment of various other cancers. Nevertheless, ATO has been shown to be toxic to the heart, nerves and liver, limiting its use as an anti-cancer agent. Inorganic arsenic has also been shown to cause cancer of the skin and lung in humans. The toxicity of arsenic generally is correlated to its accumulation in organs and tissues. Our preclinical studies demonstrated that ZIO-101 (and organic arsenic in general) is considerably less toxic than inorganic arsenic, particularly with regard to heart toxicity. In phase I testing, significantly higher doses of ZIO-101 have been safely administered than the labeled dose of inorganic arsenic.

In vitro testing of ZIO-101 using the National Cancer Institute's human cancer cell panel detected activity against lung, colon, brain, melanoma, ovarian and kidney cancer. Moderate activity was detected against breast and prostate cancer.

In addition to solid tumors, *in vitro* testing in both the National Cancer Institute's cancer cell panel and *in vivo* testing in a leukemia animal model demonstrated substantial activity against hematological cancers (cancers of the blood and blood-forming tissues) such as leukemia, lymphoma, myelodysplastic syndromes and multiple myeloma. Leukemia is a cancer that begins in blood-forming tissue such as the bone marrow and causes large numbers of blood cells to be produced and enter the bloodstream. Lymphomas are cancers that begin in cells of the immune system. Myelodysplastic syndromes, also called preleukemia or smoldering leukemia, are diseases in which the bone marrow does not function normally.

Clinical Lead Indication: Multiple Myeloma. We expect that advanced myeloma, a hematologic cancer, will be the lead indication in which to seek regulatory approval for ZIO-101. Myeloma is a group of plasma cell cancers associated with the overproduction of monoclonal immunoglobulin (M-protein). Each year approximately 17,000 patients are diagnosed with multiple myeloma in the United States, while 65,000 patients are living with the disease. Primary treatment for myeloma is chemotherapy. Approximately 15-20% of patients with myeloma are resistant to aggressive primary treatment. Usually following two to three years of treatment, resistance to therapy occurs. The average survival of patients with progressive or resistant disease is three to four years.

The standard of care for progressive or resistant multiple myeloma may be in transition. Velcade® is approved to treat patients with myeloma that have had at least one prior therapy. Revlimid® and Thalomid® are currently in advanced trials for the treatment of myeloma. Recent clinical trials offer evidence supporting the use of these therapies either alone or in combination with other agents. However, neither treatment is universally effective. The ongoing need for new and non-cross resistant therapies for the treatment of myeloma suggests that as new therapeutic options come to market, the market will continue to grow. Penetration into the market for new agents is to a large extent independent of the number of therapies available, as every patient will fail all available agents at some point. A more rapid market penetration can be expected in the case where the therapeutic window is wide and efficacy is equal to or greater than currently available agents.

Clinical Development Plan for ZIO-101. We have commenced two phase I clinical trials (hematological and solid tumor) at The University of Texas M.D. Anderson Cancer Center using ZIO-101 in refractory disease. Phase I testing is primarily focused on assessing drug safety; however, some patients in the trials have evidenced either a response or other indications of drug activity without toxicity (as reported by the investigator). The starting dose in both phase I trials was approximately 14 times the labeled dose of inorganic arsenic.

The goal of these phase I trials is to determine dose-limiting toxicity and maximum tolerated dose. In addition, assessments of pharmacokinetic data will be obtained along with any indication of efficacy. In January 2006, the Company initiated a follow-on study to these phase I trials with a phase I/II trial in advanced myeloma. Other trials are under consideration for initiation in 2006. It is expected that a pivotal trial in multiple myeloma would begin in 2007.

The solid tumor trial is seeking to confirm data collected during preclinical studies that indicated activity in a variety of solid tumors. While the current focus for product registration is myeloma, the study results will be instructive for further development plans in solid tumors.

ZIO-201

General. ZIO-201, or isophosphoramide mustard (IPM), is a proprietary stabilized metabolite of ifosfamide that is also related to cyclophosphamide. A patent application for pharmaceutical composition has been filed. Cyclophosphamide and ifosfamide are alkylating agents. Cyclophosphamide is the most widely used alkylating agent in cancer therapy and is used to treat breast cancer and non-Hodgkin's lymphoma. Ifosfamide has been shown to be effective in high dose by itself, or in combination with other agents, in treating sarcoma and lymphoma. Although ifosfamide-based treatment generally represents the standard of care for sarcoma, it is not licensed for this indication

by the US Food and Drug Administration (the “FDA”).

Our preclinical studies have shown that, in animal and laboratory models, IPM evidences activity against leukemia and solid tumors. These studies also indicate that ZIO-201 has a better pharmacokinetic and safety profile than ifosfamide or cyclophosphamide, offering the possibility of safer and more efficacious therapy with ZIO-201.

Ifosfamide is metabolized to IPM. In addition to IPM, another metabolite of ifosfamide is acrolein, which is toxic to the kidneys and bladder. The presence of acrolein mandates the administration of a protective agent called mesna, which is inconvenient and expensive. Chloroacetaldehyde is another metabolite of ifosfamide and is toxic to the central nervous system, causing “fuzzy brain” syndrome for which there is currently no protective measure. Similar toxicity concerns pertain to high-dose cyclophosphamide, which is widely used in bone marrow and blood cell transplantation. Because ZIO-201 is independently active—without acrolein or chloroacetaldehyde metabolites—the Company believes that the administration of ZIO-201 (without the administration of mesna) may avoid many of the toxicities of ifosfamide without compromising efficacy.

In addition to anticipated lower toxicity, ZIO-201 may have other advantages over ifosfamide and cyclophosphamide. ZIO-201 likely cross-links DNA differently than ifosfamide or cyclophosphamide metabolites, resulting in a different activity profile. Moreover, in some instances in preclinical studies, ZIO-201 appears to show activity in ifosfamide- and/or cyclophosphamide-resistant cancer cells.

Potential Lead Indications for ZIO-201: Sarcomas. Sarcomas are cancers of the bone, cartilage, fat, muscle, blood vessels, or other connective or supportive tissue. Soft tissue sarcomas, the expected lead indication for ZIO-201, are relatively rare; there are 8,000 to 10,000 new cases each year in adults in the United States. However, in children, soft tissue sarcomas account for approximately 10% of all childhood cancers. There are more than 50 histological or tissue types of soft tissue sarcomas. The prognosis for patients with adult soft tissue sarcomas depends on several factors, including the patient’s age, size of the primary tumor, histological grade, and stage of the tumor. Factors associated with a poorer prognosis include age greater than 60 years, tumors larger than five centimeters, and high-grade histology. While small, low-grade tumors are usually curable by surgery alone; higher-grade or larger sarcomas are associated with higher local treatment failure rates and increased metastatic potential. Ifosfamide-based chemotherapy is a frequent standard of care for the treatment of metastatic tumors. It may also used in the adjuvant setting for high-risk primary tumors.

ZIO-201 may be a useful agent that, either alone or in combination with other agents, can deliver therapeutic activity with fewer side effects of the type that have been associated with ifosfamide. In the United States, ifosfamide is regularly included in combination regimens for the treatment of sarcomas, testicular cancers, head and neck cancer and some types of non-Hodgkin’s lymphomas. The Company believes that ZIO-201 may be able to replace ifosfamide in any or all of these combination protocols.

Clinical Development Plan for ZIO-201. A phase I clinical trial is being conducted at two centers with the objective of establishing maximum tolerated dose. The current dose level in this phase I trial is believed to be comparable to a relatively high dose of ifosfamide. The drug is being administered without mesna. Furthermore, one patient has evidence of stable disease. The Company initiated a phase I/II trial in advanced sarcoma in February 2006; additional phase II studies are in the planning stages. These trials would support the design and implementation of a registration study in 2007.

Competition

The development and commercialization for new products to treat cancer is highly competitive, and there will be considerable competition from major pharmaceutical, biotechnology, and specialty cancer companies. Many of our competitors have substantially more resources than the Company, including both financial and technical. In addition, many of these companies have more experience than the Company in preclinical and clinical development, manufacturing, regulatory, and global commercialization. The Company is also competing with academic institutions, governmental agencies and private organizations that are conducting research in the field of cancer. Competition for highly qualified employees is intense.

There are a number of companies developing chemotherapies for cancer and in particular for multiple myeloma and sarcoma. Millennium Pharmaceuticals, Inc. and Celgene Corporation have marketed products to treat multiple myeloma, and many other product candidates are in clinical trials and preclinical research. There are a more limited number of competitors developing new approaches to treat sarcoma, Ariad Pharmaceuticals principal among them.

In addition to competitive companies, treatments for cancer that compete with our product candidates are summarized under the caption "Cancer Treatments."

License Agreements and Intellectual Property

Our goal is to obtain, maintain and enforce patent protection for our products, formulations, processes, methods and other proprietary technologies, to preserve our trade secrets, and to operate without infringing the proprietary rights of other parties, both in the United States and in other countries. Our policy is to actively seek the broadest possible intellectual property protection for our product candidates through a combination of contractual arrangements and patents, both in the United States and abroad.

Patent and Technology License Agreement — University of Texas M. D. Anderson Cancer Center and the Texas A&M University System. On August 24, 2004, the Company entered into a Patent and Technology License Agreement with The Board of Regents of the University of Texas System, acting on behalf of The University of Texas M. D. Anderson Cancer Center and the Texas A&M University System (collectively, the "Licensors"). Under this agreement, the Company was granted an exclusive, worldwide license to rights (including rights to U.S. and foreign patent and patent applications and related improvements and know-how) for the manufacture and commercialization of two classes of organic arsenicals (water- and lipid-based) for human and animal use. The class of water-based organic arsenicals includes ZIO-101.

In October 2004, we received a notice of allowance for U.S. Patent Application No. 10/337969, entitled "S-dimethylarsino-thiosuccinic acid S-dimethylarsino-2-thiobenzoic acid S-(simethylarsino) glutathione as treatments for cancer." The patent was granted on June 28, 2005. The patent application claims both therapeutic uses and pharmaceutical compositions containing a novel class of organic arsenicals, including ZIO-101, for the treatment of cancer. In February 2006, we announced that a second organic arsenic case has been issued under U.S. Patent No. 6995188. This patent provides further coverage of cancer treatment using organic arsenic, including ZIO-101, in combination with other agents or therapies.

As partial consideration for the license rights obtained by us, we paid the Licensors an upfront,nonrefundable $125,000 fee and issued 250,487 shares of our common stock to The University of Texas M. D. Anderson Cancer Center and granted it an option to purchase an additional 50,222 shares of our common stock for approximately $0.002 per share (such share amounts and option exercise price have been adjusted to reflect to the Merger). The option vested and became exercisable with respect to 25% of its shares upon the Company's filing of an Investigational New Drug ("IND") in the fiscal year ended December 31, 2005. The option will vest and become exercisable with respect to another 50% of its shares upon completion of the dosing of the last patient for both the blood and solid tumor phase I trials for ZIO-101 and will vest and become exercisable with respect to 25% of the shares upon enrollment of the first patient in a multi-center pivotal clinical trial (i.e., a human clinical trial intended to provide the substantial evidence of efficacy necessary to support the filing of an approvable New Drug Application ("NDA") for ZIO-101. As additional consideration for the license, the Licensors are entitled to receive up to an aggregate of $4.85 million in cash payments, payable in varying amounts, upon the achievement of certain milestones, including $100,000 that we paid upon the commencement of the phase I clinical trial for ZIO-101 in May 2005. The Licensors are entitled to receive royalty payments from sales of a licensed product (should such a product be approved for commercial sale), as well and a portion of any fees that we may receive from a sublicensee. Finally, the license agreement provides that we will enter into two separate sponsored research agreements with the Licensors, each of which will require that we make annual payments of $100,000 for no less than two years. We will have the exclusive right to all intellectual property rights resulting from such research pursuant to the terms of the agreements.

