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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from to

Commission file number: 001-35403

Verastem, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-3269467**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
215 First Street, Suite 440 Cambridge, MA	
(Address of principal executive offices)	**02142** (Zip Code)

(617) 252-9300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

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

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

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

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

As of April 30, 2013 there were 21,289,319 shares of Common Stock, $0.0001 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, our ability to raise additional capital to support our clinical development program and other operations, our ability to develop products of commercial value and to identify, discover and obtain rights to additional potential product candidates, our ability to protect and maintain our intellectual property and the ability of our licensors to obtain and maintain patent protection for the technology or products that we license from them, the outcome of research and development activities and the fact that the preclinical and clinical testing of our compounds may not be predictive of the success of later clinical trials, our reliance on third-parties, competitive developments, the effect of current and future legislation and regulation and regulatory actions, as well as other risks described in our Annual Report on Form 10-K and other filings with the Securities and Exchange Commission, or SEC.

As a result of these and other factors, we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

Verastem, Inc.

(A development stage company)

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except per share amounts)

	March 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 28,245	$ 10,096
Short-term investments	38,478	46,480
Prepaid expenses and other current assets	986	506
Total current assets	67,709	57,082
Property and equipment, net	755	811
Long-term investments	17,691	34,944
Restricted cash	86	86
Total assets	$ 86,241	$ 92,923
Liabilities, redeemable convertible preferred stock and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,926	$ 1,848
Accrued expenses	1,114	551
Other current liabilities	324	—
Total current liabilities	3,364	2,399
Deferred rent	28	38
Liability for shares subject to repurchase	18	20
Stockholders' equity		
Preferred stock, $0.0001 par value; 5,000 shares authorized; none issued	—	—
Common stock, $0.0001 par value; 100,000, shares authorized 20,640 and 20,364 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	2	2
Additional paid-in capital	138,299	136,893
Accumulated other comprehensive income	18	22
Deficit accumulated during the development stage	(55,488)	(46,451)
Total stockholders' equity	82,831	90,466
Total liabilities, redeemable convertible preferred stock and stockholders' equity	$ 86,241	$ 92,923

See accompanying notes.

Verastem, Inc.

(A development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited)

(in thousands, except per share amounts)

	Three months ended, March 31,		Period from August 4, 2010 (Inception) to March 31, 2013
	2013	2012	
Operating expenses:			
Research and development	$ 5,296	$ 4,803	$ 37,291
General and administrative	3,785	2,125	18,502
Total operating expenses	9,081	6,928	55,793
Loss from operations	(9,081)	(6,928)	(55,793)
Interest income	44	57	305
Net loss	(9,037)	(6,871)	(55,488)
Accretion of preferred stock	—	(6)	(40)
Net loss applicable to common stockholders	$ (9,037)	$ (6,877)	$ (55,528)
Net loss per share applicable to common stockholders—basic and diluted	$ (0.44)	$ (0.47)	$ (5.75)
Weighted-average number of common shares used in net loss per share applicable to common stockholders—basic and diluted	20,483	14,693	9,662
Comprehensive loss	$ (9,041)	$ (6,914)	$ (55,470)

See accompanying notes.

Verastem, Inc.

(A development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Three months ended March 31,		Period from August 4, 2010 (Inception) to March 31, 2013
	2013	2012	
Operating activities			
Net loss	$ (9,037)	$ (6,871)	$ (55,488)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	56	46	346
Stock-based compensation expense	2,493	1,529	11,580
Common stock issued in exchange for license	—	—	2,003
Obligation to issue a warrant in exchange for license	—	—	439
Change in fair value of obligation to issue warrant	—	431	398
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(480)	(360)	(986)
Accounts payable	78	(337)	1,926
Accrued expenses and deferred rent	553	667	1,142
Net cash used in operating activities	(6,337)	(4,895)	(38,640)
Investing activities			
Purchases of property and equipment	—	(130)	(1,103)
Purchases of investments	(27,218)	(72,758)	(217,097)
Maturities of investments	52,469	24,700	160,948
Increase in restricted cash	—	—	(86)
Net cash provided by (used in) investing activities	25,251	(48,188)	(57,338)
Financing activities			
Proceeds from issuance of redeemable convertible preferred stock	—	—	68,107
Proceeds from the exercise of stock options	9		12
Net proceeds from the issuance of common stock and restricted common stock	—	57,599	56,878
Cash used to settle restricted stock liability awards	(774)	—	(774)
Net cash (used in) provided by financing activities	(765)	57,599	124,223
Increase in cash and cash equivalents	18,149	4,516	28,245
Cash and cash equivalents at beginning of period	10,096	20,954	—
Cash and cash equivalents at end of period	$ 28,245	$ 25,470	$ 28,245
Supplemental disclosure of non-cash financing activity			
Accretion of redeemable convertible preferred stock to redemption value	$ —	$ 6	$ 40
Conversion of redeemable convertible preferred stock upon initial public offering	$ —	$ 68,148	$ 68,148
Reclassification of obligation to issue warrant from liabilities to equity	$ —	$ 837	$ 837

