UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the Year Ended December 31, 2017

OR

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

Commission File Number 000-51531

SUNESIS PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3295878**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

395 Oyster Point Boulevard, Suite 400
South San Francisco, California 94080
(Address of principal executive offices, including zip code)

(650) 266-3500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	**Name of Each Exchange on Which Registered:**
Common Stock, par value $0.0001 per share	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of common stock held by non-affiliates of the registrant, based on the closing sales price for such stock on June 30, 2017, as reported by The NASDAQ Stock Market, was $58,850,769. The calculation of the aggregate market value of voting and non-voting stock excludes 1,346,242 shares of the registrant's common stock held by current executive officers, directors and stockholders that the registrant has concluded are affiliates of the registrant. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

The total number of shares outstanding of the registrant's common stock, $0.0001 par value per share, as of March 1, 2018, was 34,348,917.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2018 Annual Meeting of Stockholders of Sunesis Pharmaceuticals, Inc. (hereinafter referred to as "Proxy Statement") are incorporated by reference in Part III of this report. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the registrant's year ended December 31, 2017.

SUNESIS PHARMACEUTICALS, INC.

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report, including the information we incorporate by reference, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995, which involve risks, uncertainties and assumptions. All statements, other than statements of historical facts, are "forward-looking statements" for purposes of these provisions, including without limitation any statements relating to our regulatory and clinical strategies for gaining marketing approval in the United States, including the continued development and commercialization of vecabrutinib (formerly SNS-062), vosaroxin and other product candidates, the timing of our Phase 1b/2 trial of vecabrutinib, presenting clinical data and initiating clinical trials, our future research and development activities, including clinical testing and the costs and timing thereof, sufficiency of our cash resources, our ability to raise additional funding when needed, any statements concerning anticipated regulatory activities or licensing or collaborative arrangements, including any partnering arrangements related to further vosaroxin development, our research and development and other expenses, our operations and legal risks, and any statement of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "anticipates," "believe," "continue," "could," "estimates," "expects," "intend," "look forward," "may," "seeks," "plans," "potential," or "will" or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth under "Risk Factors," and elsewhere in this report. We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. All forward-looking statements included in this report are based on information available to us on the date of this report, and we assume no obligation to update any forward-looking statements contained in this report.

In this report, "Sunesis," the "Company," "we," "us," and "our" refer to Sunesis Pharmaceuticals, Inc. and its wholly-owned subsidiaries, except where it is made clear that the term refers only to the parent company.

ITEM 1. BUSINESS

General

Sunesis Pharmaceutical, Inc. ("Sunesis" or the "Company") is a biopharmaceutical company focused on the development and commercialization of new therapeutics for the treatment of cancer. Our primary activities since incorporation have been conducting research and development internally and through corporate collaborators, in-licensing and out-licensing pharmaceutical compounds and technology, conducting clinical trials, and raising capital.

Our lead program is vecabrutinib, formerly known as SNS-062, a non-covalent inhibitor of Bruton's Tyrosine Kinase ("BTK"). Vecabrutinib is being studied in a Phase 1b/2 clinical trial in B-cell malignancies. In December 2013, we acquired global commercial rights to vecabrutinib, an orally available compound, from Biogen Idec MA, Inc. ("Biogen"). In January 2017, we announced our Investigational New Drug ("IND") application with the U.S. Food and Drug Administration ("FDA") for vecabrutinib had become effective. In July 2017, we announced the dosing of the first patient in a Phase 1b/2 study to assess the safety and activity in patients with advanced B-cell malignancies after two or more prior therapies, including ibrutinib or another covalent BTK inhibitor, and including patients with BTK C481 mutations. In connection to the dosing of the first patient, we also made a milestone payment of $2.5 million to Biogen under the licensing agreement. The Phase 1b portion of the study is a dose escalation component that will proceed to define a maximum tolerated dose and/or a recommended Phase 2 dose. We currently expect to announce a recommended Phase 2 dose in the fall of 2018. Upon identifying the Phase 2 dose, the Phase 2 portion will further explore clinical activity and safety in disease- and mutation-specific cohorts, including patients with and without the C481S mutation.

We are also developing SNS-510, a PDK1 inhibitor licensed from Millennium Pharmaceuticals, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"). We acquired from Takeda global commercial rights to several potential first-in class, preclinical inhibitors of the novel target PDK1, including SNS-510. We are currently characterizing SNS-510 in preclinical studies with the goal of filing an IND in 2019.

We are in a collaboration with Takeda for the development of TAK-580 (formerly MLN2480), an oral pan-RAF inhibitor, which is under investigation for pediatric low-grade glioma and other solid tumor cancers.

We are also seeking to identify a partner to support further vosaroxin development. We conducted a Phase 3, multinational, randomized, double-blind, placebo-controlled trial of vosaroxin in combination with cytarabine in patients with relapsed or refractory Acute Myeloid Leukemia ("AML"). This trial did not meet its primary endpoint of demonstrating a statistically significant improvement in overall survival. As a result of both U.S. and European regulatory interactions, we announced on May 1, 2017 the withdrawal of our Marketing Authorization Application ("MAA") for vosaroxin. We believe that one additional successful pivotal trial could support future marketing approvals of vosaroxin in the U.S and Europe. It is our intention to out-license vosaroxin to a partner to continue development and commercialization for vosaroxin. In the meantime, we continue to support limited investigator-sponsored trials with vosaroxin.

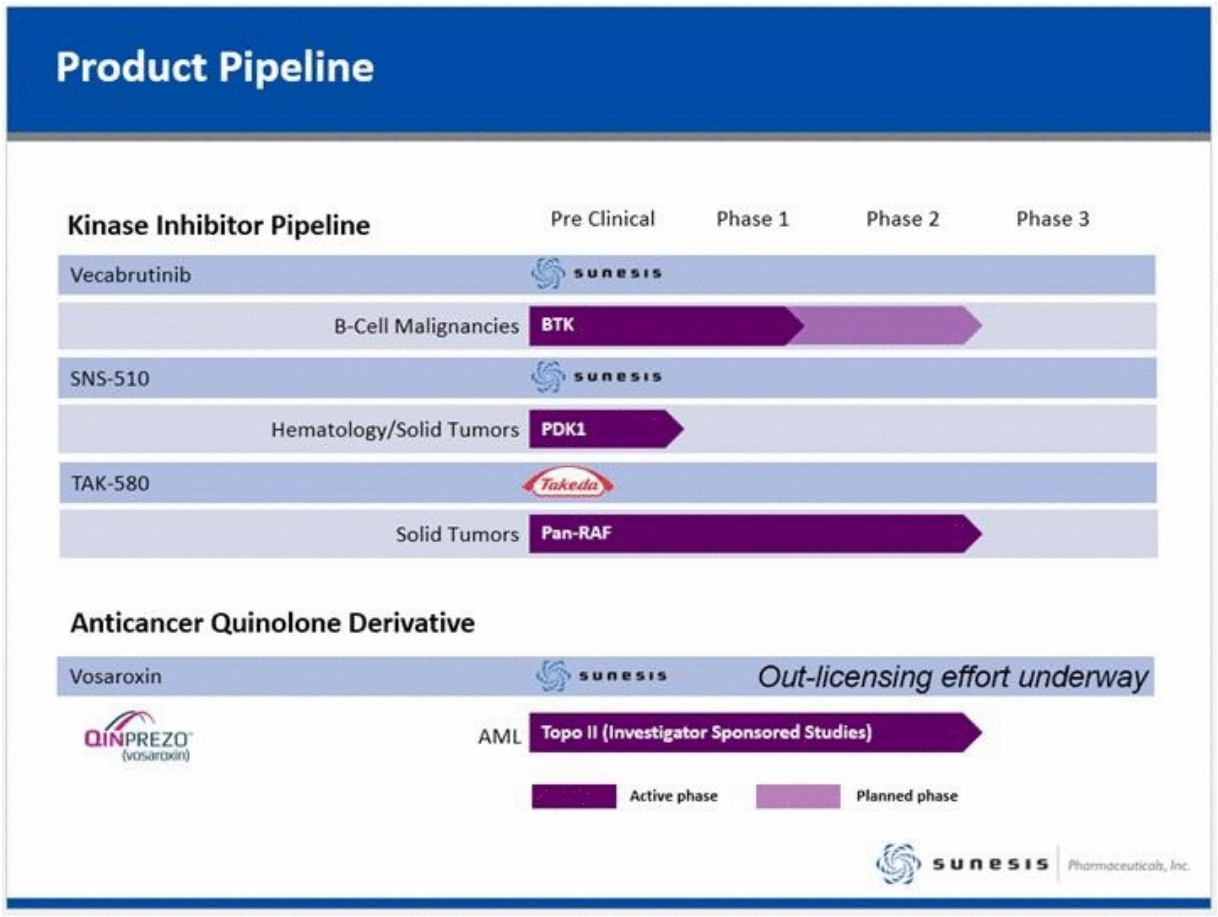
Our Strategy

We plan to continue to build Sunesis into a leading biopharmaceutical company focused on the development and commercialization of new oncology therapeutics by:

- exploring the safety and efficacy of vecabrutinib as a potential treatment for Chronic Lymphocytic Leukemia ("CLL") patients who have relapsed while being treated with a covalent BTK inhibitor primarily as a result of the C481S mutation, as well as for other B-cell malignancies;
- investing in preclinical development of SNS-510, with the goal of filing an IND in 2019;
- supporting our pan-RAF kinase inhibitor program with Takeda;
- continuing to expand and develop our oncology-focused pipeline through further licensing or collaboration arrangements and research and development; and
- seeking to identify a partner to out-license vosaroxin.

Development Pipeline

The following chart summarizes our development pipeline:



Vecabrutinib (SNS-062)

Vecabrutinib is a non-covalently binding inhibitor of BTK. BTK mediates signaling through the B-cell receptor, and is critical for adhesion, migration, proliferation and survival of normal and malignant B-lineage lymphoid cells. BTK has been well validated as a target for treatment of B-cell malignancies, with the BTK inhibitor ibrutinib approved for relapsed/refractory mantle cell lymphoma, newly diagnosed and relapsed/refractory CLL, CLL with 17p depletion, Waldenström's macroglobulinemia, and marginal zone lymphoma. Ibrutinib is covalent and forms an irreversible bond with cysteine residue 481 (C481) in the BTK kinase domain. This cysteine may mutate over time to a serine ("C481S") and this is associated with disease progression and resistance to further treatment with ibrutinib and other covalent BTK inhibitors. Resistance to ibrutinib is a growing problem, with an estimate of cumulative incidence of disease progression in a largely relapsed/refractory CLL population of 19% at 4 years. Characterization of the ibruntinib-relapsed population continues, with one investigation reporting that mutations in BTK C481 are present in 2/3 of relapsed patients, suggesting that this presents a large, growing, and well-defined market.

Vecabrutinib has inhibitory activity in vitro in BTK kinase assays and in B-cell signaling assays, as well as in in vivo models of B-cell mediated diseases. The mechanism by which vecabrutinib inhibits BTK is distinguished from the mechanism of ibrutinib, as vecabrutinib binds BTK non-covalently, and does not interact with BTK C481. In addition, vecabrutinib has a unique kinase selectivity profile and a favorable pharmacokinetic profile compared to covalently binding BTK inhibitors and this may translate to clinical benefit for patients. For example, vecabrutinib inhibits interleukin-2-inducible T-cell kinase (ITK), which may improve anti-

tumor T-cell activity. Ibrutinib also inhibits ITK, and this is thought to have contributed to its efficacy in chronic Graft-Versus-Host disease. Unlike ibrutinib, vecabrutinib does not inhibit epidermal growth factor receptor (EGFR), and EGFR inhibition has been associated with gastrointestinal and other adverse events. Vecabrutinib's distinct kinase selectivity profile and favorable pharmacokinetic and pharmacodynamic profile, demonstrated in our Phase 1a study, indicate the potential for vecabrutinib to become a differentiated treatment for B-cell malignancies.

In 2015, we conducted IND-enabling studies for vecabrutinib, and in 2016 we conducted a Phase 1a healthy volunteer study in Belgium. The results of this study supported further development of vecabrutinib. In December 2016, we filed an IND with the FDA and in January 2017, the IND was cleared to proceed by the FDA. The rights to develop vecabrutinib for oncology indications were in-licensed from Biogen in December 2013, as described below.

Vecabrutinib is currently in a Phase 1b dose escalation study evaluating the safety, pharmacokinetics, pharmacodynamics, and antitumor activity over a range of dose levels in patients with relapsed/refractory CLL and other B-cell malignancies after at least two lines of standard treatment to determine the maximum tolerated and/or recommended phase 2 dose. We recently amended the protocol to broaden the inclusion criteria to include additional B-cell malignancies such as Follicular Lymphoma and certain types of Diffuse Large B-Cell Lymphoma. In addition to existing leading clinical sites Dana-Farber Cancer Institute, Weill Cornell Medicine, UC Irvine, and MD Anderson Cancer Center, Swedish Cancer Institute recently joined the study as our first community-based investigational site bringing a broad catchment area and long history of ibrutinib use.

In December 2017 at an investor and analyst event at the American Society of Hematology meeting, we presented data from the first cohort, patients treated with 25mg twice daily ("BID") of vecabrutinib. Vecabrutinib was well tolerated and patients remained on study for 2-4 cycles of treatment. Adverse events included headache and back pain, cytopenias, and infection. Significant BTK phosphorylation inhibition was observed in two of the patients, a promising early sign of pharmacodynamic activity. We are currently studying the 50mg BID dose cohort, which must be expanded to six patients because one patient did not receive the required number of doses due to an adverse event, which is, by protocol, a dose-limiting toxicity.

TAK-580 (formerly MLN2480)

A pan-Raf inhibitor program was originally developed through a collaboration agreement between Sunesis and Biogen. In March 2011, Biogen's rights to this program were purchased by and exclusively licensed to Takeda. In September 2017, Takeda presented the final results from a Phase 1 study of TAK-580 in 99 patients at the European Society for Medical Oncology (ESMO) conference. The safety and pharmacokinetic profiles of TAK-580 dosed every other day and once weekly at maximum tolerated doses were acceptable. Once-weekly dosing improved safety over every-other-day dosing. These data support the further assessment of once-weekly dosing. The once-weekly dosing schedule is currently being assessed in rational drug combinations to target tumor indications where dysregulation of the mitogen-activated protein kinase (MAPK) pathway is present.

In February 2018, an investigator-sponsored trial was initiated evaluating TAK-580 in Pediatric Low-Grade Glioma (PLGG), for which we believe the scientific rationale is compelling. PLGG accounts for nearly 30% of pediatric brain cancer, and Fusion-RAF proteins are present in a large proportion of these pediatric tumors. There is a significant unmet need for these children and we expect to have a more detailed update on this trial in the coming months.