The agreement also contains other provisions customary and common in similar agreements within the industry, such as our right to sublicense our rights under the agreement. Nevertheless, if we sublicense our rights prior to the commencement of a pivotal clinical trial (i.e., a human clinical trial intended to provide the substantial evidence of

efficacy necessary to support the filing of an approvable NDA), the Licensors will generally be entitled to receive a share of the payments we receive in exchange for the sublicense (subject to certain exceptions).

License Agreement with DEKK-Tec, Inc. On October 15, 2004, we entered into a license agreement with DEKK-Tec, Inc., pursuant to which we were granted an exclusive, worldwide license to the second of our lead product candidates, ZIO-201.

As partial consideration for the license rights obtained by us, we paid DEKK-Tec an upfront, non-refundable $50,000 fee. In addition, DEKK-Tec is entitled to receive cash payments in the aggregate amount of up to $3.9 million, which are payable in varying amounts upon the occurrence of certain milestone events. The majority of these milestone payments will be creditable against future royalty payments, as referenced below. We also issued DEKK-Tec an option to purchase up to 27,616 shares of our common stock for approximately $0.02 per share (such share amount and option exercise price have been adjusted to reflect to the Merger), which option vested with respect to 6,904 post-Merger shares upon the execution of the license agreement. DEKK-Tec has since exercised the vested portion of the option in its entirety. The option will vest with respect to the remaining shares upon certain milestone events culminating with final FDA approval of the first NDA submitted by us (or by our sublicensee) for ZIO-201. Finally, DEKK-Tec also is entitled to receive royalty payments on the sales of ZIO-201 should it be approved for commercial sale. The license agreement also contains other provisions customary and common in similar agreements within the industry.

Option and Research Agreements with Southern Research Institute ("SRI"). On December 22, 2004, we entered into an Option Agreement with SRI, pursuant to which we were granted an exclusive option to obtain an exclusive license to SRI's interest in certain intellectual property, including exclusive rights related to certain isophosphoramide mustard analogs. Also on December 22, 2004, we entered into a Research Agreement with SRI pursuant to which we agreed to spend a sum not to exceed $200,000 between the execution of the agreement and December 21, 2006, including a $25,000 payment that we made simultaneously with the execution of the agreement, to fund research and development work by SRI in the field of isophosphoramide mustard analogs. Under the terms of the option agreement, our exclusive right to exercise the option will expire 60 days after the termination or expiration of the SRI's research and development work in the field of isophosphoramide mustard analogs, and the delivery of the certain required reports.

Other Intellectual Property Rights and Protection. We depend upon the skills, knowledge and experience of our scientific and technical personnel, as well as those of our advisors, consultants and other contractors, none of which is patentable. To help protect proprietary know-how, which is not patentable, and for inventions for which patents may be difficult to enforce, we currently rely, and in the future will continue to rely, on trade secret protection and confidentiality agreements to protect our interests. To this end, we generally require employees, consultants, advisors and other contractors to enter into confidentiality agreements that prohibit the disclosure of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business.

Governmental Regulation

The research, development, testing, manufacture, labeling, promotion, advertising, distribution, and marketing, among other things, of our products are extensively regulated by governmental authorities in the United States and other countries. In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or the "FDCA," and its implementing regulations. Failure to comply with the applicable U.S. requirements may subject us to administrative or judicial sanctions, such as FDA refusal to approve pending New Drug Applications (NDAs), warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, and/or criminal prosecution.

Drug Approval Process. None of our drugs may be marketed in the U.S. until the drug has received FDA approval. The steps required before a drug may be marketed in the U.S. include:

- Preclinical laboratory tests, animal studies, and formulation studies;
- Submission to the FDA of an IND for human clinical testing, which must become effective before human clinical trials may begin;
- Adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug for each indication;

- Submission to the FDA of an NDA;
- Satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with current good manufacturing practices, or “cGMPs”; and
- FDA review and approval of the NDA.

Preclinical tests include laboratory evaluation of product chemistry, toxicity, and formulation, as well as animal studies. The conduct of the preclinical tests and formulation of the compounds for testing must comply with federal regulations and requirements. The results of the preclinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND Application, which must become effective before human clinical trials may begin. An IND will automatically become effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions about issues such as the conduct of the trials as outlined in the IND. In such a case, the IND sponsor and the FDA must resolve any outstanding FDA concerns or questions before clinical trials can proceed. The Company cannot be sure that submission of an IND will result in the FDA allowing clinical trials to begin.

Clinical trials involve the administration of the investigational drug to human subjects under the supervision of qualified investigators. Clinical trials are conducted under protocols detailing the objectives of the study, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap. The study protocol and informed consent information for study subjects in clinical trials must also be approved by an Institutional Review Board for each institution where the trials will be conducted. Study subjects must sign an informed consent form before participating in a clinical trial. Phase I usually involves the initial introduction of the investigational drug into people to evaluate its short-term safety, dosage tolerance, metabolism, pharmacokinetics and pharmacologic actions, and, if possible, to gain an early indication of its effectiveness. Phase II usually involves trials in a limited patient population to (i) evaluate dosage tolerance and appropriate dosage; (ii) identify possible adverse effects and safety risks; and (iii) evaluate preliminarily the efficacy of the drug for specific indications. Phase III trials usually further evaluate clinical efficacy and test further for safety by using the drug in its final form in an expanded patient population. There can be no assurance that phase I, phase II, or phase III testing will be completed successfully within any specified period of time, if at all. Furthermore, a company or the FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

The FDCA permits the FDA and the IND sponsor to agree in writing on the design and size of clinical studies intended to form the primary basis of an effectiveness claim in an NDA application. This process is known as Special Protocol Assessment. These agreements may not be changed after the clinical studies begin, except in limited circumstances.

Assuming successful completion of the required clinical testing, the results of the preclinical studies and of the clinical studies, together with other detailed information, including information on the manufacture and composition of the drug, are submitted to the FDA in the form of an NDA requesting approval to market the product for one or more indications. The testing and approval process requires substantial time, effort, and financial resources. The agencies review the application and may deem it to be inadequate to support the registration, and companies cannot be sure that any approval will be granted on a timely basis, if at all. The FDA may also refer the application to the appropriate advisory committee, typically a panel of clinicians, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendations of the advisory committee.

The FDA has various programs, including phase 0, orphan drug, fast track, priority review, and accelerated approval, that are intended to expedite or simplify the process for reviewing drugs, and/or provide for approval on the basis surrogate endpoints or provide financial incentives and market exclusivity. Generally, drugs that may be eligible for one or more of these programs are those for serious or life-threatening conditions, those with the potential to address unmet medical needs, and those that provide meaningful benefit over existing treatments. A company cannot be sure that any of its drugs will qualify for any of these programs, or that, if a drug does qualify, that the review time will be reduced.

Section 505(b)(2) of the FDCA allows the FDA to approve a follow-on drug on the basis of data in the scientific literature or a prior FDA approval of an NDA for a related drug. This procedure potentially makes it easier for generic drug manufacturers to obtain rapid approval of new forms of drugs based on proprietary data of the original drug manufacturer.

Before approving an NDA, the FDA usually will inspect the facility or the facilities at which the drug is manufactured and will not approve the product unless Good Manufacturing Practice (cGMP) compliance is satisfactory. If the FDA evaluates the NDA and the manufacturing facilities as acceptable, the FDA may issue an approval letter, or in many cases, an approvable letter followed by an approval letter. Both letters usually contain a number of conditions that must be met in order to secure final approval of the NDA. When and if those conditions have been met to the FDA's satisfaction, the FDA will issue an approval letter. The approval letter authorizes commercial marketing of the drug for specific indications. As a condition of NDA approval, the FDA may require post-marketing testing and surveillance to monitor the drug's safety or efficacy, or impose other conditions.

After approval, certain changes to the approved product, such as adding new indications, making certain manufacturing changes, or making certain additional labeling claims, are subject to further FDA review and approval. Before a company can market products for additional indications, it must obtain additional approvals from FDA. Obtaining approval for a new indication generally requires that additional clinical studies be conducted. A company cannot be sure that any additional approval for new indications for any product candidate will be approved on a timely basis, or at all.

Post-Approval Requirements. Often times, even after a drug has been approved by the FDA for sale, the FDA may require that certain post-approval requirements be satisfied, including the conduct of additional clinical studies. If such post-approval conditions are not satisfied, the FDA may withdraw its approval of the drug. In addition, holders of an approved NDA are required to: (i) report certain adverse reactions to the FDA, (ii) comply with certain requirements concerning advertising and promotional labeling for their products, and (iii) continue to have quality control and manufacturing procedures conform to cGMP after approval. The FDA periodically inspects the sponsor's records related to safety reporting and/or manufacturing facilities; this latter effort includes assessment of compliance with cGMP. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. We intend to use third party manufacturers to produce our products in clinical and commercial quantities, and future FDA inspections may identify compliance issues at the facilities of our contract manufacturers that may disrupt production or distribution, or require substantial resources to correct. In addition, discovery of problems with a product after approval may result in restrictions on a product, manufacturer, or holder of an approved NDA, including withdrawal of the product from the market.

Reverse Stock Split

On August 24, 2005, we (EasyWeb, Inc.) effected a 1-for-40 share combination (i.e., reverse stock split) of our capital stock. The share combination was approved by our stockholders at a special stockholder meeting held on February 28, 2005. As a result of the share combination, we had 189,922 shares of common stock outstanding immediately prior to the merger transaction with ZIOPHARM, Inc., which is discussed immediately below.

Acquisition of ZIOPHARM, Inc.

Pursuant to an Agreement and Plan of Merger dated August 3, 2005 (the "Merger Agreement") by and among us, ZIO Acquisition Corp., a Delaware corporation and our wholly owned subsidiary, and ZIOPHARM, Inc., a Delaware corporation, ZIO Acquisition Corp. merged with and into ZIOPHARM, Inc., with ZIOPHARM, Inc. remaining as the surviving corporation and our wholly-owned subsidiary. This transaction is referred to throughout this report as the "Merger." The Merger was effective as of September 13, 2005, upon the filing of a certificate of merger with the Delaware Secretary of State. In consideration for their shares of ZIOPHARM, Inc. capital stock and in accordance with the Merger Agreement, the stockholders of ZIOPHARM, Inc. received an aggregate of 6,967,941 shares or approximately 97.3% of our common stock. In addition, all securities convertible into and exercisable for shares of ZIOPHARM, Inc. capital stock outstanding immediately prior to the Merger were cancelled, and the holders thereof received similar securities convertible into an aggregate of 1,366,846 shares of our common stock.

All share and per share data in this report have been adjusted to give effect to the conversions effected as part of the Merger.

The Merger Agreement was filed as Exhibit 10.1 to our current report on Form 8-K filed with the Securities and Exchange Commission on August 9, 2005, and is incorporated herein by reference. The foregoing description of the Merger Agreement and the Merger do not purport to be complete and is qualified in its entirety by reference to the Merger Agreement.

On September 13, 2005, our board of directors approved a transaction pursuant to which ZIOPHARM, Inc. merged with and into us, leaving us as the surviving corporation. In connection with this parent-subsidiary merger, we relinquished our prior corporate name, EasyWeb, Inc., and assumed in its place the name "ZIOPHARM Oncology, Inc." The parent-subsidiary merger and name change became effective on September 14, 2005.

Changes in Board of Directors

At the effective time of the Merger, the board of directors was reconstituted by the appointment of Dr. Jonathan Lewis, Richard Bagley, Dr. Murray Brennan, James Cannon, Senator Wyche Fowler, Jr., Gary S. Fragin, Timothy McInerney and Dr. Michael Weiser as directors (all of whom were directors of ZIOPHARM, Inc. immediately prior to the Merger), and the resignations of David C. Olson and David Floor from their previous positions as our directors.

Employees

As of the date of this prospectus, the Company has 17 employees, all of which are full-time employees. Several additional employees are expected to be hired prior to the end of 2006.

Legal Proceedings

We are not currently involved in any material legal proceedings.