See accompanying notes.

Verastem, Inc.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2013. For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission ("SEC") on March 26, 2013.

Subsequent Events

In preparing the financial statements included in this Form 10-Q, the Company has evaluated all subsequent events that occurred after March 31, 2013 through the date of the filing of this Form 10-Q. The Company did not have any material recognizable or unrecognizable subsequent events during this period.

2. Fair value of financial instruments

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. The fair value hierarchy is now established that prioritizes valuation inputs based on the observable nature of those inputs. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the investment credit quality. The hierarchy defines three levels of valuation inputs:

Level 1 inputs	Quoted prices in active markets for identical assets or liabilities
Level 2 inputs	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 inputs	Unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability

Verastem, Inc.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Fair value of financial instruments (Continued)

The following table presents information about the Company's financial assets and liabilities that have been measured at fair value at March 31, 2013 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands).

Description	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Cash equivalents	$ 25,447	$ 15,923	$ 9,524	$ —
Short-term investments	38,478	—	38,478	—
Long-term investments	17,691	—	17,691	—
Total financial assets	**$ 81,616**	**$ 15,923**	**$ 65,693**	**$ —**
Financial liabilities				
Liability classified stock-based compensation awards	$ 324	$ —	$ 324	$ —
Total financial liabilities	**$ 324**	**$ —**	**$ 324**	**$ —**

The following table presents information about the Company's financial assets that have been measured at fair value at December 31, 2012 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands).

Description	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Cash equivalents	$ 8,171	$ 8,171	$ —	$ —
Short-term investments	46,480	—	46,480	—
Long-term investments	34,944	—	34,944	—
Total financial assets	**$ 89,595**	**$ 8,171**	**$ 81,424**	**$ —**

The Company's cash equivalents and investments are comprised of money market accounts, government-sponsored enterprise securities and commercial paper of publicly traded companies secured by the U.S. government. These investments have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events. The Company validates the prices provided by third party pricing services by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. After completing its validation procedures, the

Verastem, Inc.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Fair value of financial instruments (Continued)

Company did not adjust or override any fair value measurements provided by the pricing services as of March 31, 2013.

The Company's liability classified stock-based compensation awards are comprised of restricted stock units that allow for greater than minimum statutory tax withholdings. These awards are valued based on the fair value of the Company's common stock underlying the awards, which is traded on an active market. During the first quarter of 2013, the Company amended the terms of certain RSUs to allow for cash tax withholdings greater than the minimum required statutory withholding amount. As a result of this change in the terms of the awards, the outstanding RSUs are considered to be liability instruments. As a result of this modification, the Company records a liability for the fair value of the awards as of each reporting date with the change in fair value recorded through the statement of operations. The Company will record stock-based compensation expense equal to the greater of the original grant date fair value of the awards or the settlement date fair value. During the quarter, the Company paid $774,000 to settle the tax liability for awards that settled during the period. The liability related to these awards is recorded within other current liabilities on the consolidated balance sheet as of March 31, 2013.

3. Investments

The Company's investments are classified as available-for-sale pursuant to Accounting Standards Codification (ASC) 320, *Investments—Debt and Equity Securities*. The Company classifies investments available to fund current operations as current assets on its balance sheets. Investments are classified as long-term assets on the balance sheets if (i) the Company has the intent and ability to hold the investments for a period of at least one year and (ii) the contractual maturity date of the investments is greater than one year.