The Raf kinases (A-Raf, B-Raf and C-Raf) are key regulators of cell proliferation and survival within the mitogen-activated protein kinase (MAPK) pathway. Pan-RAF inhibitors such as TAK-580 are able to regulate MAP kinase pathway activation that are driven by RAF-monomer signaling, such as BRAF V600 mutations, and are uniquely positioned to also inhibit RAF dimer signaling, which can drive cancers with RAS mutations, non-V600 BRAF mutations, and RAF fusions.

Under the license agreement, we may in the future receive up to $57.5 million in pre-commercialization, event-based payments related to the development by Takeda of the first two indications for each of the licensed products directed against the Raf target, and royalty payments depending on related product sales, as further described below.

SNS-510

SNS-510 is in preclinical studies with the goal of submitting an IND in 2019.

In January 2014, we in-licensed a series of selective PDK1 inhibitors from Takeda that were discovered under a research collaboration agreement between Biogen and Sunesis, as described below. PDK1 is a key kinase and mediator of PI3K/AKT signaling and also regulates other pathways by PI3K-independent mechanisms. These pathways are involved in cell growth, differentiation,

survival and migration and are frequently dysregulated in cancers. PDK1 inhibitors are expected to be broadly active in both hematologic and solid tumor malignancies. We have taken a series of PDK1 inhibitors with confirmed antitumor activity in vitro and in vivo into preclinical development, and in 2017, we selected SNS-510 as a development candidate.

There are multiple PI3K pathway inhibitors in late stage development or approval for use in CLL and other malignancies. PDK1 represents a key oncology target within the PI3K pathway and other PI3K-independent pathways including MAPK and NF-KB. We believe SNS-510 is a potential first-in-class compound with demonstrated inhibition of PI3K-dependent and independent pathways and a compelling in vitro and in vivo profile. SNS-510 has the potential for broad-spectrum single agent and combination activity in both solid tumor and hematologic malignancies.

Inhibitors of PDK1 are expected to be able to provide similar clinical benefits to those observed with PI3K inhibitors and have the potential to provide additional benefits through inhibition of PI3K-independent cancer signaling pathways, especially in cancer types in which PDK1 is overexpressed such as breast cancer and AML. We believe that our PDK1 inhibitors can be differentiated from PI3K and PDK1 inhibitors currently approved and in development and may provide novel opportunities in solid tumor and hematologic cancers.

Vosaroxin

We are seeking to identify a partner with the expertise and resources to support further vosaroxin development. After regulatory consultation in the US and Europe, we believe that one successful Phase 3 trial would be sufficient for approval, unlocking value for acute myeloid leukemia (AML) patients and investors. We believe the best next step would be to study vosaroxin in a Phase 3 study in relapsed or refractory AML patients who are over 60 years old.

Vosaroxin is an anti-cancer quinolone derivative—a class of compounds that has not been used previously for the treatment of cancer. Preclinical data demonstrate that vosaroxin intercalates DNA and inhibits topoisomerase II, an enzyme critical for cell replication, resulting in replication-dependent, site-selective DNA damage, G2 arrest and apoptosis. We licensed worldwide development and commercialization rights to vosaroxin from Sumitomo Dainippon Pharma Co., Ltd. (“Sumitomo”) in 2003. In October 2014, we announced results from our Phase 3, randomized, double-blind, placebo-controlled, pivotal clinical trial of vosaroxin in combination with cytarabine to evaluate overall survival in patients with relapsed or refractory AML. The trial enrolled 711 adult patients at 124 study sites in the U.S., Canada, Europe, South Korea, Australia and New Zealand. Patients treated with vosaroxin achieved increased overall survival compared to those treated with placebo (7.5 months vs 6.1 months, HR=0.87), the primary endpoint, but this difference did not achieve statistical significance (p=0.06). The complete remission (CR) rate, the sole secondary efficacy endpoint in the trial, did demonstrate a significant difference for the vosaroxin combination arm (30.1% vs 16.3%, $p < 0.0001$). Regarding drug safety, Grade 3 or higher non-hematologic adverse events that were more common in the vosaroxin combination arm were gastrointestinal and infection-related toxicities, consistent with those observed in our previous clinical trials. The rate of serious adverse events was 55.5% in the vosaroxin combination arm compared to 35.7% in the placebo and cytarabine arm.

Based upon the results, in November 2014, we submitted a letter of intent to the European Medicines Agency (EMA) describing our intention to file a marketing authorization application (MAA) for vosaroxin plus cytarabine for the treatment of relapsed or refractory AML. In June 2015, we met separately with the Rapporteur and Co-Rapporteur, who are two appointed members of the EMA’s Committee for Medicinal Products for Human Use (CHMP). Based upon feedback from these meetings, we filed an MAA with the EMA at the end of 2015. In March 2017, we submitted responses to the EMA Day 180 List of Outstanding Issues issued by the CHMP as part of the centralized review process of the MAA for vosaroxin as a treatment for relapsed/refractory AML in patients aged 60 years and older. In April 2017, we presented to the Scientific Advisory Group – Oncology (SAG-O) and also to the CHMP. As a result of these interactions, feedback from our CHMP rapporteurs and our retained regulatory consultants, and an internal assessment, we announced on May 1, 2017 the withdrawal of our MAA. It is our intention to continue to support investigator-sponsored group trials with vosaroxin and to find an out-license partner prior to starting a registered trial.

The molecular core of vosaroxin is structurally similar to quinolones and distinct from anthracyclines and anthracenediones. Vosaroxin's anticancer activity results from apoptosis caused exclusively by DNA intercalation, inhibition of topoisomerase II, and cell cycle inhibition in replicating cells. Vosaroxin’s cytotoxic activity is established in diverse human tumors and clinical activity is observed in both solid and hematologic malignancies. In preclinical studies, vosaroxin demonstrated broad antitumor activity and exhibited additive or synergistic activity when combined with several therapeutic agents currently used in the treatment of cancer, including cytarabine. Vosaroxin maintains activity in drug resistant tumor cell lines and human tumor models. Vosaroxin evades P-gp transporter-mediated resistance, and its activity is p53 independent, reducing resistance to therapy. Vosaroxin has demonstrated anticancer activity in patients who have failed other topoisomerase II inhibitor treatment.

Vosaroxin Investigator Sponsored Clinical Trials

At the request of investigators, we have agreed to support select investigator-sponsored trials. These trials maintain interest in vosaroxin, make the product available to some patients through clinical trials, and could support an expanded market opportunity beyond relapsed/refractory AML. We believe these trials will help to out-license vosaroxin and ultimately enhance its value. These investigator-sponsored trials include:

- Phase 2 trial of vosaroxin with decitabine in patients 60 years of age or order with newly diagnosed acute AML or high-risk Myelodysplastic Syndrome (MDS). The trial was conducted at MD Anderson Cancer Center under the direction of Naval G. Daver, M.D., Associate Professor and Farhad Ravandi -Kashani, M.D., Professor of Medicine, Department of Leukemia, Division of Cancer Medicine. The trial completed with overall response rate of 74% and improved overall median overall survival from 5.5 months to 14.6 months.
- Phase 1/2 trial of vosaroxin in combination with azacitidine in patients with MDS. The trial was conducted at the Washington University School of Medicine under the direction of Meagan A. Jacoby, M.D., Ph.D., Instructor of Medicine, Division of Oncology. The trial completed with overall response rate of 63% with 50% of patients receiving transplant.
- Phase 2 trial of vosaroxin and infusional cytarabine for frontline treatment of AML (VITAL) patients. Stage 1 of the trial completed with 53% complete remission rate and overall response rate of 71%. Stage 2 is fully enrolled with EHA 2018 presentation targeted.
- Phase 1/2 trial of vosaroxin in adult patients with previously treated intermediate-2 or high-risk MDS. The trial is being conducted at Weill Cornell Medical College and New York-Presbyterian Hospital under the direction of Gail J. Roboz, M.D., Associate Professor of Medicine and Director of the Leukemia Program.
- Phase 1/2 trial of vosaroxin with cytarabine tested as consolidation therapy as one of up to three novel agents. This trial is being conducted under the direction of national cooperative group French Innovative Leukemia Organization (FILO) and the Acute Leukemia French Association (ALFA).

License, Collaboration and Royalty Agreements

Licensing and Collaboration Agreements with Biogen and Takeda

Overview

In August 2004, we entered into the original collaboration agreement with Biogen (the "Biogen OCA") to discover, develop and commercialize small molecule inhibitors of the human protein Raf kinase, including family members Raf-1, A-Raf, B-Raf and C-Raf, (collectively "Raf"), and up to five additional targets that play a role in oncology and immunology indications such as BTK and PDK1.

In June 2008, the parties agreed to terminate the research term and related funding. In March 2011, as part of a series of agreements among Sunesis, Biogen and Takeda, we entered into: (a) an amended and restated collaboration agreement with Biogen ("the Biogen Idec 1st ARCA"); (b) a license agreement with Millennium ("the Takeda Agreement"); and (c) a termination and transition agreement among Sunesis, Biogen and Takeda ("the Termination and Transition Agreement").

The Termination and Transition Agreement provided for the termination of Biogen's exclusive rights under the Biogen OCA to all discovery programs under such agreement other than for small molecule inhibitors of the human protein BTK and the permitted assignment to Takeda of all related Sunesis collaboration assets and rights to Raf kinase and the human protein PDK1.

Biogen

The Biogen 1st ARCA amended and restated the Biogen OCA, to provide for the discovery, development and commercialization of small molecule BTK inhibitors. Under this agreement, we no longer have research obligations, but licenses granted to Biogen with respect to the research collaboration under the Biogen OCA (other than the licenses transferred to Takeda under the Takeda Agreement) remain in effect.

In December 2013, we entered into a second amended and restated collaboration agreement with Biogen (the "Biogen 2nd ARCA"), which amended and restated the Biogen 1st ARCA, to provide us with an exclusive worldwide license to develop, manufacture and commercialize vecabrutinib, a BTK inhibitor synthesized under the Biogen 1st ARCA, solely for oncology indications. During the third quarter of 2017, we made a milestone payment of $2.5 million to Biogen upon the dosing of the first patient in a Phase 1b/2 study to assess the safety and activity of vecabrutinib in patients with advanced B-cell malignancies after two or more prior therapies, including ibrutinib or other covalent BTK inhibitors, and including patients with BTK C481 mutations. We

may also be required to make royalty payments on product sales of vecabrutinib. Additionally, potential future royalty payments to us were reduced to equal those amounts due to Biogen for potential future sales of vecabrutinib. All of our other rights contained in the Biogen 1st ARCA remain unchanged.

Takeda

Under the Takeda Agreement, we granted exclusive licenses to products against two oncology targets originally developed under the Biogen OCA, Raf and PDK1, under substantially the same terms as under the Biogen OCA.

In January 2014, we entered into an amended and restated license agreement with Takeda ("the Amended Takeda Agreement"), to provide us with an exclusive worldwide license to develop and commercialize preclinical inhibitors of PDK1. In connection with execution of the Amended Takeda Agreement, we paid an upfront fee and may in the future be required to make up to $9.2 million in pre-commercialization milestone payments depending on our development of PDK1 inhibitors and royalty payments depending on related product sales.

With respect to the Raf target product rights that were originally licensed to Takeda under the Takeda Agreement, we may in the future receive up to $57.5 million in pre-commercialization, event-based payments related to the development by Takeda of the first two indications for each of the licensed products directed against the Raf target and royalty payments depending on related product sales. The agreement also provides us with future co-development and co-promotion rights. Takeda is currently conducting a Phase 1b clinical study of an oral investigative drug, TAK-580, which is licensed to them under the Amended Takeda Agreement.

In-license Agreement with Sumitomo

In October 2003, we entered into an agreement with Sumitomo to acquire exclusive worldwide development and marketing rights for vosaroxin. In the future we may be required to make additional milestone payments of up to $6.5 million in aggregate to Sumitomo for (a) filing New Drug Applications ("NDA"), in the U.S. and Japan, and (b) for receiving regulatory approvals in these regions and the EU, for cancer-related indications. If vosaroxin is approved for a non-cancer indication, an additional milestone payment will become payable to Sumitomo.

The agreement also provides for royalty payments to Sumitomo at rates based on total annual net sales. Under the agreement, we may reduce our royalty payments to Sumitomo if a third party markets a competitive product and we must pay royalties for third-party intellectual property rights necessary to commercialize vosaroxin. Royalty obligations under the agreement continue on a country-by-country and product-by-product basis until the later of the date on which no valid patent claims relating to a product exist or 10 years from the date of the first sale of the product.

If we discontinue seeking regulatory approval and/or the sale of the product in a region, we are required to return our rights to the product in that region to Sumitomo. The agreement may be terminated by either party for the other party's uncured breach or bankruptcy.

Royalty Agreement with RPI

In March 2012, we entered into a Revenue Participation Agreement (the "Royalty Agreement"), with RPI Finance Trust ("RPI"), an entity related to Royalty Pharma. In September 2012, as a result of the recommendation by the VALOR trial Data and Safety Monitoring Board to increase the sample size for the VALOR trial, RPI made a $25.0 million cash payment to us in exchange for a 6.75% royalty on any future net sales of vosaroxin. In conjunction with the Royalty Agreement, we issued two five-year warrants to RPI, each to purchase 166,666 shares of our common stock, at exercise prices of $20.88 and $27.84 per share, respectively. Of the $25.0 million, $21.9 million was recorded as deferred revenue and is being amortized to revenue over the related performance period of the Royalty Agreement. The remaining $3.1 million represents the fair value of the warrants. Both warrants were exercised in full in 2014.

Revenues

Over the past years, we have generated revenue through the Royalty Agreement with RPI and the Biogen 1st ARCA. In 2017, 2016, and 2015, we recognized $0.7 million, $2.4 million, and $2.9 million of revenue, respectively, related to the Royalty Agreement with RPI.

Manufacturing

We rely on, and we expect to continue to rely on, a limited number of third-party contract manufacturers for the production of clinical and commercial quantities of all of our active pharmaceutical ingredients ("API"), including vecabrutinib and vosaroxin and the finished drug products ("FDP") incorporating the API. We have supply agreements with all of these third parties, and our agreements with these parties may include provisions that allow for termination at will by either party following a relatively short notice period.

We currently rely on two contract manufacturers for vecabrutinib API and two for FDP. Third-party contract manufacturing organizations are relied on to manufacture key starting materials and intermediates required in the manufacture of vecabrutinib API. The manufacturing requires high-purity materials to meet the final product specifications. A number of suitable manufacturers are available in North America and India for the manufacturing of API and FDP. Three lots of API have been manufactured at a clinical scale. Scale-up to commercial scale has not been done. The cost to manufacture at large scale is unknown.

We currently rely on a single contract manufacturer for the vosaroxin API and a single contract manufacturer to formulate the vosaroxin API and fill and finish vials of the vosaroxin FDP. Because the vosaroxin API is classified as a cytotoxic substance, the number of available manufacturers for the API and FDP is limited, but we have identified several suitable backup facilities. In 2016, we performed process validation studies on API and FDP batches of vosaroxin. The results of these process validation studies met preset criteria. In 2017, we manufactured one lot of commercial-scale vosaroxin finished product.