MANAGEMENT

Directors and Executive Officers

At the effective time of the Merger, our board of directors was reconstituted by the appointment of Jonathan Lewis, Richard Bagley, Murray Brennan, James Cannon, Senator Wyche Fowler, Jr., Gary S. Fragin, Timothy McInerney and Michael Weiser as directors (all of whom were directors of ZIOPHARM immediately prior to the Merger), and the resignations of David C. Olson and David Floor from their roles as our directors. Our executive management team was also reconstituted and David C. Olson resigned from his positions as our President, Treasurer and Secretary. The following table sets forth the name, age and position of each of our directors and executive officers as of the date of this prospectus.

Name	Age	Positions
Jonathan Lewis, M.D., Ph.D.	47	Director & Chief Executive Officer
Richard Bagley	62	Director, President, Chief Operating Officer & Treasurer
Robert Peter Gale, M.D., Ph.D, DSc.	60	Senior Vice President Research
Murray Brennan, M.D.	66	Director
James Cannon	67	Director
Senator Wyche Fowler, Jr., JD	65	Director
Gary S. Fragin	59	Director
Timothy McInerney	45	Director
Michael Weiser, M.D., Ph.D.	43	Director

The biographies of the directors and executive officers listed above are set forth below, all of whom began serving us in their respective positions at the effective time of the Merger.

Jonathan Lewis has served as Chief Executive Officer and a director since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Dr. Lewis served as Chief Executive Officer of ZIOPHARM, Inc. since January 2004. From July 1994 until June 2001, Dr. Lewis served as Professor of Surgery and Medicine at Memorial Sloan-Kettering Cancer Center and he served as Chief Medical Officer and Chairman of the Medical Board at Antigenics, Inc. from June 2000 until November 2003. He serves as a director on the Board of POPPA (the Police Organization Providing Peer Assistance) of the New York Police Department (NYPD) and as a member of the Medical Advisory Board of the Sarcoma Foundation of America.

Richard E. Bagley has served as President, Chief Operating Officer and Treasurer and a director since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Mr. Bagley served as President and Chief Operating Officer of ZIOPHARM, Inc. since July 2004 and as Treasurer of ZIOPHARM, Inc. since March 2005. Mr. Bagley served as a consultant to ZIOPHARM, Inc. prior to joining that company while also serving as a senior advisor to The University of Texas M.D. Anderson Cancer Center and Spaulding & Slye Colliers International in the period from May 2003 to July 2004. Mr. Bagley initiated a career in pharmaceuticals in 1968 with Smith Kline and French Laboratories, leaving in 1985 after serving as President of the consumer products division. From 1985-1990, Mr. Bagley served in several capacities at Squibb Corporation, including as President E. R. Squibb & Sons, U.S. in 1988 and 1989. He served as Director, Chief Executive Officer and President of ImmuLogic Pharmaceutical Corporation from 1990 to 1994, as Director, Chief Executive Officer and Chairman of ProScript, Inc. from 1994 to 1998, as Director, President and Chief Executive Officer of AltaRex Corp. from 1998 to May 2003.

Robert Peter Gale has served as Senior Vice President Research since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Dr. Gale served as Senior Vice President Research of ZIOPHARM, Inc. since

January 2004. Dr. Gale is also on the medical staff of UCLA School of Medicine in the Department of Medicine, Division of Hematology and Oncology and is Visiting Professor of Hematology at Imperial College of Science, Technology and Medicine, Hammersmith Hospital, London. Dr. Gale served as Senior Vice President for Medical Affairs at Antigenics, Inc. from April 2001 until May 2002 and as a consultant to that company from May 2002 through May 2004.

Murray Brennan has served as a director since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Dr. Brennan served as a director of ZIOPHARM, Inc. since December 2004. Dr. Brennan has been Chairman of Memorial Sloan-Kettering Cancer Center's Department of Surgery since 1985, and is a former Vice President of the American College of Surgeons, a position he held from 2004 to 2005. Dr. Brennan is also a member of the National Academy of Sciences. He served as director of the American Board of Surgery from 1984 to 1990, Chairman of the American College of Surgeons' Commission on Cancer from 1992 to 1994, President of the Society of Surgical Oncology from 1995 to 1996, and President of the American Surgical Association from 2002 to 2003.

James Cannon has served as a director since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Mr. Cannon served as a director of ZIOPHARM, Inc. since December 2004. Mr. Cannon is Vice Chairman, Chief Financial Officer and a member of the board of directors of BBDO Worldwide. Mr. Cannon joined BBDO in 1967, was appointed Chief Financial Officer of the agency in 1984, and was elected to its board of directors in 1985. In 1986, Mr. Cannon was appointed Comptroller and a member of the board of directors of Omnicom, a company affiliated with BBDO Worldwide, and served in those capacities through May 2002. In 1987, Mr. Cannon also served as Director of Financial Operations of the Omnicom Group from 1987 to 1989, when he rejoined BBDO Worldwide as Executive Vice President and Chief Financial Officer. Mr. Cannon was appointed Vice Chairman of BBDO Worldwide in 1990.

Wyche Fowler, Jr., has served as a director since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Senator Fowler served as a director of ZIOPHARM, Inc. since December 2004. Senator Fowler has been engaged in an international business and law practice since May 2001, and has served as chairman of the board of the Middle East Institute, a non-profit foundation in Washington, DC, since September 2001. Senator Fowler served as U.S. Senator from Georgia from January 1987 to January 1993, and had previously served in the U.S. House of Representatives from 1977 until his senatorial election. During his time in the U.S. Senate, Senator Fowler served as a member of the Senate Appropriations, Budget, Energy and Agriculture Committees. While in the U.S. House of Representatives, he was a member of the House Ways and Means and Foreign Affairs Committees, as well as the Select Committee on Intelligence. President Clinton appointed Senator Fowler as Ambassador to the Kingdom of Saudi Arabia in 1996, where he served through 2001. Senator Fowler is a member of the board of directors of Brandywine Realty Trust, a real estate investment trust traded on the New York Stock Exchange.

Gary S. Fragin has served as a director since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Mr. Fragin served as a director of ZIOPHARM, Inc. since December 2004. Mr. Fragin is currently managing partner of Osborn Partners, LP and managing partner of Fragin Asset Management, LP. Mr. Fragin was the General Partner and Chief Administrative/Operating Officer of Steinhardt Organization, prior to which he was a partner, Director of Trading and member of the Management Committee and Executive Committee at Oppenheimer and Co.

Timothy McInerney has served as a director since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Mr. McInerney served as a director of ZIOPHARM, Inc. since July 2005. Since 1992, Mr. McInerney has been a Managing Director of Paramount BioCapital, Inc. where he oversees the overall distribution of Paramount's private equity product. Prior to 1992, Mr. McInerney was a research analyst focusing on the biotechnology industry at Ladenburg, Thalman & Co. Prior to that, Mr. McInerney held equity sales positions at Bear, Stearns & Co. and Shearson Lehman Brothers, Inc. Mr. McInerney also has worked in sales and marketing for Bristol-Myers Squibb.

Michael Weiser has served as a director since the Company's September 2005 merger with ZIOPHARM, Inc. Prior to the merger, Dr. Weiser served as a director of ZIOPHARM, Inc. since that company's inception in September 2003. Dr. Weiser is the Director of Research at Paramount BioCapital, Inc. In addition to serving on the boards of directors of several privately-held companies, Dr. Weiser currently serves on the board of directors of Manhattan Pharmaceuticals, Inc., VioQuest Pharmaceuticals, Inc., Hana BioSciences, Inc., Emisphere Technologies, Inc., and

Chelsea Therapeutics, Inc., all publicly-traded biotechnology companies.

There are no family relationships among our executive officers or directors.

Audit Committee

Effective upon the Company's September 2005 merger with ZIOPHARM, Inc., the Company formed an audit committee of the board of directors. The current members of the audit committee are Mr. James Cannon, who serves as the committee's Chairman, and Mr. Gary S. Fragin. On February 22, 2006, Mr. Bagley a former member, resigned from his position on the audit committee. The audit committee operates under a written charter adopted by the Board of Directors. As set forth in the charter, the primary responsibility of the audit committee is to oversee the Company's financial reporting processes and internal control system on behalf of the Board of Directors. In that regard, the audit committee is, among other things, responsible for the appointment, compensation, retention and oversight of the work performed by the registered public accounting firm employed by the Company.

Both members of the audit committee are independent, as independence is defined in Section 121(A) of the AMEX listing standards and Rule 10A-3 under the Securities Exchange Act of 1934. In addition, the Board of Directors has determined that each of the audit committee members is able to read and understand fundamental financial statements, and that at least one member of the audit committee, Mr. James Cannon, is an "audit committee financial expert" as that term is defined in Item 401(e)(2) of Regulation S-B promulgated under the Securities and Exchange Act of 1934. Mr. Cannon's relevant experience includes his current service as the Chief Financial Officer of BBDO Worldwide, a position he has held for the past 20 years, and his past service as director of financial operations of the Omnicom Group.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the cash and non-cash compensation awarded to or earned by (i) each individual serving as the Company's chief executive officer during the fiscal year ended December 31, 2005; and (ii) each other individual that served as an executive officer of the Company as of December 31, 2005 and who received in excess of $100,000 in the form of salary and bonus during such fiscal year (collectively, the "named executives").

		Annual Compensation			Long-Term Compensation Awards
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Underlying Options (#)
Dr. Jonathan Lewis,	2005	350,000	250,000(2)	5,657	141,950
Chief Executive Officer (1)	2004	344,167	500,000(3)	9,099	268,653
Richard E. Bagley,	2005	250,000	50,000(5)	660	90,614
President, Chief Operating Officer and Treasurer (4)	2004	43,750	75,000(6)	4,057	150,668
Dr. Robert Peter Gale,	2005	250,000	150,000(8)	660	25,048
Senior Vice President Research (7)	2004	239,583	150,000(9)	2,543	25,110
David C. Olson	2005	57,500	—	—	—
Former Chief Executive	2004	0	—	—	—
Officer (10)	2003	0	—	—	—

(1) Dr. Lewis became Chief Executive Officer effective upon the Company's September 13, 2005 merger with ZIOPHARM, Inc. Prior to the merger, Dr. Lewis served as Chief Executive Officer of ZIOPHARM, Inc. since January 8, 2004. All compensation reported for fiscal year 2004 represents amounts received from ZIOPHARM, Inc. Compensation reported for fiscal year 2005 represents amounts received from ZIOPHARM, Inc. prior to the September 13, 2005 merger and amounts received from the Company from and after the merger.

(2) Includes a guaranteed bonus of $250,000 for work performed in fiscal 2005 that was paid on January 15, 2006.

(3) Includes a signing bonus of $250,000 paid on February 23, 2004 and a guaranteed bonus of $250,000 for work performed in fiscal 2004 that was paid on April 22, 2005.

(4) Mr. Bagley became President, Chief Operating Officer and Treasurer effective upon the Company's September 13, 2005 merger with ZIOPHARM, Inc. Prior to the merger, Mr. Bagley served President and Chief Operating Officer of ZIOPHARM, Inc. since July 2004 and as Treasurer of ZIOPHARM, Inc. since March 2005. All compensation

reported for fiscal year 2004 represents amounts received from ZIOPHARM, Inc. Compensation reported for fiscal year 2005 represents amounts received from ZIOPHARM, Inc. prior to the September 13, 2005 merger and amounts received from the Company from and after the merger.

(5) Includes a year-end bonus of $25,000 received by Mr. Bagley on December 30, 2005; also includes $25,000, a portion of his 2005 guaranteed bonus, that Mr. Bagley was accrued as of December 31, 2005 but which is not payable until July 31, 2006.

(6) Includes a signing bonus of $50,000 received by Mr. Bagley on July 30, 2004, and $25,000, a portion of his 2004 guaranteed bonus, that was accrued as of December 31, 2004 but was paid in July 15, 2005.

(7) Dr. Gale became Senior Vice President Research effective upon the Company's September 13, 2005 merger with ZIOPHARM, Inc. Prior to the merger, Dr. Gale served as Sr. Vice President Research of ZIOPHARM, Inc. since January 15, 2004. All compensation reported for fiscal year 2004 represents amounts received from ZIOPHARM, Inc. Compensation reported for fiscal year 2005 represents amounts received from ZIOPHARM, Inc. prior to the September 13, 2005 merger and amounts received from the Company from and after the merger.