Investments are carried at fair value with unrealized gains and losses included as a component of accumulated other comprehensive income, until such gains and losses are realized. If a decline in the fair value is considered other-than-temporary, based on available evidence, the unrealized loss is transferred from other comprehensive loss to the statement of operations. There were no charges taken for other-than-temporary declines in fair value of short-term or long-term investments during the three months ended March 31, 2013 and 2012 or for the period from August 4, 2010 (inception) to March 31, 2013. The Company recorded $4,000, $43,000 and $18,000 of unrealized gains during the three months ended March 31, 2013 and 2012, and the period from August 4, 2010 (inception) to March 31, 2013, respectively. Realized gains and losses are included in interest income in the statement of operations. There were no realized gains or losses recognized during the three months ended March 31, 2013 or 2012 or for the period from August 4, 2010 (inception) to March 31, 2013. The Company utilizes the specific identification method as a basis to determine the cost of securities sold.

The Company reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than the amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. To determine whether an impairment is other-than-temporary, the Company considers the intent to sell, or whether it is more likely than not that the Company will be required to sell, the investment before recovery of the investment's amortized cost basis. Evidence considered in this assessment includes reasons for the impairment, compliance with the Company's investment policy, the severity and the duration of the impairment and changes in value

Verastem, Inc.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Investments (Continued)

subsequent to year end. As of March 31, 2013, there were no investments with a fair value that was significantly lower than the amortized cost basis or any investments that had been in an unrealized loss position for a significant period.

Cash, cash equivalents and investments at March 31, 2013 and December 31, 2012 consist of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2013				
Cash and cash equivalents:				
Cash and money market accounts	$ 18,722	$ —	$ —	$ 18,722
US Treasury securities	5,501	—	—	5,501
Government-sponsored enterprise securities	4,022	—	—	4,022
Total cash and cash equivalents	$ 28,245	$ —	$ —	$ 28,245
Investments:				
Government-sponsored enterprise securities (due within 1 year)	$ 38,465	$ 13	$ —	$ 38,478
Government-sponsored enterprise securities (due within 1 - 2 years)	17,686	5	—	17,691
Total investments	$ 56,151	$ 18	$ —	$ 56,169
Total cash, cash equivalents, and investments	$ 84,396	$ 18	$ —	$ 84,414

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2012				
Cash and cash equivalents:				
Cash and money market accounts	$ 10,096	$ —	$ —	$ 10,096
Total cash and cash equivalents	$ 10,096	$ —	$ —	$ 10,096
Investments:				
Government-sponsored enterprise securities (due within 1 year)	$ 46,469	$ 14	$ (3)	$ 46,480
Government-sponsored enterprise securities (due within 1 - 2 years)	34,931	14	(1)	34,944
Total investments	$ 81,400	$ 28	$ (4)	$ 81,424
Total cash, cash equivalents, and investments	$ 91,496	$ 28	$ (4)	$ 91,520

Verastem, Inc.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accrued expenses

Accrued expenses consist of the following (in thousands):

	March 31, 2013	December 31, 2012
Compensation and related benefits	$ 512	$ 173
Professional fees	269	183
Contract research organizations	241	69
Other	52	54
Deferred rent	39	36
Consulting	1	36
	$ 1,114	$ 551

5. Net loss per share

Basic and diluted net loss per common share is calculated by dividing net loss applicable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. The Company's potentially dilutive shares, which include outstanding stock options, unvested restricted stock and restricted stock units are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

The following potentially dilutive securities were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

	Three Months ended March 31,		Period from August 4, 2010 (inception) to March 31, 2013
	2013	2012	
Outstanding stock options	1,987,012	485,855	1,987,012
Unvested restricted stock	642,569	1,267,875	642,569
Unvested restricted stock units	657,258	600,000	657,258

6. Stock-based compensation

In December 2011, the Company adopted the 2012 Incentive Plan (the 2012 Plan). The 2012 Plan became effective upon the closing of the Company's IPO in February 2012. The 2012 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units and other stock-based and cash awards. Upon effectiveness, the number of shares of common stock that are reserved under the 2012 Plan is the sum of 3,428,571 shares plus the number of shares available under the 2010 Plan. The number of shares reserved under the 2012 Plan is increased by the number of shares of common stock (up to a maximum of 571,242 shares) subject to outstanding awards under the 2010 Plan that expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased. The 2012 Plan includes an "evergreen provision" that allows for an annual increase in the number of shares of common stock available for issuance under the 2012 Plan. The annual increase will be added on the first day of each year beginning in 2013 and

Verastem, Inc.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-based compensation (Continued)

each subsequent anniversary until the expiration of the 2012 Plan, equal to the lowest of 1,285,714 shares of common stock, 4.0% of the number of shares of common stock outstanding and an amount determined by the board of directors. On January 1, 2013, the shares available under the 2012 Plan increased by 844,448 shares of common stock.