Competition

The life sciences industry is highly competitive, and we face significant competition from many pharmaceutical, biopharmaceutical and biotechnology companies that are researching, developing and marketing products designed to address the treatment of cancer, including B-cell malignancies and AML. Many of our competitors have significantly greater financial, manufacturing, marketing and drug development resources than we do. Large pharmaceutical companies in particular have extensive experience in the clinical testing of, obtaining regulatory approvals for, and marketing drugs.

With respect to vecabrutinib, we are aware of a number of companies that are or may be pursuing different approaches to C481S-mutant BTK inhibition, including Aptose Biosciences Inc., Roche Holdings AG, ArQule, Inc., and Loxo Oncology, Inc. Moreover, numerous companies are also pursuing inhibitors of wild-type BTK, including AbbVie Inc. ("AbbVie"), with its drug IMBRUVICA®. Other companies with BTK inhibitors currently in development include AstraZeneca PLC, BeiGene, Ltd., EMD Merck, Eli Lilly and Company, Gilead Sciences, Inc. ("Gilead"), Principia Biopharm Inc., and others in oncology and non-oncology indications. Other drugs that may compete to treat ibrutinib refractory patients, including patients with C481S-mutant BTK, include AbbVie's Bcl-2 inhibitor VENCLEXTA™, Gilead's Zydelig PI2K kinase inhibitor, TG Therapeutics, Inc.' umbralisib PI3K inhibitors, and Verastem's duvelisib PI3K inhibitor.

Intellectual Property

We believe that patent protection is very important to our business and that our future success depends in part on our ability to obtain patents protecting vecabrutinib, SNS-510, TAK-580, vosaroxin or future drug candidates, if any. Historically, we have patented a wide range of technology, inventions and improvements related to our business. When appropriate, we seek orphan drug status and/or data exclusivity in the United States and their equivalents in other relevant jurisdictions, to the maximum extent that the respective laws will permit at such time. For example, we secured orphan drug designation for vosaroxin for the treatment of AML from the European Commission and from the FDA. This may provide ten years of marketing exclusivity in all member countries of the European Union, and seven years of market exclusivity in the U.S.

Vecabrutinib Patent Assets

U.S. Patent Nos. 8,785,440 B2 and 9,249,146 B2 covering a genus of compounds including the vecabrutinib composition-of-matter and methods of their use have counterpart pending applications or granted patents in the US and in Europe (EPO) and other countries, with expiry in 2030. U.S. Patent No. 9,394,277 B2 covering a subgenus of compounds including vecabrutinib has counterpart pending applications or granted patents in the U.S. and in EPO and other countries, with expiry in 2033. As of December 31, 2017, we own, co-own or have rights to approximately 14 granted U.S. and foreign patents, and approximately 30 pending U.S. and foreign applications, pertaining to vecabrutinib and compositions and uses thereof. The expiries of these granted patents and patents that may be granted range from 2030 to 2037.

SNS-510 Patent Assets

U.S. Patent No. 9,546,165 B2, and allowed U.S. Patent App. No. 14/966,821, covering a genus of compounds, including the SNS-510 composition-of-matter, and methods of their use has counterpart applications or granted patents in EPO and other countries,

with expiry in 2030 (2031 in US due to Patent Term Adjustment based on prosecution delay by the United States Patent and Trademark Office). As of December 31, 2017, we own, co-own or have rights to approximately 45 granted U.S. and foreign patents, and approximately 19 pending U.S. and foreign applications, pertaining to SNS-510 and compositions and uses thereof. The expiries of these granted patents and patents that may be granted range from 2030 to 2037.

Vosaroxin Patent Assets

U.S. Patent No. 5,817,669 B2 covering the vosaroxin composition-of-matter and its counterpart patents in foreign jurisdictions have all expired. However, we are seeking and have been granted numerous patents relating to vosaroxin compositions, and uses and manufacture of vosaroxin, in the U.S and in Europe. In addition to our U.S. and European patents, we have been granted similar and related patents in certain other countries, and patent applications are pending in these and other countries, including major markets, throughout the world. As of December 31, 2017, we own, co-own or have rights to approximately 200 granted U.S. and foreign patents, and approximately 106 pending U.S. and foreign applications, pertaining to vosaroxin and compositions and uses thereof. The expiries of these granted patents and patents that may be granted range from 2025 to 2030.

General

While it is possible that patent term restoration and/or supplemental patent certificates could be available for some of these or other patents we own or control through licenses after possible approval of commercial product, we cannot guarantee that such additional protection will be obtained, and the expiration dates described here do not include such term restoration.

Our commercial success depends on our ability to operate without infringing patents and proprietary rights of third parties. We cannot determine with certainty whether patents or patent applications of other parties may materially affect our ability to conduct our business. The existence of third party patent applications and patents could significantly reduce the coverage of patents owned by or licensed to us and limit our ability to obtain meaningful patent protection. If patents containing competitive or conflicting claims are issued to third parties and these claims are ultimately determined to be valid, we may be enjoined from pursuing research, development or commercialization of vecabrutinib, SNS-510, TAK-580, vosaroxin or future drug candidates, if any, or be required to obtain licenses to such patents or to develop or obtain alternative technology.

We also rely on trade secrets to protect our technology, especially in situations or jurisdictions in which we believe patent protection may not be appropriate or obtainable. However, trade secrets are difficult to maintain and do not protect technology against independent developments made by third parties. We seek to protect our proprietary information by requiring our employees, consultants, contractors and other advisers to execute nondisclosure and assignment of invention agreements upon commencement of their employment or engagement. Agreements with our employees also prevent them from bringing the proprietary rights of third parties to us. We also require confidentiality or material transfer agreements from third parties that receive our confidential data or materials. We seek to protect our company name and the names of our products and technologies by obtaining trademark registrations, as well as common law rights in trademarks and service marks, in the United States and in other countries.

Government Regulation

The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, manufacture, marketing and distribution of drugs. These agencies and other federal, state and local and foreign entities regulate research and development activities and the testing, manufacture, quality control, safety, efficacy, labeling, storage, recordkeeping, approval, advertising and promotion of our product candidates and any future drug candidates we may develop, if any. The application of these regulatory frameworks to the development, approval and commercialization of our drug candidates will take a number of years to accomplish, if at all, and involve the expenditure of substantial resources.

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, as amended, and implementing regulations. The process required by the FDA before any of our drug candidates may be marketed in the U.S. generally involves the following:

- completion of extensive preclinical laboratory tests, *in vivo* preclinical studies and formulation studies;
- submission to the FDA of an IND application, which must become effective before clinical trials begin;
- performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the product candidate for each proposed indication;
- submission of an NDA to the FDA;

- satisfactory completion of an FDA pre-approval inspection of the manufacturing facilities at which the product candidate is produced to assess compliance with current Good Manufacturing Practice ("cGMP") regulations; and
- FDA review and approval of the NDA, including proposed labeling (package insert information) and promotional materials, prior to any commercial marketing, sale or shipment of the drug.

The testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that approvals will be granted on a timely basis, if at all.

Preclinical Testing and INDs

Preclinical tests include laboratory evaluation of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animals. Laboratories that comply with the FDA Good Laboratory Practice regulations must conduct preclinical safety tests. The results of preclinical tests, together with manufacturing information and analytical data, are submitted as part of an IND application to the FDA. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin.

Clinical Trials

Clinical trials involve the administration of an investigational drug to healthy volunteers or to patients under the supervision of a qualified principal investigator. Clinical trials are conducted in accordance with the FDA's Protection of Human Subjects regulations and Good Clinical Practices ("GCP"), under protocols that detail the objectives of the study, the parameters to be used to monitor safety, and the efficacy criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND application.

In addition, each clinical study must be conducted under the auspices of an independent institutional review board ("IRB"), at each institution where the study will be conducted. Each IRB will consider, among other things, ethical factors, the safety of human subjects and the possible liability of the institution. The FDA, an IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Clinical testing also must satisfy extensive GCP requirements and regulations for informed consent.

Clinical trials are typically conducted in three sequential phases, which may overlap, sometimes followed by a fourth phase:

- *Phase 1 clinical trials* are initially conducted in a limited population to test the drug candidate for safety (adverse effects), dose tolerance, absorption, metabolism, distribution and excretion in healthy humans or, on occasion, in patients, such as cancer patients. In some cases, particularly in cancer trials, a sponsor may decide to conduct what is referred to as a "Phase 1b" evaluation, which is a safety-focused, multiple ascending dose Phase 1 clinical trial, often conducted in patients.
- *Phase 2 clinical trials* are generally conducted in a limited patient population to identify possible adverse effects and safety risks, to determine the efficacy of the drug candidate for specific targeted indications and to determine dose tolerance and optimal dosage. Multiple Phase 2 clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more expensive Phase 3 clinical trials. In some cases, a sponsor may decide to conduct what is referred to as a "Phase 2b" evaluation, which is a second, confirmatory Phase 2 clinical trial that could, if positive and accepted by the FDA, serve as a pivotal clinical trial in the approval of a drug candidate.
- *Phase 3 clinical trials* are commonly referred to as pivotal trials. When Phase 2 clinical trials demonstrate that a drug candidate has potential activity in a disease or condition and has an acceptable safety profile, Phase 3 clinical trials are undertaken to further evaluate clinical efficacy and to further test for safety in an expanded patient population at multiple, geographically dispersed clinical trial sites.
- *Phase 4 (post-marketing) clinical trials* may be required by the FDA in some cases. The FDA may conditionally approve an NDA for a drug candidate on a sponsor's agreement to conduct additional clinical trials to further assess the drug's safety and/or efficacy after NDA approval. Such post-approval trials are typically referred to as Phase 4 clinical trials.

New Drug Applications

Assuming successful completion of the required clinical testing, the results of the preclinical studies and clinical trials, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of an NDA requesting approval to market the product for one or more indications. Under federal law, the submission of most NDAs is additionally subject to a substantial application fee under the Prescription Drug User Fee Act ("PDUFA"), and the sponsor of an approved NDA is also subject to annual program fees, which are typically increased annually.

The FDA conducts a preliminary review of all NDAs within the first 60 days after submission before accepting them for filing to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA has agreed to specified performance goals in the review of NDAs. Under these goals, the FDA has committed to review most such applications for non-priority products within 10 months of filing, and most applications for priority review products, that is, drugs that the FDA determines represent a significant improvement over existing therapy, within six months of filing. The review process may be extended by the FDA for three additional months to consider certain information or clarification regarding information already provided in the submission. The FDA may also refer applications for novel drugs or products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Before approving an NDA, the FDA typically will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. In addition, before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP and integrity of the clinical data submitted.

The testing and approval process requires substantial time, effort and financial resources, and each may take many years to complete. Data obtained from clinical activities are not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The FDA may not grant approval on a timely basis, or at all. We may encounter difficulties or unanticipated costs in our efforts to develop our product candidates and secure necessary governmental approvals, which could delay or preclude us from marketing our products.

After the FDA's evaluation of the NDA and inspection of the manufacturing facilities, the FDA may issue an approval letter or a complete response letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing or information in order for the FDA to reconsider the application. If and when those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the NDA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval and refuse to approve the NDA. Even if the FDA approves a product, it may limit the approved indications for use for the product, require that contraindications, warnings or precautions be included in the product labeling, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution restrictions or other risk management mechanisms, including Risk Evaluation and Mitigation Strategies, or REMs, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-market studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing requirements and FDA review and approval.

Orphan Drug Designation

The United States Orphan Drug Act promotes the development of products that demonstrate promise for the diagnosis and treatment of diseases or conditions that affect fewer than 200,000 people in the United States. Upon receipt of orphan drug designation from the FDA, the sponsor is eligible for tax credits for qualified clinical trial expenses, the ability to apply for annual grant funding, waiver of PDUFA application fee, and upon approval, the potential for seven years of market exclusivity for the orphan-designated product for the orphan-designated indication. On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the Tax Act) was enacted into law and the Orphan Drug tax credit was reduced from 50% to 25%. In October 2009, the FDA granted orphan drug designation to vosaroxin for treatment of AML.

In the European Union, orphan status is available for therapies addressing conditions that affect five or fewer out of 10,000 people, and provides for the potential for 10 years of marketing exclusivity in Europe for the orphan-designated product for the orphan-designated indication. The marketing exclusivity period can be reduced to six years if, at the end of the fifth year, available evidence establishes that the product is sufficiently profitable not to justify maintenance of market exclusivity. In April 2012, the European Commission granted orphan drug designation to vosaroxin for the treatment of AML.

Other Regulatory Requirements

Any drugs manufactured or distributed by us, Biogen, Takeda, or our potential future licensees or collaboration partners, if any, pursuant to FDA approvals are subject to continuing regulation by the FDA, including recordkeeping requirements and reporting of adverse experiences associated with the drug. Drug manufacturers and their subcontractors are required to register with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMPs, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action or possible civil penalties.

The FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the Internet. A company can make only those claims relating to safety and efficacy that are approved by the FDA. Physicians may prescribe legally available drugs for uses that are not described in the drug's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties, including cancer therapy. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, impose stringent restrictions on manufacturers' communications regarding off-label use. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties.

Healthcare Law and Regulation

In addition to FDA restrictions on marketing of pharmaceutical products, several other types of state and federal laws restrict our business activities, including certain marketing practices. These laws include, without limitation, anti-kickback laws, false claims laws, data privacy and security laws, as well as transparency laws regarding payments or other items of value provided to healthcare providers.

The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for either the referral of an individual, or the purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item, good, facility or service reimbursable under Medicare, Medicaid or other federal healthcare programs.

Federal false claims laws, including the civil False Claims Act, and civil monetary penalties laws, prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid.

The federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), created new federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH"), and its implementing regulations, imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's security standards directly applicable to business associates, independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity.

Additionally, the federal Physician Payments Sunshine Act, created under the Affordable Care Act ("ACA"), and its implementing regulations, require certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to annually report to the Centers for Medicare & Medicaid Services ("CMS"), information related to certain payments or other transfers of value provided to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members.

The majority of states also have statutes or regulations similar to the aforementioned federal laws, some of which are broader in scope and apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of

the payor. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts. These laws may affect our sales, marketing and other promotional activities by imposing administrative and compliance burdens.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of the health regulatory laws described above or any other laws that apply to us, we may be subject to a wide range of sanctions and penalties, potentially significant criminal and civil and/or administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from participation in government healthcare programs, integrity obligations, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. We are unable to predict whether we would be subject to actions under these laws or the impact of such actions. However, the cost of defending any such claims, as well as any sanctions imposed, could adversely affect our financial performance and disrupt our business operations.

Foreign Regulation

In addition to regulations in the U.S., we are subject to foreign regulations governing clinical trials and commercial sales and distribution of or our drug candidates. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Under European Union regulatory systems, permission to conduct clinical research is granted by the Competent Authority of each European Member State ("MS"), and the applicable Ethics Committees ("EC"), through the submission of a Clinical Trial Application. An EC in the European Union serves the same function as an IRB in the United States. The review times vary by MS but may not exceed 60 days. The EC has a maximum of 60 days to give its opinion on the acceptability of the Clinical Trial Application to both the governing MS and the sponsor applicant. If the application is deemed acceptable, the MS informs the applicant (or does not within the 60-day window inform the applicant of non-acceptance) and we may proceed with the clinical trial.