(8) Includes a guaranteed bonus of $150,000 for work performed in fiscal 2005 that was paid on January 31, 2006.

(9) Includes a guaranteed bonus of $150,000 for work performed in fiscal 2004 that was paid on April 16, 2005.

(10) Mr. Olson resigned as an executive officer effective upon the Company's September 13, 2005 merger with ZIOPHARM, Inc. Upon closing of the merger, the Company paid Mr. Olson a one-time fee of $57,500 pursuant to his December 9, 2004 employment agreement. Mr. Olson received no other cash compensation from the Company for services rendered in his capacity as an executive officer during fiscal years 2003, 2004 and 2005.

Option Grants in Last Fiscal Year

Upon the closing of the September 13, 2005 with ZIOPHARM, Inc., the Company assumed ZIOPHARM, Inc.'s 2003 Stock Option Plan as its Stock Option Plan. Prior to the merger, the Company had its own Incentive Stock Option Plan that was terminated effective as of the closing of the merger.

The following table sets forth the information concerning individual grants of stock options made by the Company or ZIOPHARM, Inc. to the named executives during the fiscal year ended December 31, 2005. All share numbers and dollar amounts relating to stock options granted by ZIOPHARM, Inc. prior to the September 13, 2005 merger with that company are set forth on post-merger basis that gives effect to the conversion of ZIOPHARM, Inc. stock options into stock options of the Company.

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees In Fiscal Year	Exercise or Base Price ($/share)	Expiration Date(s)
Dr. Jonathan Lewis (1)	87,789	19.8%	$ 4.31	6/8/15
Dr. Jonathan Lewis (1)	54,161	12.2%	$ 4.31	9/13/15
Richard E. Bagley (2)	63,197	14.23%	$ 4.31	6/8/15
Richard E. Bagley (2)	27,417	6.17%	$ 4.31	9/13/15

Dr. Robert Peter Gale	25,048	5.6%	$ 4.31	6/8/15
David C. Olson	0	0%	—	—

(1) Options were granted pursuant to an anti-dilution provision pursuant to which Dr. Lewis was entitled to purchase no less than 5% of the Company's common stock until such time as the Company has raised $25 million in financing. Dr. Lewis has waived his rights to receive further option grants pursuant to such anti-dilution provision.

(2) Options were granted pursuant to an anti-dilution provision pursuant to which Mr. Bagley was entitled to purchase no less than 3% of the Company's common stock until such time as the Company has raised $25 million in financing. Mr. Bagley has waived his rights to receive further option grants pursuant to such anti-dilution provision.

Aggregated Option Exercises and Fiscal Year-End Option Values

The following table sets forth the total amount of shares acquired by the named executives upon exercises of stock options during fiscal year 2005, the aggregate dollar value realized upon such exercise, the total number of securities underlying unexercised options held at December 31, 2005 (separately identifying then-exercisable and unexercisable options), and the aggregate dollar value of in-the-money, unexercised options held at December 31, 2005 (separately identifying then-exercisable and unexercisable options). All share numbers and dollar amounts relating to stock options granted by ZIOPHARM, Inc. prior to the September 13, 2005 merger with that company are set forth on post-merger basis that gives effect to the conversion of ZIOPHARM, Inc. stock options into stock options of the Company.

			Number of Unexercised Securities Underlying Options at FY-End (#)		Value of Unexercised In-the-Money Options at FY-End ($)[1]	
Name	**Shares Acquired on Exercise (#)**	**Value Realized ($)**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Dr. Jonathan Lewis	0	0	136,868	273,735	$ 283,892	$ 567,783
Richard Bagley	0	0	80,427	160,855	$ 78,011	$ 156,022
Dr. Robert Peter Gale	0	0	8,370	41,879	$ 23,528	$ 47,056
David C. Olson	0	0	0	0	—	—

(1) Based on the difference between the option exercise price and the closing sale price of the Company's common stock on December 30, 2005 (the last trading day prior to the end of the Company's 2005 fiscal year), which was $3.25.

Employment and Change-in-Control Agreements

Employment Agreement with Jonathan Lewis, M.D., Ph.D.

On January 8, 2004, ZIOPHARM, Inc. entered into a three-year employment agreement with Dr. Jonathan Lewis, under which we succeeded to ZIOPHARM, Inc.'s rights and obligations upon our merger with that company. Under the agreement, Dr. Lewis receives an annual base salary of $350,000 and a guaranteed annual bonus of $250,000. In addition, Dr. Lewis is eligible to receive an annual discretionary bonus of up to 100% of his base salary, as determined by our board of directors. ZIOPHARM, Inc. also paid Dr. Lewis a one-time bonus of $250,000 upon execution of his employment agreement. Depending upon the events surrounding a possible termination of Dr. Lewis' employment, he may continue to receive his base salary and, in certain circumstances, his guaranteed bonus for one year following such termination. In addition, the vesting of Dr. Lewis' stock options may accelerate in whole or in part upon such termination. Dr. Lewis has agreed not to compete with us during the term of the employment agreement and for a one-year period thereafter, provided that we continue to pay his base salary and guaranteed bonus for that one-year period.

Pursuant to the terms of his employment agreement, we have granted Dr. Lewis options to purchase up to 410,603 shares of common stock, of which options to purchase 268,653 shares are exercisable at $0.08 per share and options to purchase 141,950 shares are exercisable at $4.31 per share (each as adjusted to give effect to our merger with

ZIOPHARM, Inc.). The options vest in three equal annual installments, the first of which vested on January 8, 2005, with the remaining installments vesting on January 8, 2006 and January 8, 2007. The options were subject to anti-dilution protection from the issuance of equity securities in financing transactions to the extent that Dr. Lewis will maintain potential equity ownership of at least 5% of our stock until such time as we have received $25 million in gross proceeds from such transactions. Dr. Lewis has waived his rights to receive further option grants pursuant to such anti-dilution provision.The options are governed by our 2003 Stock Option Plan.

Employment Agreement with Richard E. Bagley

On July 21, 2004, ZIOPHARM, Inc. entered into a three-year employment agreement with Mr. Richard E. Bagley, under which we succeeded to ZIOPHARM, Inc.'s rights and obligations upon our merger with that company. Under the agreement, Mr. Bagley receives an annual base salary of $250,000 and a guaranteed annual bonus of $50,000. In addition, Mr. Bagley is eligible to receive an annual discretionary bonus, as determined by our board of directors. ZIOPHARM, Inc. also paid Mr. Bagley a one-time bonus of $50,000 upon execution of his employment agreement. Depending upon the events surrounding a possible termination of Mr. Bagley's employment, he may continue to receive his base salary and, in certain circumstances, his guaranteed bonus for one year following such termination. In addition, the vesting of Mr. Bagley's stock options may accelerate in whole or in part upon such termination. Mr. Bagley has agreed not to compete with us during the term of the employment agreement and for a one-year period thereafter, provided that we continue to pay his base salary for that one-year period.

Pursuant to the terms of his employment agreement, we granted Mr. Bagley options to purchase up to 241,282 shares common stock, of which options to purchase 150,668 shares are exercisable at $1.70 per share and options to purchase 90,614 shares are exercisable at $4.31 per share (each as adjusted to give effect to our merger with ZIOPHARM, Inc.). The options vest in three equal annual installments, the first of which vested on July 1, 2005, with the remaining installments vesting on July 1, 2006 and July 1, 2007. The options were subject to certain anti-dilution protections from the issuance of equity securities in financing transactions so that Mr. Bagley will maintain potential equity ownership of at least 3% of our stock until such time as we have received $25 million in gross proceeds from such transactions. Mr. Bagley has waived his rights to receive further option grants pursuant to such anti-dilution provision. The options are governed by our 2003 Stock Option Plan.

Employment Agreement with Robert Peter Gale, M.D, Ph.D., D.Sc.

On January 14, 2004, ZIOPHARM, Inc. entered into a three-year employment agreement with Dr. Robert Peter Gale, under which we succeeded to ZIOPHARM's rights and obligations upon our merger with that company. Under the agreement, Dr. Gale receives an annual base salary of $250,000 and a guaranteed annual bonus of $150,000. In addition, Dr. Gale is eligible to receive an annual discretionary bonus, as determined by our board of directors. Depending upon the events surrounding a termination of Dr. Gale's employment, he may continue to receive his base salary and, in certain circumstances, his guaranteed bonus for one year following such termination. In addition, the vesting of Dr. Gale's stock options may accelerate in whole or in part upon such termination. Dr. Gale has agreed not to compete with us during the term of the employment agreement and for one-year following the expiration of his employment agreement.

Pursuant to the terms of his employment agreement, we granted Dr. Gale options to purchase up to 25,110 shares of common stock at $0.44 per share (adjusted to give effect to our merger with ZIOPHARM, Inc.). The options vest in three equal annual installments, the first of which vested on January 15, 2005, with the remaining installments vesting on January 15, 2006 and January 15, 2007. The options are governed by our 2003 Stock Option Plan.

Employment Agreement with David C. Olson

On December 9, 2004, we entered into an employment agreement with David C. Olson. Under the terms of the agreement, we agreed to pay Mr. Olson a one-time fee of $100,000 if and when we completed a merger, acquisition, or related transaction. In connection with the September 13, 2005 merger with ZIOPHARM, Inc., Mr. Olson agreed to reduce this amount to the extent that our unconsolidated liabilities immediately following the merger exceeded $425,000. In connection with the merger, we paid Mr. Olson $57,500 and his employment agreement was terminated in its entirety.

Compensation of Directors

From our September 2005 merger with ZIOPHARM, Inc. through the end of fiscal year 2005, as compensation for service as a member of the Board of Directors, each non-employee director of the Company received a $3,000 quarterly cash retainer paid in arrears. For the fiscal year ended 2006, as compensation for service as a member of the Board of Directors, each non-employee director of the Company receives a $5,000 quarterly cash retainer paid in arrears and in addition, each non-employee director serving on the Company's audit committee, compensation committee and nominating committee receives a $1,000 cash payment for each committee meeting attended by such director. Non-employee directors also receive stock options as granted from time to time and as recommended by the compensation committee.

CHANGES IN OUR CERTIFYING ACCOUNTANT

On November 9, 2005, the Company, upon the recommendation and approval of its audit committee, dismissed Cordovano and Honeck, P.C., independent registered public accounting firm, as its principal independent accountant. On the same date, the Company engaged Vitale, Caturano & Company, Ltd., independent registered public accounting firm, to serve as the Company's principal independent accountant.

Cordovano and Honeck's reports on the Company's financial statements for the past two years did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended December 31, 2004 and 2003, and subsequently through the date of Cordovano and Honeck's dismissal, there were no disagreements with Cordovano and Honeck on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Cordovano and Honeck's satisfaction, would have caused it to make reference to the subject matter in connection with its report on the Company's financial statements for such fiscal years.

The Company provided Cordovano and Honeck with a copy of the foregoing disclosures and requested that Cordovano and Honeck furnish it with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements and, if not, stating the respects in which it does not agree. A copy of such letter was filed on November 11, 2005 as Exhibit 16.1 to the Form 10-QSB for the quarter ended September 30, 2005.

Vitale, Caturano & Company, Ltd. has served as the accountant for ZIOPHARM, Inc., a Delaware corporation that became the Company's wholly-owned subsidiary on September 13, 2005 and merged with and into the Company on September 14, 2005, since the date of ZIOPHARM, Inc.'s inception in September 2003. During the years ended December 31, 2004 and 2003, and subsequently through November 9, 2005, neither the Company nor anyone acting on its behalf consulted with Vitale, Caturano & Company, Ltd. regarding any of the matters or events set forth in Items 304(a)(2)(i) and (ii) of Regulation S-B.

The Company provided Vitale, Caturano & Company, Ltd. with a copy of the foregoing disclosures and provided Vitale, Caturano & Company, Ltd. the opportunity to furnish a letter containing any new information, clarification of the above disclosures, or disagreements with the statements made herein.

SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table summarizes certain information regarding the beneficial ownership (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) of our outstanding common stock as of March 31, 2006 by (i) each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, (ii) each of our directors, (iii) each of the named executives, and (iv) all current executive officers and directors as a group. Except as indicated in the footnotes below, the persons listed below possess sole voting and investment power with respect to their shares. Except as otherwise indicated, the address of the persons listed below is 1180 Avenue of the Americas, 19th Floor, New York, NY 10036.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned (#)[1]	Percentage of Common Stock Beneficially Owned (%)
Dr. Jonathan Lewis	273,736[2]	3.63%
Richard E. Bagley	80,428[3]	1.09%
Robert Peter Gale	16,741[4]	*
Murray Brennan	7,515[5]	*
James Cannon	7,515[5]	*
Hon. Wyche Fowler	7,515[5]	*
Gary S. Fragin	7,515[5]	*
Timothy McInerney	79,972[6]	1.10%
Michael Weiser	126,526[7]	1.73%
All current executive officers and directors as a group	607,463[8]	7.85%
Mibars, LLC [9] 365 West End Avenue New York, NY 10024	1,214,456	16.70%
Lindsay A. Rosenwald 787 Seventh Avenue, 48th Floor New York, NY 10019	1,323,606 [10]	17.52%
Atlas Equity I, Ltd. 181 W. Madison, Suite 3600 Chicago, IL 60602	695,797	9.57%
Lester E. Lipschutz 1650 Arch Street, 22nd Floor Philadelphia, PA 19103	463,864[11]	6.38%
David C. Olson [10] 6025 South Quebec Street, Suite 135 Englewood, CO 80111	26,480[12]	*

* Less than 1%

(1) Beneficial ownership is determined in accordance with SEC rules, beneficial ownership includes any shares as to which the security or stockholder has sole or shared voting power or investment power, and also any shares which the security or stockholder has the right to acquire within 60 days of the date hereof, whether through the exercise or conversion of any stock option, convertible security, warrant or other right. The indication herein that shares are beneficially owned is not an admission on the part of the security or stockholder that he, she or it is a direct or indirect beneficial owner of those shares.
(2) Includes 273,736 shares issuable upon the exercise of stock options that are currently exercisable or will become exercisable within the next 60 days.
(3) Includes 80,428 shares issuable upon the exercise of stock options that are currently exercisable or will become exercisable within the next 60 days.
(4) Includes 16,741 shares issuable upon the exercise of stock options that are currently exercisable or will become exercisable within the next 60 days.
(5) Includes 7,515 shares issuable upon the exercise of stock options that are currently exercisable or will become exercisable within the next 60 days.
(6) Includes 20,767 shares issuable upon the exercise of warrants that are currently exercisable or will become exercisable within the next 60 days.
(7) Includes 35,566 shares issuable upon the exercise of warrants and 7,515 shares issuable upon the exercise of stock options that are currently exercisable or will become exercisable within the next 60 days.
(8) Includes 464,813 shares issuable upon the exercise of convertible securities that are currently exercisable or will become exercisable within the next 60 days.
(9) Based on the most recent Form 3 filed with the Securities and Exchange Commission on September 23, 2005. Mibars, Inc. is a wholly-owned subsidiary of Paloma International L.P.; S. Donald Sussman, the controlling person of Paloma International L.P., may be deemed to beneficially own the shares of common stock beneficially owned by Paloma International L.P.
(10) Excludes 463,864 shares held by certain trusts for the benefit of Dr. Rosenwald and his family for which Dr. Rosenwald disclaims beneficial ownership. Includes 221,011 shares issuable upon the exercise of warrants granted to Dr. Rosenwald and 62,621 shares issuable upon the exercise of warrants granted to Paramount BioCapital Investments, LLC, of which Dr. Rosenwald is the managing member, both such warrants are currently exercisable or will become exercisable within the next 60 days. Also includes 563,296 shares that Dr. Rosenwald has the right to acquire from existing stockholders under certain circumstances pursuant to the terms of pledge agreements between Dr. Rosenwald and such stockholders.
(11) Includes 463,864 shares held by separate trusts for the benefit of Dr. Rosenwald or his family with respect to which Mr. Lipschutz is either trustee or investment manager and has investment and voting power. Dr. Rosenwald disclaims beneficial ownership of these shares.
(12) Mr. Olson served as the Company's Chief Executive Officer for the full fiscal years indicated until the consummation of the Merger. Share amounts include 50 shares held by Associate Capital Consulting, Inc. and 17,314 shares held by Summit Financial Relations, Inc., each of which is wholly-owned by Mr. Olson.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pre-Merger Company Transactions and Relationships

In August and December 2004, the Company's former Chief Executive Officer, David C. Olson, loaned the Company a total of $1,300 for working capital. During May 2005, Mr. Olson advanced the Company an additional $788. The loans carried no interest rate and were due on demand. On June 28, 2005, we issued Mr. Olson 69,600 shares of common stock as full repayment of the amounts stated above. The shares were valued at $.03 per share, or $2,088, based on contemporaneous common stock sales to unrelated third parties.

At December 31, 2003, the Company owed Summit Financial Relations, Inc. ("Summit") $18,111 for professional fees and other administrative expenses it paid on our behalf. During the year ended December 31, 2004, Summit paid

expenses totaling $4,187 on the Company's behalf. On May 13, 2004, the Company issued 400,000 shares of common stock to Summit Financial Relations, Inc. ("Summit"), valued at $10,000 ($.025 per share), as repayment for expenses paid by Summit on behalf of the Company. David Olson, who was then our President, Treasurer and one of our directors, is also Summit's President, director and sole stockholder. As of December 31, 2004, we owed Summit $12,298. During the six months ended June 30, 2005, Summit paid an additional $1,007 in expenses on our behalf. On February 4, 2005, the Company repaid Summit $7,000 and on June 28, 2005 the Company issued Summit 209,180 shares of common stock as full repayment of all amounts stated above. The shares issued to Summit were valued at $.03 per share, or $6,275, based on contemporaneous common stock sales to unrelated third parties. Summit has contributed the use of office space and administrative support (including reception, secretarial and bookkeeping services) to us for the fiscal year 2004 and the potion of fiscal year 2005 preceding the merger with ZIOPHARM, Inc. The office space and administrative support contributed by Summit has a fair market value of approximately $500 and $1,000 per month, respectively. The Company recognized expenses for rent and administrative support based on fair market value. Any period in which the amount paid to Summit for office space and administrative support was below the fair market value, the remaining balance was considered contributed by Summit and recorded as a credit to additional paid-in capital in our financial statements. On December 10, 2004, we entered into a consulting services fee agreement under which Summit provided certain services to us including, but not limited to, consultation related to mergers and acquisitions, reorganizations and divestitures. Pursuant to the agreement, Summit lent us funds and helped us raise funds at no extra cost. Under the terms of the agreement, we paid Summit a one-time fee of $106,697.90 in connection with the closing of the Merger.

ZIOPHARM, Inc. Transactions and Relationships

In connection with a private placement of its Series A Convertible Preferred Stock that terminated in May 2005, ZIOPHARM, Inc. and Paramount BioCapital, Inc. entered into an introduction agreement in January 2005. Upon the Company's September 2005 merger with ZIOPHARM, Inc., the Company succeeded to ZIOPHARM, Inc.'s rights and obligations under such agreement. Pursuant to the introduction agreement, ZIOPHARM, Inc. agreed to compensate Paramount BioCapital or its designees for their services through the payment of (a) cash commissions equal to 7% of the gross proceeds from the offering, and (b) warrants to acquire an aggregate of 837,956 share of ZIOPHARM, Inc.'s Series A Convertible Preferred Stock at a per share exercise price of $2.38. Upon the merger, this warrant was exchanged for a warrant to purchase an aggregate of 419,772 shares of the Company's common stock at a per share exercise price of $4.75. Cash commissions will also be payable by the Company if it sells additional securities, prior to May 31, 2006, to investors introduced to ZIOPHARM, Inc. by Paramount BioCapital. Pursuant to the introduction agreement, Paramount BioCapital has a right of first refusal to act as the placement agent for the private sale of the Company's securities until May 31, 2008.

In connection with an option agreement dated December 22, 2004 between ZIOPHARM, Inc. and Southern Research Institute, ZIOPHARM, Inc. entered into an Finders Agreement dated December 23, 2004 with Paramount BioCapital, pursuant to which ZIOPHARM, Inc. agreed to compensate Paramount BioCapital for services in connection with the ZIOPHARM, Inc.'s introduction to Southern Research Institute by paying a $60,000 cash fee and issuing a warrant to purchase 125,000 shares of ZIOPHARM, Inc.'s common stock at a price of $2.38 per share. Upon the Company's September 2005 merger with ZIOPHARM, Inc., this warrant was exchanged for a warrant to purchase an aggregate of 62,619 shares of the Company's common stock at a per share exercise price of $4.75.

Lindsay A. Rosenwald, M.D., who may beneficially own approximately 17.52% of our common stock, is Chairman and Chief Executive Officer of Paramount BioCapital and its affiliates. Dr. Michael Weiser and Timothy McInerney, each of whom is a director of the Company (and served as a director of ZIOPHARM, Inc. prior to The Company's September 2005 merger), are also full-time employees of Paramount BioCapital.

In the opinion of the Company's Board of Directors, the Company's relationships and arrangements with Paramount BioCapital do not interfere with the exercise of the independent judgment of Dr. Weiser and Mr. McInerney in carrying out their respective responsibilities as a director.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Prior to the consummation of the Merger, our common stock traded on the OTCBB under the symbol "ESWB." As a result of the Company's name change to ZIOPHARM Oncology, Inc., our common stock now trades under the symbol "ZIOP." The following table sets forth the high and low bid prices for our common stock as reported by the OTCBB since our common stock began trading over the counter in 2004. These quotations reflect inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions. Prices set forth below for periods prior to August 24, 2005 do not reflect the 1-for-40 share combination effected on that date.

	Price Range	
Fiscal Year 2005 (Quarter Ended)	**High**	**Low**
December 31, 2005	$ 6.00	$ 3.25
September 30, 2005	$ 0.40	$ 0.00
June 30, 2005	$ 0.05	$ 0.00
March 31, 2005	$ 0.05	$ 0.00
Fiscal Year 2004 (Quarter Ended)	**High**	**Low**
December 31, 2004	$ 0.00	$ 0.00
September 30, 2004	$ 0.00	$ 0.00
June 30, 2004	$ 0.00	$ 0.00
March 31, 2004	$ 0.00	$ 0.00

The approximate number of stockholders of record of our common stock as December 31, 2005 was 314. We have never declared or paid a cash dividend on our common stock and do not anticipate paying any cash dividends in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

The 2003 Plan, which is currently the Company's only equity compensation plan, was approved by the ZIOPHARM, Inc. stockholders. The following table sets forth certain information as of December 31, 2005 with respect to the 2003 Plan:

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options (A)	Weighted-Average Exercise Price of Outstanding Options (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)
Equity compensation plans approved by security holders:			
2003 Stock Option Plan	973,639	$ 2.56	278,796
Total:	973,639	$ 2.56	278,796
Equity compensation plans not approved by stockholders:			
None	—	—	—
Total	—	—	—

USE OF PROCEEDS

We will not receive any proceeds from the resale of any of the shares offered by this prospectus by the selling stockholders.

SELLING STOCKHOLDERS

The following table sets forth the number of shares of the common stock owned by the selling stockholders as of March 27, 2006, and after giving effect to this offering. This amendments covers the resale by the selling stockholders identified below of 7,462,057 shares of our common stock, including 6,778,670 shares of our common stock issued to the former stockholders of ZIOPHARM, Inc. in connection with our September 2005 merger with that company, 482,407 shares issuable upon the exercise of warrants held by such former ZIOPHARM, Inc. stockholders, 83,348 shares of our common stock issued to a previous EasyWeb Inc. stockholder upon the exercise of a stock option and 117,670 shares of which were outstanding prior to the member.