Restricted stock

A summary of the Company's nonvested restricted stock as of March 31, 2013 and changes during the three months ended March 31, 2013 is as follows:

	Shares	Weighted-average purchase price per share
Nonvested at December 31, 2012	747,000	$ 0.027
Vested	(104,431)	0.022
Nonvested at March 31, 2013	642,569	$ 0.028

As of March 31, 2013, there was $3.8 million of total unrecognized stock-based compensation expense related to non-vested restricted stock. The expense is expected to be recognized over a weighted average period 1.5 years.

A summary of the Company's nonvested restricted stock units (RSUs) as of March 31, 2013 and changes during the three months ended March 31, 2013 is as follows:

	Shares	Weighted-average grant date fair value
Outstanding at December 31, 2012	899,204	$ 10.70
Settled	(224,804)	10.55
Canceled	(17,142)	11.10
Outstanding at March 31, 2013	657,258	$ 10.53

As of March 31, 2013, there was $5.5 million of total unrecognized stock-based compensation expense related to non-vested RSUs granted under the 2012 Plan. The expense is expected to be recognized over a weighted-average period of 2.8 years.

During the first quarter of 2013, the Company amended the terms of certain RSUs related to a total of 657,058 shares of common stock to allow for tax withholdings greater than the minimum required statutory withholding amount. As a result of this change in the terms of the awards, the outstanding RSUs are considered to be liability instruments. As a result of this modification, the Company records a liability for the fair value of the awards as of each reporting date with the change in fair value recorded through the statement of operations. The Company will record stock-based compensation expense equal to the greater of the original grant date fair value of the awards or the settlement date fair value. During the quarter, the Company deposited with taxing authorities $774,000

Verastem, Inc.

(A development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-based compensation (Continued)

in respect of the tax liability for awards that settled during the period. The liability related to these awards is recorded within other current liabilities on the consolidated balance sheet as of March 31, 2013.

Stock options

A summary of the Company's stock option activity and related information follows:

	Shares	Weighted-average price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Outstanding at December 31, 2012	1,424,241	$ 6.90		
Granted	619,000	9.81		
Exercised	(28,845)	0.28		
Canceled	(27,384)	6.87		
Outstanding at March 31, 2013	1,987,012	$ 7.90	9.3	$ 3,662,000
Exercisable at March 31, 2013	436,490	$ 6.45	8.9	$ 1,470,000
Vested and expected to vest at March 31, 2013	1,707,617	$ 8.25	9.4	$ 2,566,000

The fair value of each stock-based award is estimated on the grant date using the Black-Scholes option-pricing model using the following assumptions:

	Three Months ended March 31,	
	2013	2012
Risk-free interest rate	1.0%	0.9 - 2.7%
Dividend yield	—	—
Volatility	75%	69 - 72%
Expected term (years)	6.0	5.3 - 6.1

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this quarterly report. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed below and elsewhere in this quarterly report or in our annual report on Form 10-K.

OVERVIEW

We are a clinical biopharmaceutical company focused on discovering and developing drugs to treat cancer by the targeted killing of cancer stem cells. We also develop proprietary companion diagnostics. A cancer stem cell is a particularly aggressive type of tumor cell, resistant to conventional cancer therapy, that we believe is an underlying cause of tumors, their recurrence and metastasis. We have proprietary technology to create a stable population of cancer stem cells that we use to screen for and identify small molecule compounds that target cancer stem cells. Our most advanced programs target the Focal Adhesion Kinase, or FAK, and the PI3K/mTOR signaling pathways. Our lead FAK inhibitor, VS-6063, is currently in Phase 1/1b testing in ovarian cancer and we expect to initiate a potentially pivotal trial of VS-6063 in mesothelioma midyear 2013 for which we have applied for orphan drug designation in both the United States and the European Union. In addition to VS-6063, our FAK inhibitor VS-4718 and PI3K/mTOR inhibitor VS-5584 are expected to enter Phase 1 clinical trials in patients with advanced cancers in the first and second half of 2013, respectively.

We commenced active operations in the second half of 2010. Our operations to date have been limited to organizing and staffing our company, business planning, raising capital, acquiring and developing our technology, identifying potential product candidates, undertaking preclinical studies of our most advanced product candidates and, recently, initiating a clinical trial for VS-6063. To date, we have not generated any revenues and have financed our operations with net proceeds from the private placement of our preferred stock and our initial public offering.