To obtain a marketing authorization of a drug in the European Union, we must submit an MAA under the centralized procedure. The centralized procedure provides for the grant of a single marketing authorization from the European Commission following a favorable opinion by the CHMP of the EMA that is valid in the European Economic Area (the "EEA"), which includes all European Union member states, as well as Iceland, Liechtenstein and Norway. The centralized procedure is compulsory for medicines produced by specified biotechnological processes, products designated as orphan medicinal products, advanced therapy medicinal products and products with a new active substance indicated for the treatment of specified diseases. Under the centralized procedure the maximum timeframe for the evaluation of an MAA by the EMA is 210 days, excluding clock stops, when additional written or oral information is to be provided by the applicant in response to questions asked by the CHMP.

In the EEA, the EMA's Committee for Orphan Medicinal Products grants orphan drug designation to promote the development of products that are intended for the diagnosis, prevention or treatment of life-threatening or chronically debilitating conditions affecting not more than five in 10,000 persons in the European Union and for which no satisfactory method of diagnosis, prevention, or treatment has been authorized (or the product would be a significant benefit to those affected). Additionally, designation is granted for products intended for the diagnosis, prevention, or treatment of a life-threatening, seriously debilitating or serious and chronic condition and when, without incentives, it is unlikely that sales of the drug in the European Union would be sufficient to justify the necessary investment in developing the medicinal product. A European Union orphan drug designation entitles a party to financial incentives such as reduction of fees or fee waivers and 10 years of market exclusivity is granted following medicinal product approval. This period may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity. Orphan drug designation must be requested before submitting an application for marketing approval. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

In the EEA, marketing authorization applications for new medicinal products not authorized have to include the results of studies conducted in the pediatric population, in compliance with a pediatric investigation plan ("PIP"), agreed with the EMA's Pediatric Committee ("PDCO"). The PIP sets out the timing and measures proposed to generate data to support a pediatric indication of the drug for which marketing authorization is being sought. The PDCO can grant a deferral of the obligation to implement some or all of the measures of the PIP until there are sufficient data to demonstrate the efficacy and safety of the product in adults. Further, the obligation to provide pediatric clinical trial data can be waived by the PDCO when these data is not needed or appropriate because the product is likely to be ineffective or unsafe in children, the disease or condition for which the product is intended occurs only in adult

populations, or when the product does not represent a significant therapeutic benefit over existing treatments for pediatric patients. Once a marketing authorization is obtained for a pediatric indication in all Member States of the European Union and study results are included in the product information, even when negative, the product is eligible for six months' supplementary protection certificate extension. For orphan-designated medicinal products, the 10-year period of market exclusivity is extended to 12 years.

In addition to regulations in the United States and the European Union, we will be subject to a variety of other foreign regulations governing clinical trials and commercial distribution of our product candidates. Our ability to sell drugs will also depend on the availability of reimbursement from government and private insurance companies.

Research and Development Expenses

We incurred $21.5 million, $22.9 million and $23.7 million of research and development expenses in 2017, 2016 and 2015, respectively, primarily related to the development of vosaroxin and vecabrutinib. We expect to continue to incur significant development expenses related to the development of vecabrutinib, vosaroxin, and our other drug candidates.

Environment

We have made, and will continue to make, expenditures for environmental compliance and protection. We do not expect that such expenditures will have a material effect on our capital expenditures or results of operations in the foreseeable future.

Employees

As of December 31, 2017, our workforce consisted of 34 full-time equivalent employees, of which 20 are engaged in research and development and 14 are engaged in general and administrative, medical affairs and commercial planning functions. We have no collective bargaining agreements with our employees, and we have not experienced any work stoppages.

Corporate Background

We were incorporated in Delaware in February 1998. Our offices are headquartered at 395 Oyster Point Boulevard, Suite 400, South San Francisco, California 94080, and our telephone number is (650) 266-3500. Our website address is *www.sunesis.com*. Information contained in, or accessible through, our website is not incorporated by reference into and does not form a part of this report.

Available Information

Our website is located at *www.sunesis.com*. The contents of our website are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the Securities and Exchange Commission (the "SEC"), and any references to our websites are intended to be inactive textual references only. The following filings are available through our website as soon as reasonably practicable after we file them with the SEC: Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, as well as any amendments to such reports and all other filings pursuant to Section 13(a) or 15(d) of the Securities Act. These filings are also available for download free of charge on our investor relations website. Additionally, copies of materials filed by us with the SEC may be accessed at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or at www.sec.gov. For information about the SEC's Public Reference Room, contact 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and all information contained in this Annual Report on Form 10-K, as each of these risks could adversely affect our business, operating results and financial conditions. If any of the possible adverse events described below actually occurs, we may be unable to conduct our business as currently planned and our financial condition and operating results could be adversely affected. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. In addition, the trading price of our common stock could decline due to the occurrence of any of these risks, and you may lose all or part of your investment. Please see "Special Note Regarding Forward-Looking Statements."

Risks Related to Our Business

We need to raise substantial additional funding to continue the development of vecabrutinib, SNS-510, and our other programs.

We will need to raise substantial additional capital to:

- fund additional clinical trials of vecabrutinib prior to any regulatory filing for approval;
- fund preclinical and clinical development of SNS-510;
- expand our development activities;
- implement additional internal systems and infrastructure; and
- build or access commercialization and additional manufacturing capabilities and supplies.

Our future funding requirements and sources will depend on many factors, including but not limited to the:

- rate of progress and cost of our clinical trials;
- need for additional or expanded clinical trials;
- timing, economic and other terms of any licensing, collaboration or other similar arrangement into which we may enter;
- costs and timing of seeking and obtaining EMA, FDA or other regulatory approvals;
- extent of our other development activities, including our other clinical programs and in-license agreements;
- costs associated with building or accessing commercialization and additional manufacturing capabilities and supplies;
- costs of acquiring or investing in businesses, product candidates and technologies, if any;
- costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- effect of competing technological and market developments;
- costs of supporting our arrangements with Biogen, Takeda or any potential future licensees or partners.

Until we can generate a sufficient amount of licensing, collaboration or product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs primarily through equity issuances, debt arrangements, one or more possible licenses, collaborations or other similar arrangements with respect to development and/or commercialization rights to vecabrutinib, SNS-510, or our other development programs, or a combination of the above. Any issuance of convertible debt securities, preferred stock or common stock may be at a discount from the then-current trading price of our common stock. If we issue additional common or preferred stock or securities convertible into common or preferred stock, our stockholders will experience additional dilution, which may be significant. Further, we do not know whether additional funding will be available on acceptable terms, or at all. If we are unable to raise substantial additional funding on acceptable terms, or at all, we will be forced to delay or reduce the scope of our vecabrutinib, SNS-510 or other development programs, potentially including any additional clinical trials or subsequent regulatory filings in Europe and the United States and/or limit or cease our operations.

We have incurred losses since inception and anticipate that we will continue to incur losses for the foreseeable future. We may not ever achieve or sustain profitability.

We are not profitable and have incurred losses in each year since our inception in 1998. Our net losses for the years ended December 31, 2017, 2016, and 2015 were $35.5 million, $38.0 million and $36.7 million, respectively. As of December 31, 2017, we had an accumulated deficit of $632.9 million. We do not currently have any products that have been approved for marketing, and we expect to incur significant losses for the foreseeable future as we continue to incur substantial development and general and administrative expenses related to our operations. Following the decision to withdraw the European Marketing Authorization Application (MAA) for vosaroxin as a treatment for relapsed/refractory acute myeloid leukemia (AML) in patients aged 60 years or older, we have prioritized development funding on kinase inhibitors with a focus on vecabrutinib. We have a limited number of products that are still in the early stages of approval and will require significant additional investment. Our losses, among other things, have caused and will continue to cause our stockholders' equity and working capital to decrease.

To date, we have derived substantially all of our revenue from license and collaboration agreements. We currently have two agreements; the Biogen 2nd ARCA and the Amended Takeda Agreement, which each include certain pre-commercialization event-based and royalty payments. We cannot predict if our collaborators will continue development or whether we will receive any such payments under these agreements in the foreseeable future, or at all.

We are unable to predict when we will generate revenue from the sale of products, if at all. In the absence of additional sources of capital or partnering opportunity, which may not be available to us on acceptable terms, or at all, the development of vecabrutinib or future product candidates may be reduced in scope, delayed or terminated. If our product candidates or those of our collaborators fail in clinical trials or do not gain regulatory approval, or if our future products do not achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

There is substantial doubt about our ability to continue as a going concern.

We adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40) effective December 31, 2016, which requires us to make certain disclosures if we conclude that there is substantial doubt about our ability to continue as a going concern within one year from the date of the issuance of these financial statements.

We have incurred significant losses and negative cash flows from operations since our inception, and as of December 31, 2017, had cash, cash equivalents and marketable securities totaling $31.8 million and an accumulated deficit of $632.9 million. We expect our current cash, cash equivalents, and marketable securities of $31.8 million are not sufficient to support our operations for a period of twelve months from the date the financial statements are issued. We will require additional financing to fund working capital, repay debt and pay our obligations as they come due. Additional financing might include one or more offerings and one or more of a combination of equity securities, debt arrangements or partnership or licensing collaborations. However, there can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us. These conditions raise substantial doubt about our ability to continue as a going concern for a period of one year from the date of the issuance of these financial statements. If we are unsuccessful in our efforts to raise additional financing in the near term, we will be required to significantly reduce or cease operations. The accompanying financial statements have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts of liabilities that may result from uncertainty related to our ability to continue as a going concern.

The development of vecabrutinib, SNS-510, or other product candidates could be halted or significantly delayed for various reasons; our clinical trials for vecabrutinib, SNS-510, or other product candidates may not lead to regulatory approval.

Our product candidates are vulnerable to the risks of failure inherent in the drug development process. Failure can occur at any stage of the development process, and successful preclinical studies and early clinical trials do not ensure that later clinical trials will be successful. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier trials.

Our product candidates may experience toxicities that lead to a maximum tolerated dose that is not effective. If this were the case for vecabrutinib, for example, such a result would delay or prevent further development, which would severely and adversely affect our financial results, business and business prospects.

We do not know whether our current or any future clinical trials with vecabrutinib, SNS-510, or any of our product candidates will be completed on schedule, or at all, or whether our ongoing or planned clinical trials will begin or progress on the time schedule we anticipate. The commencement and completion of future clinical trials could be substantially delayed or prevented by several factors, including:

- delays or failures to raise additional funding;
- delays or failures in obtaining regulatory approval to commence a clinical trial;
- delays or failures in obtaining approval from independent institutional review boards or ECs to conduct a clinical trial at prospective sites; or
- delays or failures in reaching acceptable clinical trial agreement terms or clinical trial protocols with prospective sites.
- delays or failures in obtaining sufficient clinical materials, including any of our product and any drugs to be tested in combination with our products;

- failure of third parties such as Contract Research Organizations and medical institutions to perform their contractual duties and obligations;
- slower than expected rates of patient recruitment and enrollment;
- failure of patients to complete the clinical trial;
- delays or failures in reaching the number of events pre-specified in the trial design;
- the need to expand the clinical trial;
- unforeseen safety issues;
- lack of efficacy during clinical trials;
- inability or unwillingness of patients or clinical investigators to follow our clinical trial protocols; and
- inability to monitor patients adequately during or after treatment.

Additionally, our clinical trials may be suspended or terminated at any time by the FDA, other regulatory authorities, or ourselves for reasons such as change in protocol. Any failure to complete or significant delay in completing clinical trials for our product candidates could harm our financial results and the commercial prospects for our product candidates.

We rely on a limited number of third parties to supply us with our API and FDP. If we fail to obtain sufficient quantities of these materials, the development and potential commercialization of vecabrutinib, SNS-510 and future products, if any, could be halted or significantly delayed.

We currently rely on contract manufacturers for all API and FDP. Additional third-party contract manufacturing organizations are relied on to manufacture key starting materials and intermediates required in the manufacture of API. We have limited manufacturing experience, and we have not yet scaled-up to commercial scale. The cost to manufacture at commercial scale may materially exceed the cost of clinical-stage manufacturing.

If our third-party API or FDP manufacturers are unable or unwilling to produce the API or FDP we require, we would need to establish arrangements with one or more alternative suppliers. However, establishing a relationship with an alternative supplier would likely delay our ability to produce API or FDP. Our ability to replace an existing manufacturer would also be difficult and time consuming because the number of potential manufacturers is limited and the FDA, EMA or other corresponding state agencies must approve any replacement manufacturer before it can be an approved commercial supplier. Such approval would require new testing, stability programs and compliance inspections. It may be difficult or impossible for us to identify and engage a replacement manufacturer on acceptable terms in a timely manner, or at all. We expect to continue to depend on third-party contract manufacturers for all our API and FDP needs for the foreseeable future.

Our products require precise, high quality manufacturing. In addition to process impurities, the failure of our contract manufacturers to achieve and maintain high manufacturing standards in compliance with cGMP regulations could result in other manufacturing errors leading to patient injury or death, product recalls or withdrawals, delays or interruptions of production or failures in product testing or delivery. Although contract manufacturers are subject to ongoing periodic unannounced inspection by the FDA, EMA or other corresponding state agencies to ensure strict compliance with cGMP and other applicable government regulations and corresponding foreign standards, any such performance failures on the part of a contract manufacturer could result in the delay or prevention of filing or approval of marketing applications for vosaroxin, cost overruns or other problems that could seriously harm our business. This would deprive us of potential product revenue and result in additional losses.

The stability of API and FDP is also a key risk, as we must demonstrate that products continue to meet product specifications over time. There can be no assurances that future lots will meet stability requirements and if they do not, development and commercialization of our products may be delayed.

The failure to enroll patients for clinical trials may cause delays in developing vecabrutinib or other product candidates.

We may encounter delays if we are unable to enroll enough patients to complete clinical trials of vecabrutinib or other product candidates. Patient enrollment depends on many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites, the number and nature of competing treatments and ongoing clinical trials of competing drugs for the same indication, and the eligibility criteria for the trial. In a Phase 1 dose escalation 3+3 design, slots are assigned to sites to avoid over-enrolling. After allocating a slot to a patient, patients may be unable to commence the study due to progressive disease or may withdraw consent. Patients participating in our trials may come off study due to progressive disease, or may elect to leave our trials to switch to alternative treatments that are available to them, either commercially or on an expanded access basis, or in other clinical trials. Competing treatments for vecabrutinib include other BTK inhibitors, BCL2 inhibitors, PI3K inhibitors, and other drug classes.

The results of preclinical studies and clinical trials may not satisfy the requirements of the FDA, EMA or other regulatory agencies.