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Robert Guercio	7,515	7,515	0	—
Ennio DePianto	6,012	6,012	0	—
Millennium Partners, L.P.	231,932	231,932	0	—
Michael A. Mullen	5,010	5,010	0	—
Philip J. Abdalla and Joyce V. Abdalla JTWROS	6,012	6,012	0	—
Frank Calcutta	12,524	12,524	0	—
The Henry H. Bahr QTIP Trust Dated 2/22/88	11,597	11,597	0	—
The Bahr Family Limited Partnership	11,597	11,597	0	—
Robert L. Bahr Revocable Trust 1985 U/A dated 3-14-85	3,826	3,826	0	—
Stephen C. Rabbitt	10,019	10,019	0	—
Delaware Charter Guarantee Trust FBO Richard S. Simms II Keogh Plan	3,479	3,479	0	—
Lind Family Investments LP	8,117	8,117	0	—
John and Debbra Landsberger Family Trust	12,524	12,524	0	—
Balanced Investment, LLC	46,386	46,386	0	—
Riverside Contracting LLC	12,524	12,524	0	—
Walter B. Martin and Paloma Munoz JTWROS	5,798	5,798	0	—
MSB Family Trust DTD 6/25/93 Michael Blechman, TTEE	23,194	23,194	0	—
Richard S. Simms II and Cynthia Simms JTWROS	3,479	3,479	0	—

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Lawrence M. Silver	17,000	17,000	0	—
Rick J. Goad	10,019	10,019	0	—
Barry Lind Revocable Trust	46,386	46,386	0	—
Stephen N. Kitchens and Martha M. Kitchens JTWROS	23,194	23,194	0	—
Wayne K. Adams	8,000	8,000	0	—
Jerrold Abrahams	6,958	6,958	0	—
Shoup Revocable Trust DTD April 29, 2003	11,598	11,598	0	—
Shea Ventures, LLC	23,193	23,193	0	—
National Investors Services Corp. FBO Stephen J. Nelson	23,194	23,194	0	—
James C. Shepler and Diana B. Shepler JTWROS	6,958	6,958	0	—
Steven Lisi	14,027	14,027	0	—
Phil Lifshitz	23,195	23,195	0	—
Louis Sanzo, Jr.	5,010	5,010	0	—
Barry P. McIntosh	5,798	5,798	0	—
Hill Blalock, Jr.	23,195	23,195	0	—
Joel Braun	5,798	5,798	0	—
Far Ventures	10,019	10,019	0	—
Brino Investment Ltd.	5,798	5,798	0	—
OZF Investments LLC	115,966	115,966	0	—
Tisu Investment Ltd.	17,395	17,395	0	—
Edmund A. Debler	17,033	17,033	0	—
Daniel Krieger	5,798	5,798	0	—
Andrew W. Albstein and Carolyn Albstein JTWROS	23,194	23,194	0	—
Elizabeth R. Moore	5,798	5,798	0	—
Ursuline Co.	12,524	12,524	0	—
Carl S. Sorenson	11,597	11,597	0	—
Carucci Family Partners	34,790	34,790	0	—
Anthony J. Ottavio	12,524	12,524	0	—
Daniel J. Kevles and Betty Ann Kevles JTWROS	8,117	8,117	0	—
Gavin Kent	5,798	5,798	0	—

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Michael Luftman	5,798	5,798	0	—
Anthony J. Gerace	11,598	11,598	0	—
Isaac R. Dweck	23,193	23,193	0	—
Fae Moore	5,798	5,798	0	—
Ben Heller	61,000	61,000	0	—
Elizabeth Maas	5,798	5,798	0	—
Robert Masters	11,597	11,597	0	—
Klaus Kretschmer	46,591	46,591	0	—
Dean Glasser	3,757	3,757	0	—
Murry J. McCabe	34,790	34,790	0	—
Cooper A. McIntosh, MD	11,597	11,597	0	—
Harry Newton and Susan Newton JTWROS	17,534	17,534	0	—
Nicholas Ponzio	24,048	24,048	0	—
Gary J. Strauss	23,194	23,194	0	—
Scott D. Whitaker	11,597	11,597	0	—
Wolcot Capital, Inc.	24,048	24,048	0	—
Joseph J. Vale	115,966	115,966	0	—
Carolyn N. Taylor	3,507	3,507	0	—
David P. Luci	2,319	2,319	0	—
Atlas Equity I, Ltd.	695,797	695,797	0	—
Alan H. Auerbach	5,798	5,798	0	—
Gregory J. Dovolis	10,019	10,019	0	—
Michele Markowitz	5,798	5,798	0	—
Praful Desai	5,010	5,010	0	—
Eric Reed	5,010	5,010	0	—
Delaware Charter Guarantee Trust FBO Mark Berg IRA	57,612	57,612	0	—
Nicole Berg	57,612	57,612	0	—
Ivy Scheinholz Revocable Trust U/A Dated 1/26/05	5,010	5,010	0	—
S. Alan Lisenby	25,049	25,049	0	—
Judah Schorr	34,790	34,790	0	—
Mark Mazzer	6,262	6,262	0	—
Domaco Venture Capital Fund	5,799	5,799	0	—

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Fiserv Securities, Inc. A/C/F Jack Polar IRA	5,799	5,799	0	—
Paul D. Newman and Judith E. Newman JTWROS	6,012	6,012	0	—
Neil J. Laird	6,012	6,012	0	—
Rachel Family Partnership	34,790	34,790	0	—
Baruch Z. Halberstam	5,798	5,798	0	—
Paul J. Solit	5,798	5,798	0	—
Lucile Slocum	10,019	10,019	0	—
Harvey Lustig and Ronnie Lustig JTWROS	5,010	5,010	0	—
Stephen H. Lebovitz	1,002	1,002	0	—
Joe L. Key and Mary Lynn Key JTWROS	1,002	1,002	0	—
Delaware Charter Guarantee & Trust Co. FBO Howard M. Tanning MD IRA	25,049	25,049	0	—
Gitel Family Partnership, LP	23,193	23,193	0	—
Joseph Strassman and Barbara Strassman	6,958	6,958	0	—
David G. Pudelsky and Nancy H. Pudelsky JTWROS	10,019	10,019	0	—
Louis R. Reif	22,544	22,544	0	—
John O. Dunkin	6,012	6,012	0	—
Michael Pinney	2,505	2,505	0	—
Neel B. Ackerman and Martha N. Ackerman JTWROS	25,049	25,049	0	—
Fiserv Securities, Inc. A/C/F Ronald M. Lazar, STD IRA	5,799	5,799	0	—
RL Capital Partners, LP	11,598	11,598	0	—
Neil Herskowitz	6,262	6,262	0	—
Anthony G. Polak “S”	5,799	5,799	0	—
Fiserv Securities, Inc. A/C/F Anthony G. Polak Std. IRA	5,799	5,799	0	—
Tim P. Cooper	4,634	4,634	0	—
Benito Bucay	11,597	11,597	0	—

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Edwin A. Buckham and Wendy F. Buckham, JTWROS	11,597	11,597	0	—
Laya Perlysky 2003 Grantor Retained Annuity Trust	23,193	23,193	0	—
Kinder Investments L.P.	34,790	34,790	0	—
Reuben Taub	12,524	12,524	0	—
Waterspout Investments Pte Ltd	4,639	4,639	0	—
Matador Investments Pte Ltd.	16,235	16,235	0	—
Ramsay Investments Pte. Ltd.	2,319	2,319	0	—
Mega International Corporation	8,581	8,581	0	—
Alfred Abraham	4,639	4,639	0	—
Paul Sallwasser and Teri Sallwasser JTWROS	17,395	17,395	0	—
William S. Tyrell	4,000	4,000	0	—
Alan J. Young	26,000	26,000	0	—
William McCahey and Lisa Krivacka JTWROS	5,799	5,799	0	—
Dennis F. Steadman	5,799	5,799	0	—
John H. Miller, CGM IRA Custodian Smith Barney #670-80424-18	6,262	6,262	0	—
Paul Bermanski and Barbara Bermanski JTWROS	11,597	11,597	0	—
Tokenhouse Trading Pte. Ltd.	46,386	46,386	0	—
James E. Daly, CGM IRA Custodian #670-80477	6,262	6,262	0	—
Howard Sorkin	23,193	23,193	0	—
Janis H. Camp	5,798	5,798	0	—
Robert McEntire	46,387	46,387	0	—
Andrew H. Sabreen and Carol Sabreen JTWROS	11,597	11,597	0	—
Michael Blechman and Barry J. Lind, Tenants in Common	11,597	11,597	0	—
Paul F. Berlin	5,798	5,798	0	—
Eli Jaconson	23,194	23,194	0	—
Andrew W. Schonzeit	12,524	12,524	0	—
Nora O'Donoghue	5,798	5,798	0	—
Mario Pasquel and Begona Miranda JTWROS	16,235	16,235	0	—

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Suzanne Schiller	5,010	5,010	0	—
William S. Silver and Elinor Silver JTWROS	6,012	6,012	0	—
Suzette T. Seigel	5,798	5,798	0	—
Robert J. Sechan II	5,798	5,798	0	—
Coqui Capital Partners	57,984	57,984	0	—
Carolyn P. Dietrich	6,007	6,007	0	—
Smithfield Fiduciary LLC	231,932	231,932	0	—
Michael S. Walsh	5,798	5,798	0	—
Keith Rubenstein	5,798	5,798	0	—
Dr. Jeffrey R. Shapiro	5,798	5,798	0	—
Bernard Wachsman	5,798	5,798	0	—
Concordia Partners L.P.	175,341	175,341	0	—
The Lindsay A. Rosenwald 2000 Irrevocable Trust U/A dated 5/24/2000	231,932	231,932	0	—
The Lindsay Rosenwald 2000 Family Trust U/A dated 12/15/00	231,932	231,932	0	—
Mark J. Ahn	5,798	5,798	0	—
Jeffrey Kraws & Patricia Kraws	5,798	5,798	0	—
Jack B. Petersen	5,798	5,798	0	—
Charles Earl Cartmill	11,597	11,597	0	—
Robert J. Whetten	11,597	11,597	0	—
Paramount BioCapital, Inc.	62,621	0	62,621	—
Steven Markowitz	6,480	0	6,480	—
Fabio Migliaccio	2,504	0	2,504	—
Denise Mormile-Liglino	1,252	0	1,252	—
Michael Mullen	13,534	0	13,534	—
Robert Petrozzo	11,083	0	11,083	—
Joseph Sorbara	6,480	0	6,480	—
Robert D. Millstone	3,479	0	3,479	—
Steven A. Sherman	1,739	0	1,739	—
Sandgrain Securities, Inc.	579	0	579	—
Lindsay A. Rosenwald	1,323,606(3)	476,678	221,011	8.35%

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Michael Weiser	126,526	83,445	35,566	*
Harris Lydon	22,349	0	22,349	—
Timothy McInerney	79,972	59,205	20,767	*
Michael Rosenman	31,854	0	19,709	*
Scott Katzman	28,817	0	19,709	*
Jill Meleski	19,674	0	16,638	*
Bernard Gross	10,285	0	8,767	*
Karl Ruggeberg	9,368	0	7,850	*
Jeana Somers	1,808	0	290	*
Everest Capital (f/k/a Four Brothers Investment Holding)	12,524	12,524	0	—
Future Global Holding, Inc.	626	626	0	—
Valeo Partners, LLC	6,262	6,262	0	—
The Holding Company	4,384	4,384	0	—
Melvyn I. Weiss	12,524	12,524	0	—
Issac M. Dabah	10,019	10,019	0	—
Lillian Hahn	3,131	3,131	0	—
Donna Kash & Peter Kash JT TEN	5,010	5,010	0	—
Pearl Capital LP (f/k/a Weisenberg Real Estate LP)	1,252	1,252	0	—
David J. Bershad	3,131	3,131	0	—
NTP Partners	3,131	3,131	0	—
Aaron Speisman	1,566	1,566	0	—
Joseph Friedman Trust	1,252	1,252	0	—
Robert Falk	1,252	1,252	0	—
335 MAD LLC (f/k/a/ Beck Technologies LLC)	3,757	3,757	0	—
Yitzhak Nissan	1,252	1,252	0	—
Alan Clingman	1,252	1,252	0	—
Benjamin Feinswog Trust	3,757	3,757	0	—
Henry and Monica Millin	1,252	1,252	0	—
Robert Klein	1,252	1,252	0	—
Kanter Family Foundation	1,879	1,879	0	—
The University of Texas M.D. Anderson	250,487	250,487	0	—
Lawrence Alpert	500	500	0	*