As of March 31, 2013, we had a deficit accumulated during the development stage of $55.5 million. We had net losses of $9.0 million, $6.9 million and $55.5 million for the three months ended March 31, 2013 and 2012 and for the period from August 4, 2010 (inception) to March 31, 2013. We expect to incur significant expenses and increasing operating losses for the foreseeable future. We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development and initiate clinical trials of, and seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. Adequate additional financing may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts. We will need to generate significant revenues to achieve profitability, and we may never do so.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

We believe that several accounting policies are important to understanding our historical and future performance. We refer to these policies as "critical" because these specific areas generally require us to make judgments and estimates about matters that are uncertain at the time we make the estimate, and different estimates—which also would have been reasonable—could have been used, which would have resulted in different financial results.

The critical accounting policies we identified in our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2012 related to accrued research and development expenses and

stock-based compensation. There were no changes to these critical accounting policies in the quarter ended March 31, 2013. It is important that the discussion of our operating results that follows be read in conjunction with the critical accounting policies disclosed in our Annual Report on Form 10-K, as filed with the SEC on March 26, 2013.

The Company has elected to follow the extended transition period guidance provided for in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards. The Company will disclose the date on which adoption of such standards is required for non-emerging growth companies and the date on which the Company will adopt the recently issued accounting standards.

RESULTS OF OPERATIONS

Comparison of the Three Months ended March 31, 2013 and March 31, 2012

Research and development expense. Research and development expense for the three months ended March 31, 2013 (2013 Quarter) was $5.3 million compared to $4.8 million for the three months ended March 31, 2012 (2012 Quarter). The $494,000 increase from the 2012 Quarter to the 2013 Quarter is primarily related to an increase of $650,000 in contract research organization expense for outsourced biology, chemistry and development services and an increase of $309,000 for personnel costs primarily due to increased headcount. These increases are partially offset by a decrease of $367,000 in license fee expense primarily related to the revaluation of the obligation to issue the warrant to Poniard Pharmaceuticals in the 2012 Quarter.

General and administrative expense. General and administrative expense for the 2013 Quarter was $3.8 million compared to $2.1 million for the 2012 Quarter. The $1.7 million increase from the 2012 Quarter to the 2013 Quarter primarily resulted from an increase of $1.0 million for personnel costs primarily due to stock-based compensation expense associated with restricted stock units and restricted stock units with performance-based vesting provisions, an increase of $437,000 in professional fees and an increase of $111,000 in consulting fees.

Interest income. Interest income decreased to $44,000 for the 2013 Quarter from $57,000 for the 2012 Quarter. This decrease is due to a lower cash balance for 2013 Quarter compared to the 2012 Quarter.

Accretion of preferred stock. We did not record accretion in the 2013 Quarter. For the 2012 Quarter, there was $6,000 of accretion reflecting the periodic accretion of issuance costs associated with our series A, series B and series C preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

Sources of liquidity

To date, we have not generated any revenues. Since our inception in August 2010, we have financed our operations principally through private placements and our initial public offering, which we completed in February 2012. As of March 31, 2013, we had $84.4 million in cash and cash equivalents, short-term investments and long-term investments. We primarily invest our cash, cash equivalents and investments in a U.S. Treasury money market fund, government-sponsored enterprise securities and commercial paper.

Cash flows

Operating activities. The use of cash in all periods resulted primarily from our net losses adjusted for non-cash charges and changes in the components of working capital. The significant increase in cash used in operating activities for the 2013 Quarter compared to the 2012 Quarter is due to an increase in

research and development expenses as we increased our research and development headcount and increased spending on external research and development costs.

Investing activities. The cash provided by investing activities for the 2013 Quarter reflects the net maturities of investments of $25.3 million. The cash used in investing activities for the 2012 Quarter reflects the net purchases of investments of $48.1 million and the purchase of $130,000 of property and equipment.

Financing activities. The cash used in financing activities for the 2013 Quarter reflects cash used to settle certain restricted stock units that were net settled by employees. The cash provided by financing activities in the 2012 Quarter reflects the $56.8 million of net proceeds from our initial public offering less issuance costs paid in prior periods.