Prior to receiving approval to commercialize vecabrutinib, SNS-510, or future product candidates in Europe, the United States or in other territories, we must demonstrate with substantial evidence from well-controlled clinical trials, to the satisfaction of the FDA, EMA and other regulatory authorities, that such product candidates are safe and effective for their intended uses. The results from preclinical studies and clinical trials can be interpreted in different ways. Even if we believe preclinical or clinical data from preclinical studies and clinical trials are promising, such data may not be sufficient to support approval by the FDA, EMA and other regulatory authorities. Results in preclinical studies may not be predictive of results in human clinical trials and early stage human clinical trials may not be predictive of results in later, larger trials.

We rely on third parties to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or fail to meet expected deadlines, we may be unable to obtain regulatory approval for, or commercialize, vecabrutinib, vosaroxin or other product candidates.

We rely on third parties, such as contract research organizations, medical institutions, clinical investigators and contract laboratories, to conduct our planned and existing clinical trials for vecabrutinib, vosaroxin, and other product candidates. If the third parties conducting our clinical trials do not perform their contractual duties or obligations, do not meet expected deadlines or need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical trial protocols or for any other reason, we may need to enter into new arrangements with alternative third parties and our clinical trials may be extended, delayed or terminated or may need to be repeated, and we may not be able to obtain regulatory approval for or commercialize the product candidate being tested in such trials.

We may expand our development capabilities in the future, and any difficulties hiring or retaining key personnel or managing this growth could disrupt our operations.

We are highly dependent on the principal members of our development staff. We may expand our research and development capabilities in the future by increasing expenditures in these areas, hiring additional employees and potentially expanding the scope of our current operations. Future growth will require us to continue to implement and improve our managerial, operational and financial systems and continue to retain, recruit and train additional qualified personnel, which may impose a strain on our administrative and operational infrastructure. The competition for qualified personnel in the biopharmaceutical field is intense. We are highly dependent on our continued ability to attract, retain and motivate highly qualified management and specialized personnel required for clinical development. Due to our limited resources, we may not be able to effectively manage any expansion of our operations or recruit and train additional qualified personnel. If we are unable to retain key personnel or manage our growth effectively, we may not be able to implement our business plan.

If we are sued for infringing intellectual property rights of third parties, litigation will be costly and time consuming and could prevent us from developing or commercializing vecabrutinib, SNS-510, or other product candidates.

Our commercial success depends on not infringing the patents and other proprietary rights of third parties and not breaching any collaboration or other agreements we have entered into with regard to our technologies and product candidates. If a third party asserts that we are using technology claimed in issued and unexpired patents, or other proprietary rights, owned or controlled by the third party, we may need to obtain a license, enter into litigation to challenge the validity or enforceability of the patents or other rights or incur the risk of litigation in the event that a third party asserts that we infringe its patents or have misappropriated other rights.

If a third party asserts that we infringe its patents or other proprietary rights, we could face a number of challenges that could seriously harm our competitive position, including:

- infringement and other intellectual property claims, which would be costly and time consuming to litigate, whether or not the claims have merit, and which could delay the regulatory approval process and divert management's attention from our business;
- substantial damages for past infringement, which we may have to pay if a court determines that vecabrutinib, SNS-510, or any future product candidates infringe a third party's patent or other proprietary rights;
- a court order prohibiting us from selling or licensing vecabrutinib, SNS-510, or any future product candidates unless a third party licenses relevant patent or other proprietary rights to us, which it is not required to do; and
- if a license is available from a third party, we may have to pay substantial royalties or grant cross-licenses to our patents or other proprietary rights.

If our competitors develop and market products that are more effective, safer or less expensive than vecabrutinib, vosaroxin or other product candidates, our commercial opportunities will be negatively impacted.

The life sciences industry is highly competitive, and we face significant competition from many pharmaceutical, biopharmaceutical and biotechnology companies that are researching, developing and marketing products designed to address the treatment of cancer, including B-cell malignancies and AML. Many of our competitors have significantly greater financial, manufacturing, marketing and drug development resources than we do. Large pharmaceutical companies in particular have extensive experience in the clinical testing of, obtaining regulatory approvals for, and marketing drugs.

We expect competition during the development and commercialization of all of our products in all of their potential future indications. Competition is likely to increase as additional products are developed and approved in various patient populations. If our competitors market products that are more effective, safer, and/or less expensive than our future products, if any, or that reach the market sooner we may not achieve commercial success or substantial market penetration. In addition, the biopharmaceutical industry is characterized by rapid change. Products developed by our competitors may render any of our future product candidates obsolete.

Our proprietary rights may not adequately protect vecabrutinib, SNS-510, or future product candidates, if any.

We use patents, trade secrets, trademarks, service marks, and marketing exclusivity administered by regulatory authorities to protect our products from generic copies of our products. Our ability to build and maintain our proprietary position for any future drug candidates will depend on our success in obtaining effective patent claims and enforcing granted claims. The patent positions of biopharmaceutical companies like ours are generally uncertain and involve complex legal and factual questions for which some important legal principles remain unresolved. No consistent policy regarding the breadth of patent claims has emerged to date in the United States. The patent situation outside the United States is even more uncertain. We do not know whether any of our patent applications or those patent applications that we license will result in the issuance of any patents. Even if patents are issued, they may not be sufficient to protect vecabrutinib, SNS-510, vosaroxin or future drug candidates. The patents we own or license and those that may be issued in the future may be opposed, challenged, invalidated or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages.

We apply for patents covering both our technologies and product candidates, as we deem appropriate. However, we may fail to apply for patents on important technologies or product candidates in a timely fashion, or at all. Our existing patents and any future patents we obtain may not be sufficiently broad, valid, or enforceable to prevent others from practicing our technologies or from developing competing products and technologies. In addition, we generally do not exclusively control the patent prosecution of subject matter that we license to or from others. Accordingly, in such cases we are unable to exercise the same degree of control over this intellectual property as we would over our own. Moreover, the patent positions of biopharmaceutical companies are highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. As a result, the scope, validity and enforceability of patents can vary from country to country, and can change depending on changes in national and international law, and as such, cannot be predicted with certainty. In addition, we do not know whether:

- we, our licensors or our collaboration partners were the first to make the inventions covered by each of our issued patents and pending patent applications;
- we, our licensors or our collaboration partners were the first to file patent applications for these inventions;
- others will independently develop similar or alternative technologies or duplicate any of our technologies;
- any of our, our licensors' or our collaboration partners' pending patent applications will result in issued patents;
- any of our, our licensors' or our collaboration partners' patents will be valid or enforceable;

- because of differences in patent laws of countries, any patent granted in one country or region will be granted in another, or, if so, have the same or a different scope;
- any patents issued to us, our licensors or our collaboration partners will provide us with any competitive advantages, or will be challenged by third parties;
- we will develop additional proprietary technologies that are patentable; or
- any patents or other proprietary rights of third parties will have an adverse effect on our business.

We may need to commence or defend litigation to enforce or to determine the scope and validity of any patents issued to us or to determine the scope and validity of third party proprietary rights. Litigation would result in substantial costs, even if the eventual outcome is favorable to us. An adverse outcome in litigation affecting proprietary rights we own or have licensed could present significant risk of competition for vosaroxin or future drug candidates that we market or seek to develop. Any adverse outcome in litigation affecting third party proprietary rights could subject us to significant liabilities to third parties and could require us to seek licenses of the disputed rights from third parties or to cease using the technology if such licenses are unavailable.

There can be no assurance that the trademarks or service marks we use or register will protect our company name or any products or technologies that we develop and commercialize, that our trademarks, service marks, or trademark registrations will be enforceable against third parties, or that our trademarks and service marks will not interfere with or infringe trademark rights of third parties. We may need to commence litigation to enforce our trademarks and service marks or to determine the scope and validity of our or a third party's trademark rights. Litigation would result in substantial costs, even if the eventual outcome is favorable to us. An adverse outcome in litigation could subject us to significant liabilities to third parties and require us to seek licenses of the disputed rights from third parties or to cease using the trademarks or service marks if such licenses are unavailable.

We also rely on trade secrets to protect some of our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to maintain and enforce. While we use reasonable efforts to protect our trade secrets, our or our collaboration partners' employees, consultants, contractors or scientific and other advisors, or those of our licensors or collaborators, may unintentionally or willfully disclose our proprietary information to competitors. Enforcement of claims that a third party has illegally obtained and is using trade secrets is expensive, time consuming and uncertain. In addition, foreign courts are sometimes less willing than U.S. courts to protect trade secrets. If our competitors independently develop equivalent knowledge, methods and know-how, we would not be able to assert our trade secret protection against them and our business could be harmed.

There can be no assurance that the confidentiality and other agreements we put in place with employees, consultants, and partners will provide meaningful protection, that these agreements will not be breached, that we will have an adequate remedy for any such breach, or that our trade secrets will not otherwise become known or independently developed by a third party.

We do not know whether patent term extensions and data exclusivity periods will be available in the future for any or all of the patent rights we own or have licensed. While it is possible that patent term restoration and/or supplemental patent certificates would be available for some of the patents we own or control through licenses, we cannot guarantee that such additional protection will be obtained, and the expiration dates described here do not include such term restoration. However, patent expiration dates described here for U.S. patents may reflect patent term adjustments by the United States patent and Trademark Office or terminal disclaimers over related patents or patent applications. Our obligation to pay royalties to licensors may extend beyond the patent expiration, which would further erode the profitability of our products.

We may not succeed in finding a third party to license and complete development of vosaroxin, which may result in completely discontinuing development and returning rights to our licensor, Sumitomo Dainippon.

We are actively seeking a partner to license vosaroxin for the purpose of completing development and commercializing the product in the EU, the US, and in other countries. While we seek a partner, we are supporting a small number of investigator-initiated trials with vosaroxin. There is no certainty that we will find a commercial or financial partner to fund and undertake development, and failure to find such a partner will result in the complete discontinuation of vosaroxin development. In this case, the core IP will revert to Sumitomo Dainippon Pharma Co.,Ltd. and there will be no possibility of any future upside from the product. We may also incur costs to wind down all of our activities related to this product.

Even if we do secure a partner for vosaroxin, there is no guarantee the transaction will result in significant revenue or other upside for Sunesis. Following the purchase of the revenue participation right by RPI, we are required to pay RPI a specified percentage of any net sales of vosaroxin. If we fail to make timely payments due to RPI under the Royalty Agreement, RPI may require us to repurchase the revenue participation right. As collateral for these payments, we granted RPI a security interest in certain of our assets, including our intellectual property related to vosaroxin. Upon marketing approval of vosaroxin, Western Alliance, the Collateral Agent (the "Collateral Agent") of our loan and security agreement ("the Loan Agreement"), with Bridge Bank, a division

of Western Alliance Bank (Western Bank") and Solar Capital Ltd ("Solar Capital", and collectively with Western Bank, "the Lenders"), for the benefit of the Lenders under our Loan Agreement, will also have a perfected security interest in our intellectual property rights relating to vosaroxin. We will not realize any gain from a vosaroxin licensing agreement until all of our obligations are met.

Any future workforce and expense reductions may have an adverse impact on our internal programs, our ability to hire and retain key personnel and may be distracting to management.

We have, in the past, implemented a number of workforce reductions. Depending on our need for additional funding and expense control, we may be required to implement further workforce and expense reductions in the future. Further workforce and expense reductions could result in reduced progress on our internal programs. In addition, employees, whether or not directly affected by a reduction, may seek future employment with our business partners or competitors. Although our employees are required to sign a confidentiality agreement at the time of hire, the confidential nature of certain proprietary information may not be maintained in the course of any such future employment. Further, we believe that our future success will depend in large part upon our ability to attract and retain highly skilled personnel. We may have difficulty retaining and attracting such personnel as a result of a perceived risk of future workforce and expense reductions. In addition, the implementation of expense reduction programs may result in the diversion of efforts of our executive management team and other key employees, which could adversely affect our business.

We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of our employees' former employers.

Many of our employees were previously employed at biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that we or our employees have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

A loss of key personnel or the work product of current or former personnel could hamper or prevent our ability to commercialize vecabrutinib, SNS-510, vosaroxin, and future product candidates, which could severely harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

We may lose key employees or have difficulty hiring employees to fill key roles.

A loss of key personnel or difficulty in hiring employees to fill key roles could slow or prevent our ability to develop and commercialize our products. For example, we currently have an ongoing search for a Chief Executive Officer. If we have difficulty hiring a Chief Executive Officer it may adversely impact our future prospects.

We depend on various consultants and advisors for the success and continuation of our development efforts.

We work extensively with various consultants and advisors, who provide advice and/or services in various business and development functions, including clinical development, operations and strategy, regulatory matters, biostatistics, legal and finance. The potential success of our drug development programs depends, in part, on continued collaborations with certain of these consultants and advisors. Our consultants and advisors are not our employees and may have commitments and obligations to other entities that may limit their availability to us. We do not know if we will be able to maintain such relationships or that such consultants and advisors will not enter into other arrangements with competitors, any of which could have a detrimental impact on our development objectives and our business.

If conflicts of interest, or a failure or dispute of reporting or diligence efforts arise between our current or future licensees or collaboration partners, if any, and us, any of them may act in their self-interest, which may be adverse to our interests.

If a conflict of interest arises between us and one or more of our current or potential future licensees or collaboration partners, if any, they may act in their own self-interest or otherwise in a way that is not in the interest of our company or our stockholders. Biogen, Takeda, or potential future licensees or collaboration partners, if any, are conducting or may conduct product development efforts within the disease area that is the subject of a license or collaboration with our company. In current or potential future licenses or collaborations, if any, we have agreed or may agree not to conduct, independently or with any third party, any research that is competitive with the research conducted under our licenses or collaborations. Our licensees or collaboration partners, however, may develop, either alone or with others, products in related fields that are competitive with the product candidates that are the subject of these licenses or collaborations. Competing products, either developed by our licensees or collaboration partners or to which our licensees or collaboration partners have rights, may result in their withdrawal of support for a product candidate covered by the license or collaboration agreement.

If one or more of our current or potential future licensees or collaboration partners, if any, were to breach or terminate their license or collaboration agreements with us or otherwise fail to perform their obligations thereunder in a timely manner, the preclinical or clinical development or commercialization of the affected product candidates could be delayed or terminated. We do not know whether our licensees or collaboration partners will pursue alternative technologies or develop alternative product candidates, either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases targeted by licenses or collaboration agreements with our company.

We and our current collaboration partners have certain reporting and diligence obligations to each other, and failure to report, or disagreement over the impact of information reported, or a lack of diligent efforts, or dispute of the impact of the efforts, may be adverse to our interests, the development of the product candidates and could lead to an ultimate withdrawal or dispute of the rights to a product candidate covered by the license or collaboration agreement.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure may create uncertainty regarding compliance matters. New or changed laws, regulations and standards are subject to varying interpretations in many cases. As a result, their application in practice may evolve over time. We are committed to maintaining high standards of corporate governance and public disclosure. Complying with evolving interpretations of new or changed legal requirements may cause us to incur higher costs as we revise current practices, policies and procedures, and may divert management time and attention from potential revenue-generating activities to compliance matters. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may also be harmed. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business.