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Associate Capital Consulting Inc.	50	50	0	*
Vicki D E Barone	25	25	0	*
Edward W Bellarose	100	100	0	*
Black Marlen Inc	100	100	0	*
Craig M Blake	50	50	0	*
Darrell J Brunken	25	25	0	*
Scot Bryant	100	100	0	*
Charles Schwab & Co. Inc.	100	100	0	*
John Cleaver & Karen Cleaver JTTEN	100	100	0	*
William D. Cronin	100	100	0	*
Michael M Edmonds	100	100	0	*
Doyle S Elliott	25	25	0	*
Tyler Floor	3,750	3,750	0	*
William R Going	25	25	0	*
B Kathleen Goldstone	25	25	0	*
Allen R Goldstone	25	25	0	*
Timothy S Greufe	150	150	0	*
C. Eugene Gronning	1,250	1,250	0	*
Michael Gundzik	100	100	0	*
Johanna Guttman & Robert Herskowitz JTEN	10,750	10,750	0	*
Mark Hatsis	1,500	1,500	0	*
Anderson J Henshaw	100	100	0	*
Brad Henshaw	100	100	0	*
Brent Henshaw	13,709	13,709	0	*
Brent Henshaw	250	250	0	*
Robert Herskowitz	4,000	4,000	0	*
Al Hoff	100	100	0	*
James E Hosch	100	100	0	*
Joseph W. Hovorka	1,667	1,667	0	*
Reed Jensen	1,250	1,250	0	*
Key Investments	2,500	2,500	0	*

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Bryant Kligerman	100	100	0	*
Harvey Levin	25	25	0	*
VLA LLP	50	50	0	*
Curtis M McQueen	50	50	0	*
Mathew Meister c/o Beeman Holdings	25	25	0	*
Gary Mendenhall	25	25	0	*
Jeffrey Myers	25	25	0	*
Jeffrey Myers	1,667	1,667	0	*
Morri L Namaste	100	100	0	*
National Financial Services LLC	25	25	0	*
NF Clearing Inc.	75	75	0	*
Robert E Ohman	25	25	0	*
David C. Olson	9,116	9,116	0	*
Thomas B. Olson	5,000	5,000	0	*
Butternut Partners	5,000	5,000	0	*
Jeff Peterson	1,250	1,250	0	*
Barbara Petrinsky	442	442	0	*
Merrill Lynch Pierce Fenner & Smith Inc.	25	25	0	*
Brad Rhodes	200	200	0	*
Jeff Rodriguez	25	25	0	*
Lamar F Schild	500	500	0	*
Sanford Schwartz	25	25	0	*
Susan Schwartz	25	25	0	*
Scott Shovea	50	50	0	*
Don F. Sims	50	50	0	*
Carlene Smith	25	25	0	*
Michael J Stallone	200	200	0	*
Summit Financial Relations Inc.	17,314	17,314	0	*
James H Swalwell & Judith A Swalwell JTTEN	50	50	0	*
Thomas M. Vickers	5,000	5,000	0	*
James J Trainor	125	125	0	*

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Thomas M. Vickers Revocable Trust	5,000	5,000	0	*
Thomas M. Vickers	250	250	0	*
Douglas A Wilkerson & Leola A Wilkerson JTTEN	25	25	0	*
Lyn C Wilkerson	30	30	0	*
Derek J. Zappa	100	100	0	*
Robert J. Zappa	24,000	24,000	0	*
Albert J. Zirkelbach	50	50	0	*
Jason Stein	83,445	83,445	0	—
Jeffrey Serbin	91,036	91,036	0	—
Stephen Rocamboli	40,677	40,677	0	—
Jay Lobell	59,156	59,156	0	—
Jillian Hoffman	7,590	7,590	0	—
William Corcoran	12,145	12,145	0	—
Kyle Kuhn	6,072	6,072	0	—
David Butera	60,723	60,723	0	—
Peter Barber	3,036	3,036	0	—
Anil Chenthitta	3,036	3,036	0	—
Matthew Wyckoff	3,036	3,036	0	—
David Nussbaum	3,036	3,036	0	—
Michael Rosenman	31,854	12,145	0	*
John Knox	9,108	9,108	0	—
Jennifer McNealy	5,465	5,465	0	—
John Cipriano	5,465	5,465	0	—
Elena Ridloff	5,465	5,465	0	—
Louis Smookler	12,145	12,145	0	—
Donna Lozito	6,072	6,072	0	—
Scott Katzmann	28,817	9,108	0	*
John Papadimitropoulos	3,036	3,036	0	—
Basil Christakos	6,072	6,072	0	—
Eric Lee	3,036	3,036	0	—
Timothy Shands	3,036	3,036	0	—
Claudia Donat	3,036	3,036	0	—
John Best	1,822	1,822	0	—
Elbert Chu	1,822	1,822	0	—

Selling Stockholder	Shares Beneficially Owned Before Offering (1)	Number of Outstanding Shares Offered by Selling Stockholder	Number of Shares Offered by Selling Stockholder upon Exercise of Certain Warrants	Percentage Beneficial Ownership After Offering (2)
Allison Robbins	1,518	1,518	0	—
Jamie Cabibihan	1,768	1,768	0	—
Bernard Gross	10,285	1,518	0	*
Peter Kash	83,445	83,445	0	—
David Tanen	12,145	12,145	0	—
Jill Meleski	19,674	3,036	0	*
Aaron Rollins	3,036	3,036	0	—
Delores Ferraro	1,518	1,518	0	—
Kristen Plonisch	1,518	1,518	0	—
Marion Birch	1,518	1,518	0	—
Nicole Netolicky	1,518	1,518	0	—
Elizabeth Marrero	1,518	1,518	0	—
Gabriel Pilaloa	1,518	1,518	0	—
Demitrios Marras	1,518	1,518	0	—
Kathleen Fogerty	1,518	1,518	0	—
Danielle Flatly	1,518	1,518	0	—
Jeana Sommers	1,808	1,518	0	—
Karl Ruggeberg	9,368	1,518	0	*
Mibars, LLC	1,214,456	1,214,456	0	—
Joshua Kazam and Joia Kazam JTWROS	12,145	12,145	0	—
Mark O. Thornton	8,370	8,370	0	—
Chase Financing, Inc.	83,348	83,348	0	—
Total		6,979,688	482,407	

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* Less than 1%

(1) Beneficial ownership is determined in accordance with SEC rules, beneficial ownership includes any shares as to which the security or stockholder has sole or shared voting power or investment power, and also any shares which the security or stockholder has the right to acquire within 60 days of the date hereof, whether through the exercise or conversion of any stock option, convertible security, warrant or other right. The indication herein that shares are beneficially owned is not an admission on the part of the security or stockholder that he, she or it is a direct or indirect beneficial owner of those shares.

(2) Assumes sales of all shares by the selling stockholder.

(3) In addition to 476,678 shares of common stock and 221,011 shares issuable upon the exercise of warrants being offered hereunder, this amount includes 62,621 shares issuable upon the exercise of warrants granted to Paramount BioCapital Investments, LLC, of which Dr. Rosenwald is the managing member, and 563,296 shares that Dr. Rosenwald has the right to acquire from existing stockholders under certain circumstances pursuant to the terms of pledge agreements between Dr. Rosenwald and such stockholders. Excludes 463,864 shares held by certain trusts for the benefit of Dr. Rosenwald and his family for which

Dr. Rosenwald disclaims beneficial ownership.

PLAN OF DISTRIBUTION

We are registering the resale of certain shares of common stock offered by this prospectus on behalf of the selling stockholders. As used in this prospectus, the term "selling stockholders" include donees, pledges, transferees and other successors in interest selling shares received from the selling stockholders after the date of this prospectus, whether as a gift, pledge, partnership distribution or other form of transfer. All costs, expenses and fees in connection with the registration of the shares of common stock offered hereby will be borne by the Company. Brokerage commissions and similar selling expenses, if any, attributable to the sale of shares of common stock will be borne by the selling stockholders.

Sales of shares of common stock offered hereby may be effected by the selling stockholders from time to time in one or more types of transactions (which may include block transactions):

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- broker-dealers may agree with the selling stockholder to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The selling stockholders may effect sales of shares of common stock offered hereby at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at privately negotiated prices. Any of these transactions may or may not involve brokers or dealers. Any such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholders and/or the purchaser(s) of shares of common stock for whom those broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions). The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities, nor is there any underwriter or coordinating broker acting in connection with the proposed sale of shares of common stock by the selling stockholders.

The selling stockholders may, from time to time, pledge or grant a security interest in some or all of the shares of common stock owned by them and registered hereby and, if any such selling stockholder defaults in the performance of its secured obligations, the pledgees or secured parties may offer and sell the shares of common stock, from time to time, under this prospectus, or under an amendment to this prospectus or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities, which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling stockholders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts or commissions, if any. The selling stockholders reserve the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from this offering.

The selling stockholders may also resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided that they meet the criteria and conform to the requirements of that rule.

The selling stockholders and any broker-dealers that act in connection with the sale of securities might be deemed to be “underwriters” within the meaning of Section 2(11) of the Securities Act, and any commissions received by such broker-dealers and any profit on the resale of the securities sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. In addition, each broker-dealer selling under this prospectus for its own account or the account of an affiliate is an “underwriter” under Section 2(11) of the Securities Act.

To the extent required, the shares of our common stock to be sold, the name of the selling stockholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling stockholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling stockholders for the purpose of satisfying the prospectus-delivery requirements of the Securities Act. The selling stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We are unable to predict with certainty the effect which sales of the shares of common stock offered by this prospectus might have upon our ability to raise additional capital. Nevertheless, it is possible that the resale of shares offered hereby could adversely affect the trading price of our common stock.

Shares Eligible For Future Sale

Upon completion of this offering, there will be 7,755,399 shares of our common stock issued and outstanding. The shares purchased in this offering will be freely tradable without registration or other restriction under the Securities

Act, except for any shares purchased by an “affiliate” of our Company (as defined under the Securities Act).

Our currently outstanding shares issued in connection with the Merger are deemed "restricted securities" within the meaning of Rule 144 under the Securities Act. Restricted securities may not be sold unless they are registered under the Securities Act or are sold pursuant to an applicable exemption from registration, including an exemption under Rule 144. Assuming that all of the other requirements of Rule 144 are then satisfied, then the 6,967,941 restricted shares of our common stock that were issued in connection with the Merger will first be eligible for resale without registration in September 2006.

In general, under Rule 144, any person (or persons whose shares are aggregated) including persons deemed to be affiliates, whose restricted securities have been fully paid for and held for at least one year from the later of the date of issuance by us or acquisition from an affiliate, may sell such securities in broker's transactions or directly to market makers, provided that the number of shares sold in any three-month period may not exceed the greater of one percent of the then-outstanding shares of our common stock or the average weekly trading volume of our shares of common stock in the over-the-counter market during the four calendar weeks preceding the sale. Sales under Rule 144 are also subject to certain notice requirements and the availability of current public information about our Company. After two years have elapsed from the later of the issuance of restricted securities by us or their acquisition from an affiliate, persons who are not affiliates under the rule may sell such securities without any limitation.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 280,000,000 shares of common stock, $.001 value per share. All shares of common stock have equal voting rights and are entitled to one vote per share on all matters to be voted upon by our stockholders. The shares of common stock have no preemptive, subscription, conversion or redemption rights and may be issued only as fully-paid and non-assessable shares. Cumulative voting in the election of directors is not permitted. In the event of our liquidation, each holder of our common stock is entitled to receive a proportionate share of our assets available for distribution to stockholders after the payment of liabilities. All shares of our common stock issued and outstanding are fully-paid and non-assessable.