Funding requirements

We expect our existing cash, cash equivalents and investments will enable us to fund our current operating plan and capital expenditure requirements into the second half of 2015. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, and the extent to which we may enter into collaborations with third parties for development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the development of our current product candidates. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of compound discovery, preclinical development, laboratory testing and clinical trials for our product candidates;
- the extent to which we acquire or in-license other products and technologies;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs of future commercialization activities, including product sales, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval;
- revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims; and
- our ability to establish collaborations on favorable terms, if at all.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future

commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under Securities and Exchange Commission rules.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. We had cash, cash equivalents and investments of $84.4 million as of March 31, 2013, consisting of cash, U.S. Treasury money market fund, government-sponsored enterprise securities and commercial paper. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because most of our investments are in short-term securities. Our available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. Due to the short-term duration most of our investment portfolio and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our portfolio.

We contract with CROs and contract manufacturers globally. We may be subject to fluctuations in foreign currency rates in connection with these agreements. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. As of March 31, 2013, approximately $30,000 of our total liabilities were denominated in currencies other than the functional currency.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Operating Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2013. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2013, our Chief Executive Officer and Chief Operating Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the fiscal quarter ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

You should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition or future results set forth under Item 1A. (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. There have been no material changes from the factors disclosed in our 2012 Annual Report on Form 10-K, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission.

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

RECENT SALES OF UNREGISTERED SECURITIES

None.

PURCHASE OF EQUITY SECURITIES

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

USE OF PROCEEDS FROM REGISTERED SECURITIES

In February 2012, we completed an initial public offering of 6,325,000 shares of our common stock at a price of $10.00 per share for an aggregate offering price of $63.3 million. The offer and sale of all of the shares in the offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-177677), which was declared effective by the SEC on January 26, 2012, and a registration statement on Form S-1 (File No. 333-179910) filed pursuant to Rule 462(b) of the Securities Act.

As of March 31, 2013, we have used approximately $33.5 million of the net proceeds primarily to fund the preclinical development of our lead product candidates to advance and expand the research and preclinical development of additional product candidates and companion diagnostics and for working capital, capital expenditures and other general corporate purposes. We have invested the balance of the net proceeds from the offering in a variety of capital preservation investments, including investment grade, interest bearing instruments and U.S. government securities. There has been no material change in our planned use of the balance of the net proceeds from the offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

The following disclosure is provided in accordance with and in satisfaction of the requirements of Item 2.02 "*Results of Operations and Financial Condition*" of Form 8-K:

On May 9, 2013, Verastem, Inc. announced its financial results for the quarter ended March 31, 2013 and commented on certain corporate accomplishments and plans. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 hereto.

The information furnished in Item 5 (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

VERASTEM, INC.

Date: May 9, 2013

By: /s/ CHRISTOPH WESTPHAL, M.D., PH.D.

Christoph Westphal, M.D., Ph.D.
On behalf of the Registrant as
Chief Executive Officer
(Principal executive officer)

Date: May 9, 2013

By: /s/ ROBERT FORRESTER

Robert Forrester
President and Chief Operating Officer
(Principal financial and accounting officer)

EXHIBIT INDEX

31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Press Release issued by Verastem, Inc. on May 9, 2013 (furnished herewith).
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document

† Submitted electronically herewith.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

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Exhibit 31.1

CERTIFICATIONS

I, Christoph Westphal, M.D., Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verastem, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ CHRISTOPH WESTPHAL, M.D., PH.D.

Christoph Westphal, M.D., Ph.D.
Chief Executive Officer

Date: May 9, 2013

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Exhibit 31.2

CERTIFICATIONS

I, Robert Forrester, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verastem, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ ROBERT FORRESTER

Robert Forrester
President and Chief Operating Officer

Date: May 9, 2013

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Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Verastem, Inc. (the "Company") for the period ended March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Christoph Westphal, M.D., Ph.D., Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CHRISTOPH WESTPHAL, M.D., PH.D.

Christoph Westphal, M.D., Ph.D.
Chief Executive Officer

Date: May 9, 2013

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Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Verastem, Inc. (the "Company") for the period ended March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert Forrester, President and Chief Operating Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT FORRESTER

Robert Forrester
President and Chief Operating Officer

Date: May 9, 2013

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Exhibit 99.1

Verastem Reports First Quarter 2013 Financial and Corporate Results

CAMBRIDGE, MA – May 9, 2013 – Verastem, Inc., (NASDAQ: VSTM) focused on discovering and developing drugs to treat cancer by the targeted killing of cancer stem cells, today reported financial results for the quarter ended March 31, 2013, and also commented on certain corporate accomplishments and plans.