Raising funds through lending arrangements or revenue participation agreements may restrict our operations or produce other adverse results.

Our loan and security agreement ("the Loan Agreement"), with Bridge Bank, a division of Western Alliance Bank (Western Bank") and Solar Capital Ltd ("Solar Capital", and collectively with Western Bank, "the Lenders") and Western Alliance, as Collateral Agent (the "Collateral Agent"), contains a variety of affirmative covenants, including, without limitation, certain information delivery requirements, obligations to maintain certain insurance and certain notice requirements. Additionally, we are bound by certain negative covenants setting forth actions that are not permitted to be taken during the term of the Loan Agreement without the Lenders' consent, including, without limitation, incurring certain additional indebtedness, making certain asset dispositions, entering into certain mergers, acquisitions or other business combination transactions or incurring any non-permitted lien or other encumbrance on our assets. Upon the occurrence of an event of default under the Loan Agreement (subject to cure periods for certain events of default), all amounts owed by us thereunder would begin to bear interest at a rate that is 5.0% higher than the rate that would otherwise be applicable and may be declared immediately due and payable by the Collateral Agent. Events of default under the Loan Agreement include, among other things, the following: the occurrence of certain bankruptcy events; the failure to make payments under the Loan Agreement when due; the occurrence of a material impairment on the Collateral Agent's security interest over the collateral, a material adverse change in our business, operations or condition (financial or otherwise) or material impairment of the prospect of repayment of the obligations under the Loan Agreement; the occurrence of a default under certain other agreements entered into by us; the rendering of certain types of judgments against us; the revocation of our certain government approvals of; any breach by us of any covenant (subject to cure periods for certain covenants) made in the Loan Agreement; and the failure of any representation or warranty made by us in connection with the Loan Agreement to be correct in all material respects when made.

On October 31, 2017, we entered into a second amendment to the Amended Loan Agreement (the "Second Amendment"). The Second amendment modified the loan repayment terms to allow us to extend the interest-only period to January 1, 2019, contingent upon the receipt of at least Twenty-Five Million dollars ($25,000,000) in unrestricted net cash proceeds from the issuance by us of new equity securities or as a non-refundable upfront payment on a new business development agreement or royalty financing agreement (the "New Capital"), on or after October 24, 2017, but on or prior to September 15, 2018. There is a risk that we may not be able to raise the required New Capital for the extended interest-only period and if we do not, we must begin repaying the principal after October 1, 2018.

The Collateral Agent, for the benefit of the Lenders, has a perfected security interest in substantially all of our property, rights and assets, except for intellectual property, to secure the payment of all amounts owed to the Lenders under the Loan Agreement.

We are exposed to risks related to foreign currency exchange rates.

Some of our costs and expenses are denominated in foreign currencies. When the U.S. dollar weakens against the Euro or British pound, the U.S. dollar value of the foreign currency denominated expense increases, and when the U.S. dollar strengthens against the Euro or British pound, the U.S. dollar value of the foreign currency denominated expense decreases. Consequently, changes in exchange rates, and in particular a weakening of the U.S. dollar, may adversely affect our results of operations. We have and may continue to purchase certain European currencies or highly-rated investments denominated in such currencies to manage the risk of future movements in foreign exchange rates that would affect such payables, in accordance with our investment policy. However, there is no guarantee that the related gains and losses will substantially offset each other, and we may be subject to significant exchange gains or losses as currencies fluctuate from quarter to quarter.

Our facilities are located near known earthquake fault zones, and the occurrence of an earthquake or other catastrophic disaster, or interruption by man-made problems such as network security breaches, viruses or terrorism, could cause damage to our facilities and equipment, which could require us to cease or curtail operations.

Our facilities are located in the San Francisco Bay Area near known earthquake fault zones and are vulnerable to significant damage from earthquakes. We are also vulnerable to damage from other types of disasters, including fires, floods, power loss, communications failures and similar events. Despite the implementation of network security measures, our networks also may be vulnerable to computer viruses, break-ins and similar disruptions. We rely on information technology systems to operate our business and to communicate among our workforce and with third parties. If any disruption were to occur, whether caused by a natural disaster or by manmade problems, our ability to operate our business at our facilities may be seriously or completely impaired and our data could be lost or destroyed.

Risks Related to Our Industry

The regulatory approval process is expensive, time consuming and uncertain and may prevent us from obtaining approval for the commercialization of our product candidates.

The research, testing, manufacturing, selling and marketing of product candidates are subject to extensive regulation by the FDA and other regulatory authorities in the United States and other countries, which regulations differ from country to country. Neither we nor our present or potential future collaboration or licensing partners, if any, are permitted to market our product candidates in Europe or the United States until we receive approval of an MAA or NDA for these respective territories, or in any other country without the equivalent marketing approval from such country. We have not received marketing approval for vecabrutinib in any jurisdiction. In addition, failure to comply with FDA, EMA, and other applicable U.S. and foreign regulatory requirements may subject us to administrative or judicially imposed sanctions, including warning letters, civil and criminal penalties, injunctions, product seizure or detention, product recalls, total or partial suspension of production, and refusal to approve pending MAAs, NDAs, supplements to approved MAAs, NDAs or their equivalents in other territories.

Regulatory approval of an MAA or NDA or their equivalent in other territories is not guaranteed, and the approval process is expensive, uncertain and may take several years. Furthermore, the development process for oncology products may take longer than in other therapeutic areas. Regulatory authorities have substantial discretion in the drug approval process. Despite the time and expense exerted, failure can occur at any stage, and we could encounter problems that cause us to abandon clinical trials or to repeat or perform additional preclinical studies and clinical trials. The number of preclinical studies and clinical trials that will be required for marketing approval varies depending on the drug candidate, the disease or condition that the drug candidate is designed to address, and the regulations applicable to any particular drug candidate.

The FDA, EMA or other foreign regulatory authority can delay, limit or deny approval of a drug candidate for many reasons, including:

- the drug candidate may not be deemed safe or effective;
- regulatory officials may not find the data from preclinical studies and clinical trials sufficient;
- the FDA, EMA or other foreign regulatory authority might not approve our or our third-party manufacturers' processes or facilities; or
- the FDA, EMA or other foreign regulatory authority may change its approval policies or adopt new regulations.

We may be subject to costly claims related to our clinical trials and may not be able to obtain adequate insurance.

Because we conduct clinical trials in humans, we face the risk that the use of vecabrutinib, SNS-510, vosaroxin or future product candidates, if any, will result in adverse side effects. We cannot predict the possible harms or side effects that may result from our clinical trials. Although we have clinical trial liability insurance, our insurance may be insufficient to cover any such events. We do not know whether we will be able to continue to obtain clinical trial coverage on acceptable terms, or at all. We may not have sufficient resources to pay for any liabilities resulting from a claim excluded from, or beyond the limit of, our insurance coverage. There is also a risk that third parties that we have agreed to indemnify could incur liability. Any litigation arising from our clinical trials, even if we were ultimately successful, would consume substantial amounts of our financial and managerial resources and may create adverse publicity.

Even if we receive regulatory approval to sell vecabrutinib, SNS-510, or other product candidates, the market may not be receptive.

Even if one of our product candidates obtains regulatory approval, it may not gain market acceptance among physicians, patients, healthcare payors and/or the medical community. We believe that the degree of market acceptance will depend on a number of factors, including:

- the timing of market introduction of competitive products;
- the efficacy of our product;
- the prevalence and severity of any side effects;
- the potential advantages or disadvantages over alternative treatments;
- the strength of marketing and distribution support;
- the price of the product, both in absolute terms and relative to alternative treatments; and
- the availability of reimbursement from health maintenance organizations and other third-party payors.

If vecabrutinib, SNS-510, or other product candidates fail to achieve market acceptance, due to unacceptable side effects or any other reasons, we may not be able to generate significant revenue or to achieve or sustain profitability.

Even if we receive regulatory approval for vecabrutinib, SNS-510, or any other future product candidate, we will be subject to ongoing FDA, EMA and other regulatory obligations and continued regulatory review, which may result in significant additional expense and limit our ability to commercialize vecabrutinib, vosaroxin or any other future product candidate.

Any regulatory approvals that we or our potential future collaboration partners receive for vecabrutinib, SNS-510, or our future product candidates, if any, may also be subject to limitations on the indicated uses for which the product may be marketed or contain requirements for potentially costly post-marketing trials. In addition, even if approved, the manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and recordkeeping for any product will be subject to extensive and ongoing regulatory requirements. The subsequent discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, may result in restrictions on the marketing of the product, and could include withdrawal of the product from the market.

The FDA and other agencies, including the Department of Justice ("DOJ"), closely regulate and monitor the post-approval marketing and promotion of products to ensure that they are marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. The FDA and DOJ impose stringent restrictions on manufacturers' communications regarding off-label use and if we do not market our products for their approved indications, we may be subject to enforcement action for off-label marketing. Violations of the Federal Food, Drug, and Cosmetic Act and other statutes, including the False Claims Act, relating to the promotion and advertising of prescription drugs may lead to investigations and enforcement actions alleging violations of federal and state health care fraud and abuse laws and state consumer protection laws.

Regulatory policies may change and additional government regulations may be enacted that could prevent or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in Europe, the United States or other territories. If we are not able to maintain regulatory compliance, we might not be permitted to market vosaroxin or our future products and we may not achieve or sustain profitability. Other penalties for failing to comply with regulatory requirements include restrictions on such products, manufacturers or manufacturing processes; restrictions on the labeling or marketing of a product; restrictions on distribution or use of a product; requirements to conduct post-marketing studies or clinical trials; warning letters or untitled letters; withdrawal of the products from

the market; refusal to approve pending applications or supplements to approved applications that we submit; recall of products; damage to relationships with any potential collaborators; unfavorable press coverage and damage to our reputation; fines, restitution or disgorgement of profits or revenues; suspension or withdrawal of marketing approvals; refusal to permit the import or export of our products; product seizure; injunctions or the imposition of civil or criminal penalties; and litigation involving patients using our products. Additionally, failure to comply with the European Union's requirements regarding the protection of personal information also can lead to significant penalties and sanctions.

The coverage and reimbursement status of newly approved drugs is uncertain and may be impacted by current and future legislation, and failure to obtain adequate coverage and reimbursement could limit our ability to market our product candidates and decrease our ability to generate revenue.

There is significant uncertainty related to the third party coverage and reimbursement of newly approved drugs both nationally and internationally. The commercial success of our future products, if any, in both domestic and international markets depends on whether third-party coverage and reimbursement is available for the ordering of our future products by the medical profession for use by their patients. Medicare, Medicaid, health maintenance organizations and other third-party payors are increasingly attempting to manage healthcare costs by limiting both coverage and the level of reimbursement of new drugs and, as a result, they may not cover or provide adequate payment for our future products. These payors may not view our future products as cost-effective, and reimbursement may not be available to consumers or may not be sufficient to allow our future products to be marketed on a competitive basis.

Likewise, in the United States and some foreign jurisdictions, there have been a number of legislative or regulatory efforts to control or reduce healthcare costs or reform government healthcare programs that could result in lower prices or rejection of our future products. Such efforts have resulted in several recent United States congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for products. Changes in coverage and reimbursement policies or healthcare cost containment initiatives that may limit or restrict reimbursement for our future products may reduce any future product revenue.

Additionally, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, was enacted, which made a number of substantial changes in the way healthcare is financed by both governmental and private insurers. In the years since its enactment, there have been, and continue to be, significant developments in, and continued legislative activity around, attempts to repeal or repeal and replace the ACA. Due to these efforts, there is significant uncertainty regarding the future of the ACA, and its impact our business and operations.

The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

Our relationships with healthcare providers, clinical investigators, and third party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which, in the event of a violation, could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, clinical investigators, and third party payors will play a primary role in the recommendation and prescription of any drug candidates for which we obtain marketing approval. Our current and future arrangements with healthcare providers, clinical investigators and third party payors may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute any products for which we obtain marketing approval. Restrictions under applicable state, federal and foreign healthcare laws and regulations include the following:

- The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for either the referral of an individual, or the purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item, good, facility or service reimbursable under Medicare, Medicaid or other federal healthcare programs;
- Federal false claims laws, including the civil False Claims Act, and civil monetary penalties laws, prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid;
- HIPAA prohibits, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, among other things, imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information. HITECH, among other things, makes HIPAA's security standards directly applicable to business associates, independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity; created four new tiers of civil monetary penalties; amended HIPAA to make civil and criminal penalties directly applicable to business associates; and gave state attorneys general new authority to file civil actions to enforce the federal HIPAA laws;
- the federal Physician Payments Sunshine Act requires certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to annually report to the Centers for Medicare & Medicaid Services, or CMS, information related to certain payments or other transfers of value provided to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members; and
- analogous local, state and foreign laws and regulations, such as state anti-kickback and false claims laws, transparency statutes, and privacy and security laws. Such laws may be broader than the federal law, including that they may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by third party payors, including private insurers. There also are an increasing number of state laws that require manufacturers to file reports with states regarding pricing and marketing information, such as tracking and reporting of gifts, compensation, other remuneration and items of value provided to health care professionals and health care entities, or marketing expenditures; require pharmaceutical companies to, among other things, establish and implement commercial compliance programs or codes of conducts; and/or require a pharmaceutical company's sales representatives to be registered or licensed by the state or local governmental entity. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of the health regulatory laws described above or any other laws that apply to us, we may be subject to a wide range of sanctions and penalties, including potentially significant criminal, and civil and/or administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from participation in government healthcare programs, integrity obligations, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. We are unable to predict whether we would be subject to actions under these laws or the impact of such actions. However, the cost of defending any such claims, as well as any sanctions imposed, could adversely affect our financial performance and disrupt our business operations.

Foreign governments often impose strict price controls, which may adversely affect our future profitability.

If we or a potential future collaboration partner obtain approval in one or more foreign jurisdictions, we or the potential future collaboration partner will be subject to rules and regulations in those jurisdictions. In some foreign countries, particularly in the European Union, prescription drug pricing is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a drug candidate. To obtain reimbursement or pricing approval in some countries, we or a potential future collaboration partner may be required to conduct a clinical trial that compares the cost-effectiveness of our products to other available therapies. If reimbursement is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability.

We may incur significant costs complying with environmental laws and regulations, and failure to comply with these laws and regulations could expose us to significant liabilities.

We, through third-party contractors, use hazardous chemicals and radioactive and biological materials in our business and are subject to a variety of federal, state, regional and local laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these materials. Although we believe our safety procedures for handling and disposing of these materials and waste products comply with these laws and regulations, we cannot eliminate the risk of accidental injury or contamination from the use, storage, handling or disposal of hazardous materials. In the event of contamination or injury, we could be held liable for any resulting damages, and any liability could significantly exceed our insurance coverage, which is limited for pollution cleanup and contamination.

Risks Related to Our Common Stock

The price of our common stock may continue to be volatile, and the value of an investment in our common stock may decline.