Holders of our common stock are entitled to share pro rata in dividends and distributions with respect to the common stock when, as and if declared by our board of directors out of funds legally available therefor. We have not paid any dividends on our common stock and intend to retain earnings, if any, to finance the development and expansion of our business. Future dividend policy is subject to the discretion of our board of directors and will depend upon a number of factors, including future earnings, capital requirements and our financial condition.

The transfer agent and registrar for our common stock is American Stock Transfer and Trust, 6201 15th Avenue, Brooklyn, New York, 11219. As of March 10, 2006, we had 7,272,992 shares of common stock outstanding held by approximately 303 holders of record. Our common stock is eligible for trading on the over-the-counter bulletin board under the symbol "ZIOP.OB."

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Pursuant to our certificate of incorporation and bylaws, we may indemnify an officer or director who is made a party to any proceeding, because of his position as such, to the fullest extent authorized by Delaware General Corporation Law, as the same exists or may hereafter be amended. In certain cases, we may advance expenses incurred in defending any such proceeding.

To the extent that indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. If a claim for indemnification against such liabilities (other than the

payment by us of expenses incurred or paid by a director, officer or controlling person of our company in the successful defense of any action, suit or proceeding) is asserted by any of our directors, officers or controlling persons in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of that issue.

ABOUT THIS PROSPECTUS

This prospectus is not an offer or solicitation in respect to these securities in any jurisdiction in which such offer or solicitation would be unlawful. This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission. The registration statement that contains this prospectus (including the exhibits to the registration statement) contains additional information about our company and the securities offered under this prospectus. That registration statement can be read at the SEC web site or at the SEC's offices mentioned under the heading "Where You Can Find More Information." We have not authorized anyone else to provide you with different information or additional information. You should not assume that the information in this prospectus, or any supplement or amendment to this prospectus, is accurate at any date other than the date indicated on the cover page of such documents.

WHERE YOU CAN FIND MORE INFORMATION

Federal securities law requires us to file information with the SEC concerning our business and operations. Accordingly, we file annual, quarterly, and special reports, proxy statements and other information with the SEC. You can inspect and copy this information at the Public Reference Facility maintained by the SEC at Judiciary Plaza, 450 5th Street, N.W., Room 1024, Washington, D.C. 20549. You can receive additional information about the operation of the SEC's Public Reference Facilities by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that, like us, file information electronically with the SEC.

VALIDITY OF COMMON STOCK

Legal matters in connection with the validity of the shares offered by this prospectus will be passed upon by Maslon Edelman Borman & Brand, LLP, Minneapolis, Minnesota.

EXPERTS

The financial statements of ZIOPHARM Oncology, Inc. as of and for the year ended December 31, 2005 and 2004 and for the period from September 9, 2003 (date of inception) to December 31, 2003, included in this prospectus, have been included herein in reliance on the report, dated March 9, 2006, of Vitale Caturano & Company, Ltd., independent registered public accounting firm, given on the authority of that firm as experts in auditing and accounting.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ZIOPHARM Oncology, Inc.
Charlestown, Massachusetts

We have audited the balance sheets of ZIOPHARM Oncology, Inc. (a development stage company) as of December 31, 2005 and 2004 and the related statements of operations, changes in convertible preferred stock and stockholders' equity (deficit) and cash flows for the years ended December 31, 2005 and 2004, for the period from inception (September 9, 2003) through December 31, 2003 and for the period from inception (September 9, 2003) to December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ZIOPHARM Oncology, Inc. as of December 31, 2005 and 2004 and the results of their operations and their cash flows for the years ended December 31, 2005 and 2004, for the period from inception (September 9, 2003) through December 31, 2005, and for the period from inception (September 9, 2003) through December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has an accumulated deficit that raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vitale, Caturano & Company, Ltd.
Boston, Massachusetts
March 9, 2006

ZIOPHARM Oncology, Inc.
(A Development Stage Enterprise)
Balance Sheets

	December 31, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 8,880,717**	$ 1,026,656
Prepaid expenses and other current assets	**211,837**	117,571
Total current assets	**9,092,554**	1,144,227
Property and equipment, net	**269,702**	240,733
Deposits	**5,700**	60,046
Other non current assets	**124,343**	–
Total assets	**$ 9,492,299**	$ 1,445,006
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	**$ 835,997**	$ 709,947
Accrued expenses	**1,418,819**	879,376
Total current liabilities	**2,254,816**	1,589,323
Deferred rent	**35,557**	–
Commitments and contingencies (Note 6)		
Stockholders' equity (deficit):		
Common stock, $.001 par value; 280,000,000 shares authorized; 7,248,115 and 2,761,625 shares issued and outstanding at December 31, 2005 and 2004, respectively	**7,248**	2,761
Additional paid-in capital	**22,559,034**	5,700,355
Deficit accumulated during the development stage	**(15,364,356)**	(5,847,433)
Total stockholders' equity (deficit)	**7,201,926**	(144,317)
Total liabilities and stockholders' equity (deficit)	**$ 9,492,299**	$ 1,445,006

ZIOPHARM Oncology, Inc.
(A Development Stage Enterprise)
Statements of Operations
For the years ended December 31, 2005 and 2004,
for the period from inception (September 9, 2003) through
December 31, 2003, and for the period from inception
(September 9, 2003) through December 31, 2005

	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004	For the Period from Inception (September 9, 2003) through December 31, 2003	For the Period from Inception (September 9, 2003) through December 31, 2005
Revenue	$ -	$ -	$ -	$ -
Operating expenses and other income:				
Research and development, including costs of research contracts	5,593,850	2,126,607	-	7,720,457
General and administrative	4,193,553	3,581,959	160,634	7,936,146
Total operating expenses	9,787,403	5,708,566	160,634	15,656,603
Loss from operations	(9,787,403)	(5,708,566)	(160,634)	(15,656,603)
Interest income	270,479	21,269	498	292,247
Net loss	$ (9,516,923)	$ (5,687,297)	$ (160,136)	$ (15,364,356)
Basic and diluted net loss per share	$ (2.32)	$ (2.37)	$ (2.04)	
Weighted average common shares outstanding used to compute basic and diluted net loss per share	4,101,514	2,402,017	78,320	

ZIOPHARM Oncology, Inc.
(A Development Stage Enterprise)
Statements of Cash Flows
For the Years Ended December 31, 2005 and 2004,
for the period from inception (September 9, 2003)
through December 31, 2003, and for the period from
inception (September 9, 2003) through December 31, 2005

	For the Twelve Months ended December 31, 2005	For the Twelve Months ended December 31, 2004	For the Period from Inception (September 9, 2003) through December 31, 2003	For the Period from Inception (September 9, 2003) through December 31, 2005
Cash flows from operating activities:				
Net loss	$ (9,516,923)	$ (5,687,297)	$ (160,136)	$ (15,364,356)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	101,232	33,953	-	135,185
Stock-based compensation	98,755	703,116	-	801,871
Change in operating assets and liabilities:				
(Increase) decrease in:				
Prepaid expenses and other current assets	(94,266)	(117,571)	-	(211,837)
Other noncurrent assets	(124,343)	-	-	(124,343)
Deposits	54,346	(60,046)	-	(5,700)
Increase in:				
Accounts payable	126,050	647,448	62,499	835,997
Accrued expenses	539,443	879,376	-	1,418,819
Deferred rent	35,557	-	-	35,557
Net cash used in operating activities	(8,780,149)	(3,601,021)	(97,637)	(12,478,807)
Cash flows from investing activities:				
Purchases of property and equipment	(130,201)	(274,686)	-	(404,887)
Net cash used in investing activities	(130,201)	(274,686)	-	(404,887)
Cash flows from financing activities:				

Stockholders' capital contribution	-	-	500,000	500,000
Proceeds from issuance of common stock, net	4,815	4,500,000	-	4,504,815
Proceeds from issuance of preferred stock, net	16,759,596	-	-	16,759,596
Net cash provided by financing activities	16,764,411	4,500,000	500,000	21,764,411
Net increase in cash and cash equivalents	7,854,061	624,293	402,363	8,880,717
Cash and cash equivalents, beginning of period	1,026,656	402,363	-	-
Cash and cash equivalents, end of period	$ 8,880,717	$ 1,026,656	$ 402,363	$ 8,880,717

ZIOPHARM Oncology, Inc.
(A Development Stage Enterprise)
Statements of Cash Flows (continued)
For the Years Ended December 31, 2005 and 2004,
for the period from inception (September 9, 2003)
through December 31, 2003, and for the period from
inception (September 9, 2003) through December 31, 2005

	For the Twelve Months ended December 31, 2005	For the Twelve Months ended December 31, 2004	For the Period from Inception (September 9, 2003) through December 31, 2003	For the Period from Inception (September 9, 2003) through December 31, 2005
Supplementary disclosure of cash flow information:				
Cash paid for interest	$ -	$ -	$ -	$ -
Cash paid for income taxes	$ -	$ -	$ -	$ -
Supplementary disclosure of noncash investing and financing activities:				
Warrants issued to placement agent, in connection with preferred stock issuance	$ 1,682,863	$ -	$ -	$ 1,682,863

ZIOPHARM Oncology, Inc.
(A Development Stage Enterprise)
Statement of Changes in Convertible Preferred Stock and Stockholders' Equity (Deficit)
For the Years Ended December 31, 2005 and 2004,
for the period from inception (September 9, 2003)
through December 31, 2003, and for the period from
inception (September 9, 2003) through December 31, 2005

	Convertible Preferred Stock and Warrants			**Stockholder's Equity (Deficit)**				
	Series A Convertible Preferred Stock		Warrants to Purchase Series A Convertible Preferred Stock	Common Stock		Additional Paid-in	Deficit Accumulated during the Development	Total Stockholders' Equity/
	Shares	Amount	Warrants	Shares	Amount	Capital	Stage	(Deficit)
Stockholders' contribution, September 9, 2003	-	$ -	$ -	250,487	$ 250	$ 499,750	$ -	$ 500,000
Net loss	-	-	-	-	-	-	(160,136)	(160,136)
Balance at December 31, 2003	-	-	-	250,487	250	499,750	(160,136)	339,864
Issuance of common stock	-	-	-	2,254,389	2,254	4,497,746	-	4,500,000
Issuance of common stock for services				256,749	257	438,582	-	438,839
Fair value of options/warrants issued for nonemployee services	-	-	-	-	-	264,277	-	264,277
Net loss	-	-	-	-	-	-	(5,687,297)	(5,687,297)
Balance at December 31, 2004	-	-	-	2,761,625	2,761	5,700,355	(5,847,433)	(144,317)
Issuance of Series A convertible preferred stock (net of expenses of $1,340,263 and warrant costs	4,197,946	15,076,733	-	-	-	-	-	-

of $1,682,863)								
Fair value of warrants to purchase Series A convertible preferred stock	-	-	1,682,863	-	-	-	-	-
Issuance of Common stock to EasyWeb Shareholders				189,922	190	(190)	-	-
Conversion of Series A convertible preferred stock @ $0.001 into $0.001 common stock on September 13, 2005 at an exchange ratio of .500974	(4,197,946)	(15,076,733)	(1,682,863)	4,197,946	4,198	16,755,398	-	16,759,596
Issuance of common stock due to exercise of stock options	-	-	-	98,622	99	4,716	-	4,815
Fair value of options/warrants issued for nonemployee services	-	-	-	-	-	98,755	-	98,755
Net loss	-	-	-	-	-	-	(9,516,923)	(9,516,923)
Balance at December 31, 2005	-	$ -	$ -	7,248,115	$ 7,248	$ 22,559,034	$ (15,364,356)	$ 7,201,926

ZIOPHARM Oncology, Inc.
(A Development Stage Enterprise)
Notes to Financial Statements
For the Years Ended December 31, 2005 and 2004,
for the period from inception (September 9, 2003)
through December 31, 2003, and for the period from
inception (September 9, 2003) through December 31, 2005