“During the first quarter we made key strides in advancing our development programs targeting cancer stem cells,” said Christoph Westphal, M.D., Ph.D., Chairman and Chief Executive Officer of Verastem.

“The combination trial of VS-6063 plus paclitaxel for ovarian cancer is open and enrolling patients at all sites,” said Robert Forrester, President and Chief Operating Officer of Verastem. “In addition, we met with the regulatory agencies in the US and UK and are on track to initiate midyear the potentially pivotal trial of VS-6063 in mesothelioma.”

Q1 2013 and Recent Accomplishments
Our significant accomplishments include the following:

- **Advanced the FAK inhibition program and defined a potential registration pathway**
  - Met with the regulatory agencies in the US and UK and, based on these discussions, we believe that positive results from our anticipated trial of VS-6063 in mesothelioma will enable us to seek regulatory approval.
  - Advanced our diagnostic strategy through an agreement with LabCorp to develop a companion diagnostic to VS-6063 to stratify patients in the mesothelioma trial.
  - Filed for orphan drug designation for VS-6063 in mesothelioma within the European Union and United States.
  - Initiated a Phase 1/1b study of VS-6063 in combination with paclitaxel for patients with ovarian cancer which is open and enrolling at all sites.
  - Presented data at the 2013 AACR Annual Meeting showing that treatment with FAK inhibitor VS-4718 results in an approximate 200-fold reduction in the tumor-initiating capability of cells extracted from tumors as compared to paclitaxel in a xenograft model of triple negative breast cancer.
  - Received IND allowance from the FDA for the VS-4718 Phase 1 trial to proceed in advanced solid tumors.
- **Progressed the dual PI3K/mTOR inhibition program.**
  - Conducted IND-enabling studies of VS-5584 with a goal of initiating Phase 1 clinical development in H2 2013.
  - Presented data at the 2013 AACR Annual Meeting demonstrating the ability of VS-5584 treatment to induce tumor regression in taxane-resistant patient derived xenograft models.
  - Published data on PI3K/mTOR inhibitor VS-5584 in Molecular Cancer Therapeutics.
- **Increased the understanding of cancer stem cell biology**
  - Presented research results widely at scientific conferences including AACR, Keystone PI3 Kinase Symposium, and the Molecular Medicine Tri-Conference Symposium on Targeting Cancer Stem Cells.

2013 Milestones
Our planned upcoming clinical milestones include the following:

- **Initiate the potentially pivotal trial in mesothelioma for VS-6063 midyear 2013.**
- **Complete the dose finding portion of the Phase 1/1b trial of VS-6063 plus paclitaxel in ovarian cancer.**
- **Begin enrollment of the expanded cohort of the Phase 1/1b trial of VS-6063 plus paclitaxel in ovarian cancer.**
- **Initiate Phase 1 clinical development of VS-4718 H1 2013.**
- **Initiate Phase 1 clinical development of VS-5584 H2 2013.**

Upcoming Events

- **UBS Global Healthcare Conference**
  - Wednesday, May 22 2013 at 8:30am ET at the Sheraton New York Hotel, New York, NY.
- **ASCO Breakfast**
  - Saturday, June 1 2013 at 6:45am CT at the Hyatt Regency McCormick Place, Chicago, IL. Special guest Dr. Dean Fennel, Chair of Thoracic Medical Oncology, University of Leicester, will be presenting together with Chief Medical Officer, Dr. Joanna Horobin, and Head of Research, Jonathan Pachter, Ph.D. Topics will include mesothelioma etiology, the role of cancer stem cells in disease progression, current clinical treatments and the design of Verastem’s potentially pivotal trial of lead FAK inhibitor VS-6063. RSVP to bsullivan@verastem.com.
- **Research and Development Day**
  - Thursday, July 11 2013 at the Harvard Club in New York, NY. Special guests include: Robert Weinberg, Ph.D., Founding Member, Whitehead Institute; José Baselga, M.D., Ph.D., Physician in Chief, Memorial Sloan-Kettering Cancer Center; and Lee Krug, M.D., Thoracic Oncologist and Director of the Mesothelioma Program at Memorial Sloan-Kettering Cancer Center. Topics will include recent updates on the biology of cancer stem cells, clinical needs in the treatment of mesothelioma and strategies for the therapeutic targeting of PI3K/mTOR in cancer. Verastem will provide updates on the status of research and development and upcoming plans. RSVP to bsullivan@verastem.com.