In 2017, our common stock traded as low as $1.82 and as high as $4.45. Factors that could cause continued volatility in the market price of our common stock include, but are not limited to:

- all the other risks mentioned herein, including but not limited to our ability to raise additional capital to fund our operations and complete our clinical development plans, compliance with government regulations, the safety and efficacy of our products, and our ability to protect our intellectual property;
- announcements relating to restructuring and other operational changes;
- market conditions in the pharmaceutical, biopharmaceutical and biotechnology sectors;
- issuance of new or changed securities analysts' reports or recommendations;
- announcements relating to our arrangements with Biogen, Takeda or RPI;
- actual and anticipated fluctuations in our quarterly operating results;
- deviations in our operating results from the estimates of analysts;
- litigation or public concern about the safety of future products, if any;
- failure to develop or sustain an active and liquid trading market for our common stock;
- short-selling or manipulation of our common stock by investors;
- sales of our common stock by our officers, directors or significant stockholders; and
- additions or departures of key personnel.

Provisions of our charter documents or Delaware law could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our stockholders, and could make it more difficult to change management.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders might otherwise consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempt by our stockholders to replace or remove our current management by making it more difficult to replace or remove our board of directors. These provisions include:

- a classified board of directors so that not all directors are elected at one time;
- a prohibition on stockholder action through written consent;
- limitations on our stockholders' ability to call special meetings of stockholders;
- an advance notice requirement for stockholder proposals and nominations; and
- the authority of our board of directors to issue preferred stock with such terms as our board of directors may determine.

In addition, Delaware law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person who, together with its affiliates, owns or within the last three years has owned 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Delaware law may discourage, delay or prevent a change in control of our company.

Provisions in our charter documents and provisions of Delaware law could limit the price that investors are willing to pay in the future for shares of our common stock.

We have never paid dividends on our capital stock and we do not anticipate paying any cash dividends in the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. In addition, under the terms of our Loan Agreement with the Lenders, we are precluded from paying cash dividends without the prior written consent of the Lenders. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be our stockholders' sole source of gain for the foreseeable future.

We are at risk of securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology companies have experienced greater than average stock price volatility in recent years. These broad market fluctuations may adversely affect the trading price or liquidity of our common stock. In the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the issuer. If any of our stockholders were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the attention of our management would be diverted from the operation of our business.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Our corporate headquarters is currently located at 395 Oyster Point Boulevard in South San Francisco, California. In January 2014, we entered into a lease for 15,378 square feet of office space at this location. We amended the lease in June 2014 to add 6,105 square feet of additional office space within the same building. We last amended the lease in December 2017 to remove the 6,105 square feet of additional office space added in June 2014 and to extend the expiration date to June 30, 2021, with an option to extend the lease for two additional years.

ITEM 3. *LEGAL PROCEEDINGS*

From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation, which arise in the normal course of our business. The ultimate outcome of any litigation is uncertain and unfavorable outcomes could have a negative impact on our results of operations and financial condition. Regardless of outcome, litigation can have an adverse impact on us because of the defense costs, diversion of management resources and other factors.

We believe there is no litigation pending that could, individually or in the aggregate, have a material adverse effect on our results of operations or financial condition.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

ITEM 5. ***MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Our common stock is listed on The NASDAQ Stock Market under the symbol "SNSS." The following table sets forth the range of the high and low sales prices by quarter, as reported by NASDAQ.

Year-Ended December 31, 2016	High	Low
First Quarter	$ 5.73	$ 2.70
Second Quarter	$ 3.84	$ 2.63
Third Quarter	$ 6.30	$ 2.99
Fourth Quarter	$ 5.00	$ 3.41

Year-Ended December 31, 2017	High	Low
First Quarter	$ 4.45	$ 3.50
Second Quarter	$ 4.20	$ 2.60
Third Quarter	$ 2.85	$ 1.84
Fourth Quarter	$ 3.88	$ 1.82

As of March 1, 2018, there were approximately 139 holders of record of our common stock. In addition, we believe that a significant number of beneficial owners of our common stock hold their shares in nominee or in "street name" accounts through brokers. On March 1, 2018, the last sale price reported on The NASDAQ Stock Market for our common stock was $6.66 per share.

Dividend Policy

We have never paid cash dividends on our common stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. While subject to periodic review, the current policy of our board of directors is to retain cash and investments primarily to provide funds for our future growth. In addition, under the terms of our loan and security agreement with the Lenders, we are precluded from paying cash dividends without the prior written consent of the Lenders.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities by us during the year ended December 31, 2017.

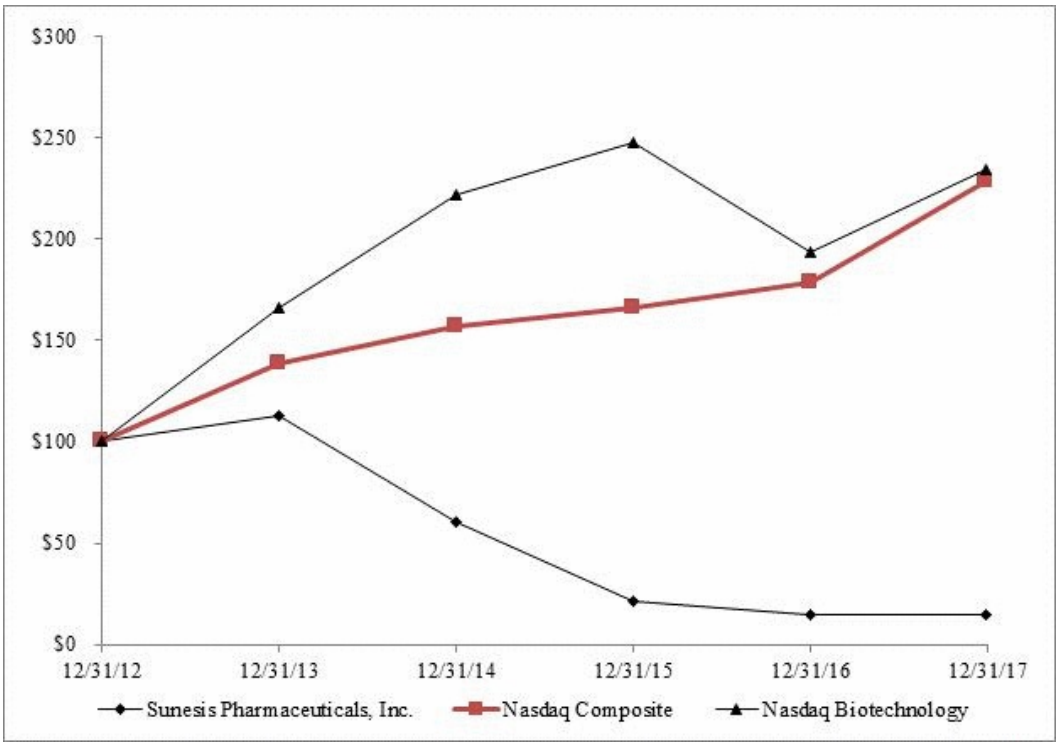
Stock Performance Graph

The following stock performance graph compares the cumulative total return to security holders of our common shares with the comparable cumulative returns of the NASDAQ Composite Index and the NASDAQ Biotechnology Index. The graph assumes the investment of $100 on December 31, 2012 and the reinvestment of all dividends, if any. Points on the graph represent the performance as of the last business day of each of the fiscal years indicated.

The following performance graph is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any filing by us under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. The stock price performance shown on the graph is not necessarily indicative of future price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Sunesis Pharmaceuticals, Inc., the NASDAQ Composite Index, and the NASDAQ Biotechnology Index



* $100 invested on December 31, 2012 in stock or index, including reinvestment of any dividends.

ITEM 6. ***SELECTED FINANCIAL DATA***

The following selected consolidated financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report. The selected consolidated balance sheet data at December 31, 2017 and 2016 and the selected consolidated statements of operations data for each year ended December 31, 2017, 2016 and 2015 have been derived from our audited consolidated financial statements that are included elsewhere in this report. The selected consolidated balance sheet data at December 31, 2015, 2014, and 2013 and the selected consolidated statements of operations data for the years ended December 31, 2014 and 2013 have been derived from our audited consolidated financial statements not included in this report. Historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,				
Consolidated Statements of Operations:	**2017**	**2016**	**2015**	**2014**	**2013**
	(In thousands, except per share amounts)				
Revenue:					
Total revenues	669	2,536	3,061	5,734	7,956
Operating expenses:					
Research and development	21,540	22,881	23,701	27,665	28,891
General and administrative	13,548	16,115	18,662	23,112	10,838
Total operating expenses	35,088	38,996	42,363	50,777	39,729
Loss from operations	(34,419)	(36,460)	(39,302)	(45,043)	(31,773)
Interest expense	(1,396)	(1,721)	(939)	(1,719)	(2,917)
Other income (expense), net(1)	357	158	3,565	3,760	92
Net loss	$ (35,458)	$ (38,023)	$ (36,676)	$ (43,002)	$ (34,598)
Basic and diluted loss per common share:					
Net loss:					
Basic	$ (35,458)	$ (38,023)	$ (36,676)	$ (43,002)	$ (34,598)
Diluted	$ (35,458)	$ (38,023)	$ (36,676)	$ (46,894)	$ (34,598)
Shares used in computing net loss per common share:					
Basic	24,516	15,688	12,156	10,010	8,024
Diluted	24,516	15,688	12,156	10,252	8,024
Net loss per common share:					
Basic	$ (1.45)	$ (2.42)	$ (3.02)	$ (4.30)	$ (4.31)
Diluted	$ (1.45)	$ (2.42)	$ (3.02)	$ (4.57)	$ (4.31)

(1) During 2017, 2016, 2015, 2014 and 2013, we recorded net non-cash credits of nil, nil, $3.5 million, $3.9 million, and $0.1 million, respectively, related to the revaluation of the liability for warrants issued in connection with the underwritten public offering of our common stock in October 2010 (the "2010 Offering").

	As of December 31,				
Consolidated Balance Sheet Data:	**2017**	**2016**	**2015**	**2014**	**2013**
	(In thousands)				
Cash, cash equivalents and marketable securities	$ 31,750	$ 42,588	$ 46,430	$ 42,981	$ 39,293
Working capital	20,255	32,292	27,989	16,323	6,520
Total assets	34,334	43,234	47,002	44,246	40,525
Non-current portion of deferred revenue	—	—	610	2,563	3,712
Current portion of notes payable	7,204	3,333	7,834	9,257	9,018
Non-current portion of notes payable	—	11,102	—	—	9,025
Convertible preferred stock	20,966	18,808	16,459	—	—
Common stock and additional paid-in capital	633,439	599,634	570,318	536,506	473,514
Accumulated deficit	(632,854)	(597,396)	(559,373)	(522,697)	(479,695)
Total stockholders' equity (deficit)	21,544	21,024	27,393	13,802	(6,184)

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion and analysis of our financial condition as of December 31, 2017 and results of operations for the year ended December 31, 2017 should be read together with our consolidated financial statements and related notes included elsewhere in this report.

This discussion and analysis contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995, which involve risks, uncertainties and assumptions. All statements, other than statements of historical facts, are "forward-looking statements" for purposes of these provisions, including without limitation any statements relating to our regulatory and clinical strategies for gaining marketing approval in the United States, including the continued development and commercialization of vecabrutinib (formerly SNS-062), SNS-510, vosaroxin, and other product candidates, the timing of our Phase 1b/2 trial of vecabrutinib, presenting clinical data and initiating clinical trials, our future research and development activities, including clinical testing and the costs and timing thereof, sufficiency of our cash resources, our ability to raise additional funding when needed, any statements concerning anticipated regulatory activities or licensing or collaborative arrangements, including any partnering arrangements related to further vosaroxin development, our research and development and other expenses, our operations and legal risks, and any statement of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "anticipates," "believe," "continue," "estimates," "expects," "intend," "look forward," "may," "could," "seeks," "plans," "potential," or "will" or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth under "Risk Factors," and elsewhere in this report. We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. All forward-looking statements included in this report are based on information available to us on the date of this report, and we assume no obligation to update any forward-looking statements contained in this report.

Overview

Sunesis is a biopharmaceutical company focused on the development and commercialization of new therapeutics for the treatment of solid and hematologic cancers. Our primary activities since incorporation have been conducting research and development internally and through corporate collaborators, in-licensing and out-licensing pharmaceutical compounds and technology, conducting clinical trials, and raising capital.

Our lead program is vecabrutinib, formerly known as SNS-062, a non-covalent inhibitor of Bruton's Tyrosine Kinase ("BTK"). Vecabrutinib is being studied in a Phase 1b/2 clinical trial in B-cell malignancies. In December 2013, we acquired global commercial rights to vecabrutinib, an orally available compound, from Biogen Idec MA, Inc. ("Biogen"). In January 2017, we announced our Investigational New Drug ("IND") application with the U.S. Food and Drug Administration ("FDA") for vecabrutinib had become effective. In July 2017, we announced the dosing of the first patient in a Phase 1b/2 study to assess the safety and activity in patients with advanced B-cell malignancies after two or more prior therapies, including ibrutinib or another covalent BTK inhibitor, and including patients with BTK C481S mutations. In connection to the dosing of the first patient, we also made a milestone payment of $2.5 million to Biogen under the licensing agreement. The Phase 1b portion of the study is a dose escalation component that will proceed to define a maximum tolerated dose and/or a recommended Phase 2 dose. We currently expect to announce a recommended Phase 2 dose in the fall of 2018. Upon identifying the Phase 2 dose, the Phase 2 portion will further explore clinical activity and safety in disease- and mutation-specific cohorts, including patients with and without the BTK C481S mutation.

We are also developing SNS-510, a PDK1 inhibitor licensed from Millennium Pharmaceuticals, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"). We acquired from Takeda global commercial rights to several potential first-in class, preclinical inhibitors of the novel target PDK1, including SNS-510. We are currently characterizing SNS-510 in preclinical pharmacology and toxicology studies with the goal of filing an IND in 2019.

We are in a collaboration with Takeda for the development of TAK-580 (formerly MLN2480), an oral pan-RAF inhibitor, which is under investigation for pediatric low-grade glioma and other solid tumor cancers.

We are also seeking to identify a partner to support further vosaroxin development. We conducted a Phase 3, multinational, randomized, double-blind, placebo-controlled trial of vosaroxin in combination with cytarabine in patients with relapsed or refractory Acute Myeloid Leukemia ("AML"). This trial did not meet its primary endpoint of demonstrating a statistically significant improvement in overall survival. We announced on May 1, 2017 the withdrawal of our Marketing Authorization Application ("MAA") for vosaroxin. We believe that one additional successful pivotal trial could support future marketing approvals of vosaroxin in the U.S and Europe. It is our intention to out-license vosaroxin to a partner to continue development and commercialization for vosaroxin. In the meantime, we continue to support limited investigator-sponsored trials with vosaroxin.