First Quarter 2013 Financial Results
As of March 31, 2013, Verastem had cash, cash equivalents and investments of $84.4 million compared to $91.5 million on December 31, 2012, a difference of $7.1 million. The number of outstanding common shares as of April 30, 2013 was 21,289,319.

Net loss for the three months ended March 31, 2013 (the "2013 Quarter") was $9.0 million, or $0.44 per share applicable to common shareholders, as compared to net loss of $6.9 million, or $0.47 per share, for the three months ending March 31, 2012 (the "2012 Quarter"). Net loss for the 2013 Quarter includes non-cash stock-based compensation expense of $2.5 million as compared to $1.5 million for the 2012 Quarter.

Research and development expense for the 2013 Quarter was $5.3 million compared to $4.8 million for the 2012 Quarter. The $494,000 increase from the 2012 Quarter to the 2013 Quarter is primarily related to an increase of $650,000 in contract research organization expense for outsourced biology, chemistry and development services and an increase of $309,000 for personnel costs primarily due to increased

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headcount. These increases are partially offset by a decrease of $367,000 in license fee expense primarily related to the revaluation of the obligation to issue the warrant to Poniard Pharmaceuticals in the 2012 Quarter.

General and administrative expense for the 2013 Quarter was $3.8 million compared to $2.1 million for the 2012 Quarter. The $1.7 million increase from the 2012 Quarter to the 2013 Quarter primarily resulted from an increase of $1.0 million for personnel costs primarily due to stock-based compensation expense associated with restricted stock units and restricted stock units with performance-based vesting provisions, an increase of $437,000 in professional fees and an increase of $111,000 in consulting fees.

About Verastem, Inc.
Verastem, Inc. (NASDAQ: VSTM) is discovering and developing drugs to treat cancer by the targeted killing of cancer stem cells. Cancer stem cells are an underlying cause of tumor recurrence and metastasis. Verastem is developing small molecule inhibitors of signaling pathways that are critical to cancer stem cell survival and proliferation: FAK, PI3K/mTOR and Wnt. For more information, please visit www.verastem.com.

Forward-looking statements:
This press release includes forward-looking statements about the Company's strategy, future plans and prospects, including statements regarding the development of the Company's compounds, including VS-6063, VS-4718 and VS-5584, and the Company's FAK, PI3K/mTOR and diagnostic programs generally, the timeline for clinical development and regulatory approval of the Company's compounds, the structure of the Company's planned clinical trials and estimates of the Company's ability to fund operations. The words "anticipate," "appear," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement. Applicable risks and uncertainties include the risks that the preclinical testing of the Company's compounds may not be predictive of the success of later clinical trials, that the Company will be unable to successfully complete the clinical development of its compounds, including VS-6063, VS-4718 and VS-5584, that the development of the Company's compounds will take longer or cost more than planned, and that the Company's compounds will not receive regulatory approval or become commercially successful products. Other risks and uncertainties include those identified under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 and in any subsequent SEC filings. The forward-looking statements contained in this presentation reflect the Company's current views with respect to future events, and the Company does not undertake and specifically disclaims any obligation to update any forward-looking statements.

Contact Verastem, Inc.
Brian Sullivan, 617-252-9314
bsullivan@verastem.com

Verastem, Inc.
(A development-stage company)
Unaudited Selected Consolidated Balance Sheet Information
(in thousands)

	March 31, 2013	December 31, 2012
Cash, cash equivalents and investments	$84,414	$91,520
Prepaid expenses and other current assets	986	506

Property and equipment, net	755	811
Other assets	86	86
Total assets	**$86,241**	**$92,923**
Accounts payable and accrued expenses	$3,040	$2,399
Other liabilities	370	58
Stockholders' equity	82,831	90,466
Total liabilities and stockholders' equity	**$86,241**	**$92,923**

Verastem, Inc.
(A development-stage company)
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2013	2012
Operating expenses:		
Research and development	$5,296	$4,803
General and administrative	3,785	2,125
Total operating expenses	9,081	6,928
Loss from operations	(9,081)	(6,928)
Interest income	44	57
Net loss	(9,037)	(6,871)
Accretion of preferred stock	-	(6)
Net loss applicable to common stockholders	($9,037)	($6,877)
Net loss per share applicable to common stockholders–basic and diluted	($0.44)	($0.47)
Weighted-average number of common shares used in net loss per share applicable to common stockholders-basic and diluted	20,483	14,693