Recent Financial History

Option Exchange Program

On June 9, 2017, we filed a Tender Offer Statement (TO) on Schedule TO relating to an option exchange program for our officers and employees (the Option Exchange) to exchange certain stock options to purchase up to an aggregate of 781,505 shares of our common stock that had been granted to eligible holders, for a lesser number of new stock options with a lower exercise price. Stock options with an exercise price greater than or equal to $8.00, and held by eligible holders in continuous service through the termination of the Option Exchange, were eligible for exchange in the program. An exchange ratio of 1.30 for 1 was applied to options priced from $8.00 to $19.99, and an exchange ratio of 1.75 for 1 was applied to options priced at $20.00 or greater.

As of the closing of the Option Exchange on July 10, 2017, 25 eligible holders had tendered an aggregate of 778,928 options for 543,650 new options to purchase shares of our common stock. Each new stock option was granted on July 10, 2017, pursuant to our 2011 Equity Incentive Plan with an exercise price per share of $2.62, which was the closing market price on the grant date of the new options. The exchange of stock options was treated as a modification for accounting purposes and resulted in an incremental expense of $50,957, for the vested options, which was calculated using the Black-Scholes option pricing model. The incremental expense together with the unamortized expense remaining on the unvested options is being amortized over the vesting period of the new options.

Equity Financing Agreements

In October 2017, we completed an underwritten public offering of (i) 7,500,000 shares of common stock and accompanying warrants to purchase 3,750,000 shares of common stock at a price to the public of $2.00 for each share of common stock and a warrant to purchase 0.5 shares of common stock, and (ii) 2,500 shares of non-voting Series D Convertible Preferred Stock ("Series D Stock") and accompanying warrants to purchase 1,250,000 shares of common stock at a price to the public of $2,000 for each share of Series D Stock and a warrant to purchase 500 shares of common stock. The exercise price of the warrants is $3.00 per whole share of common stock. The warrants may be exercised at any time until and including October 27, 2018. Gross proceeds from the sale were $20.0 million and net proceeds were $18.5 million. If exercised in full, the warrants could result in additional net financing proceeds to us of up to $15 million. Each share of non-voting Series D Stock is convertible into 1,000 shares of common stock, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.98% of the total number of shares of common stock then outstanding.

In October 2016, we completed an underwritten offering of (i) 5,675,825 shares of common stock at a price of $3.85 per share, and (ii) 1,558 shares of non-voting Series C Convertible Preferred Stock ("Series C Stock") at a price of $3,850.00 per share. Gross proceeds from the sale were $27.9 million and net proceeds were $25.9 million. Each share of non-voting Series C Stock is convertible into 1,000 shares of common stock, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.98% of the total number of shares of common stock then outstanding.

In December 2015, we completed an underwritten offering of (i) 1,832,698 shares of common stock, that included the exercise of the underwriter's over-allotment option of 239,047 shares, at a price of $5.04 per share, and (ii) 20,200 shares of non-voting Series B Convertible Preferred Stock ("Series B Stock") at a price of $840.00 per share. Gross proceeds from the sale were $26.2 million and net proceeds were $25.2 million. Each share of non-voting Series B Stock is convertible into 166 shares of common stock, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.98% of the total number of shares of common stock then outstanding.

In August 2011, we entered into a Controlled Equity Offering℠ sales agreement ("the Sales Agreement"), with Cantor Fitzgerald & Co. ("Cantor"), as agent and/or principal, pursuant to which we could issue and sell shares of common stock having an aggregate gross sales price of up to $20.0 million. In April 2013, the Sales Agreement was amended to provide for an increase of $30.0 million in the aggregate gross sales price under the Sales Agreement. We amended the Sales Agreement again in November, 2017, to provide for an increase in the aggregate offering price under the Sales Agreement to $45.0 million. We will pay Cantor a commission of up to 3.0% of the gross proceeds from any common stock sold under the Sales Agreement, as amended.

During 2017, we sold an aggregate of 5,321,151 shares of common stock under the Sales Agreement, as amended, at an average price of approximately $2.72 per share for gross proceeds and net proceeds of $14.2 million, after deducting Cantor's commission. As of December 31, 2017, $45.0 million of common stock remained available to be sold under the Sales Agreement, as amended, subject to certain conditions as specified in the Sale Agreement.

Loan Agreement

On March 31, 2016, we entered into the Loan Agreement with the Lenders and Western Alliance, as Collateral Agent (the "Collateral Agent"). Pursuant to the terms of the Loan Agreement, the Lenders provided us with a loan in the principal amount of $15,000,000 of which $12,500,000 was funded on March 31, 2016 and $2,500,000 was funded on April 1, 2016, for working capital, to fund our general business requirements and to repay our indebtedness to Oxford Finance LLC, Silicon Valley Bank and Horizon Technology Finance Corporation (collectively, the "Existing Lenders") pursuant to the Loan and Security Agreement, dated as of October 18, 2011, entered into by and among the Existing Lenders and us (the "Oxford Loan Agreement"). On March 31, 2016, we used $7.2 million of the loan proceeds to repay the outstanding principal of $6.0 million, a final payment fee of $1.2 million and accrued interest of $45,000 under the Oxford Loan Agreement. We paid the Lenders a $0.1 million facility fee and $0.1 million in legal fees.

On June 30, 2017, we entered into an amendment to the existing Loan Agreement (the "Amended Loan Agreement"). Under terms of the Amended Loan Agreement, we will be required to pay interest on the borrowings under the Loan Agreement at a per annum rate equal to 8.54% plus the then effective one-month U.S. LIBOR rate. The Amendment modified the loan repayment terms to be interest-only through July 1, 2018, followed by twenty-two (22) equal monthly payments of principal and interest through the maturity date, contingent upon receipt of at least Fifteen Million Dollars ($15,000,000) in unrestricted cash proceeds received after June 1, 2017 from the issuance by us of new equity securities any time after June 1, 2017 through December 31, 2017. Thereafter and until the scheduled maturity date of April 1, 2020, in addition to interest accrued during such period, the monthly payments will include an amount equal to the outstanding principal divided by 28 months, unless the interest only period is extended by a further six months, in which case the amortization period will be 22 months. In addition to principal and interest, a final payment equal to $312,500 will be due upon maturity or such earlier date specified in the Loan Agreement. If we repay all amounts owed under the Loan Agreement prior to the maturity date, we will pay a prepayment fee equal to 1.0 % of the amount prepaid if the prepayment occurs after June 30, 2017 through March 31, 2018 and 0.5 % of the amount prepaid if the prepayment occurs thereafter.

On October 31, 2017, we entered into a second amendment to the Amended Loan Agreement (the "Second Amendment"). The Second Amendment modified the loan repayment terms to add two additional extended interest-only periods beyond July 1, 2018. If under the terms of the Amended Loan Agreement, the interest-only period has been extended to July 1, 2018, we may further extend the interest-only period to October 1, 2018, contingent upon the receipt of at least Fifteen Million dollars ($15,000,000) in unrestricted net cash proceeds from the issuance by us of new equity securities or as a non-refundable upfront payment on a new business development agreement or royalty financing agreement (the "New Capital"), on or after October 24, 2017, but on or prior to December 31, 2017. Subsequently, we may further extend the interest-only period to January 1, 2019, contingent upon the receipt of at least Twenty-Five Million dollars ($25,000,000) in New Capital (inclusive of any prior amounts received after October 24, 2017), on or after October 24, 2017, but on or prior to September 15, 2018.

Capital Requirements

We have incurred significant losses in each year since our inception. As of December 31, 2017, we had cash, cash equivalents and marketable securities of $31.8 million and an accumulated deficit of $632.9 million. We expect to continue to incur significant losses for the foreseeable future as we continue the development of our kinase inhibitor pipeline, including our BTK inhibitor vecabrutinib. Following our decision to withdraw the European MAA for vosaroxin as a treatment for relapsed/refractory AML in patients aged 60 years or older we have prioritized our kinase inhibitors with a focus on vecabrutinib. We have a limited number of products that are still in the early stages of approval and will require significant additional future investment.

We expect our current cash, cash equivalents, and marketable securities of $31.8 million are not sufficient to support our operations for a period of twelve months from the date the financial statements are issued. We will require additional financing to fund working capital, repay debt and pay our obligations as they come due. Additional financing might include one or more offerings and one or more of a combination of equity securities, debt arrangements or partnership or licensing collaborations. However, there can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us. These conditions raise substantial doubt about our ability to continue as a going concern for a period of one year from the date of the issuance of these financial statements. If we are unsuccessful in our efforts to raise additional financing in the near term, we will be required to significantly reduce or cease operations. The accompanying financial statements have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts of liabilities that may result from uncertainty related to our ability to continue as a going concern.

Critical Accounting Policies and the Use of Estimates

The accompanying discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements and the related disclosures, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires our management to make estimates, assumptions and judgments that affect the amounts reported in our financial statements and accompanying notes, including reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenue and expenses during the reporting periods. We evaluate our estimates, assumptions and judgments on an ongoing basis. We base our estimates on historical experience and on various other assumptions we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual results could differ materially from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements included elsewhere in this report. We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements.

Revenue Recognition

Revenue arrangements with multiple deliverables are accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification Subtopic 605-25, *Multiple-Element Arrangements* ("ASC 605-25"). Under ASC 605-25, revenue arrangements with multiple deliverables are divided into separate units of accounting based on whether certain criteria are met, including whether the delivered item has stand-alone value to the customer. Consideration is allocated among the separate units of accounting based on their respective fair value, and the applicable revenue recognition is applied to each of the separate units.

Non-refundable fees where we have no continuing performance obligations are recognized as revenues when collection is reasonably assured. In situations where continuing performance obligations exist, non-refundable fees are deferred and recognized ratably over the projected performance period.

Milestone payments from license or collaboration agreements which are substantive and at risk at the time the agreement is executed are recognized upon completion of the applicable milestone event. Royalty revenues, if any, will be recognized based on reported product sales by third-party licensees. Research funding from any future agreement will be recognized as the related research services are performed.

Clinical Trial Accounting

We record accruals for estimated clinical trial costs, which include payments for work performed by contract research organizations ("CROs"), and participating clinical trial sites. These costs are generally a significant component of research and development expense. Costs incurred for setting up clinical trial sites for participation in trials are generally non-refundable, and are expensed as incurred, with any refundable advances related to enrollment of the first patient recorded as prepayments and assessed for recoverability on a quarterly basis. Costs related to patient enrollment are accrued as patients progress through the clinical trial, including amortization of any first-patient prepayments. This amortization generally matches when the related services are rendered, however, these cost estimates may or may not match the actual costs incurred by the CROs or clinical trial sites, and if we have incomplete or inaccurate information, our clinical trial accruals may not be accurate. The difference between accrued expenses based on our estimates and actual expenses have not been significant to date.

Overview of Revenues

We have not generated any revenue from the sale of commercial products. Over the past several years, we have generated revenue primarily through the Royalty Agreement with RPI, and the license and collaboration agreement with Biogen, which was fully amortized to revenue over the related performance period. We cannot predict if our collaboration will continue development or whether we will receive any additional event-based payments or royalties from these agreements, as amended, in the foreseeable future, or at all.

Overview of Operating Expenses

Research and development expense. Most of our operating expenses to date have been for research and development activities, and include costs incurred:

- in the preparation and execution of clinical trials, including those for vecabrutinib and vosaroxin;
- in the discovery and development of novel small molecule therapeutics;
- in the development and use of in-house research, preclinical study, and development capabilities;
- in connection with in-licensing activities; and
- in the conduct of activities related to strategic collaborations.

The table below sets forth our research and development expense by program for each period presented:

	Year ended December 31,		
	2017	2016	2015
		(in thousands)	
Vosaroxin	$ 11,518	$ 16,220	$ 20,204
Vecabrutinib	9,586	4,374	1,211
SNS-510 & others	436	2,287	2,286
Total	$ 21,540	$ 22,881	$ 23,701

We are currently focused on the development of vecabrutinib for the treatment of B-cell malignancies and our new product candidate, SNS-510, for the treatment of solid tumor and hematologic malignancies. Research and development costs typically increase as product development candidates move from early stage to later stage, larger clinical trials. As a result, our research and development costs may increase in the future. Due to the above uncertainties and other risks inherent in the development process, we are unable to estimate the costs we will incur in the development of our product candidates in the future.

If we engage a development or commercialization partner for our development programs, or if, in the future, we acquire additional product candidates, our research and development expenses could be significantly affected. We cannot predict whether future licensing or collaborative arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

We anticipate continuing expenditures associated with advancing the vecabrutinib and SNS-510 programs in 2018 and beyond. Additionally, under the Takeda Agreement, we have the right to participate in co-development and co-promotion activities for the related product candidates, including TAK-580 (formerly MLN2480), an oral pan-RAF inhibitor currently in Phase 1b clinical studies being conducted by Takeda and investigators. If we were to exercise our option on this or other product candidates, our research and development expense would increase significantly.

General and administrative expense. General and administrative expense consists primarily of personnel costs for the related employees, including non-cash stock-based compensation; outside service costs, including fees paid to external legal advisors, marketing consultants and our independent registered public accounting firm; facilities expenses; and other administrative costs. If we proceed to commercialization in either Europe or the United States, we anticipate general and administrative expenses to increase in the future, including additional costs related to selling and marketing.

Results of Operations

Years Ended December 31, 2017 and 2016

Revenue. Total revenue was $0.7 million in 2017 as compared to $2.5 million in 2016, primarily due to deferred revenue recognized related to the Royalty Agreement with RPI in each period. Revenue recognized under the Royalty Agreement with RPI was lower because deferred revenue was fully amortized to revenue in March 2017 as our performance obligation has concluded.

Research and development expense. Research and development expense was $21.5 million in 2017 as compared to $22.9 million in 2016, primarily relating to the vecabrutinib and the vosaroxin development program in each year. The decrease of $1.4 million in 2017 was primarily due to a decrease of $3.3 million in professional services and $0.5 million in salary and personnel costs partially offset by the $2.5 million milestone payment to Biogen under the license agreement.

General and administrative expense. General and administrative expense was $13.5 million in 2017 as compared to $16.1 million in 2016. The decrease of $2.6 million in 2017 was primarily due to decreases of $1.6 million in salary and personnel costs, $0.8 million in commercial expenses, and $0.3 million in office and related expenses.

Interest expense. Interest expense was $1.4 million in 2017 as compared to $1.7 million in 2016. The decrease in the 2017 periods was primarily due to the decrease in the outstanding notes payable.

Other income, net. Net other income was $0.4 million in 2017 as compared to $0.2 million in 2016. The other income was primarily comprised of interest income from the short term investments.

Years Ended December 31, 2016 and 2015

Revenue. Total revenue was $2.5 million in 2016 as compared to $3.1 million in 2015, primarily due to deferred revenue recognized related to the Royalty Agreement with RPI in each period. Deferred revenue recognized under the Royalty Agreement was lower in 2016 than in 2015 due to the change in the end date of the estimated performance period through which the balance of deferred revenue will be amortized from June 30, 2015 to March 31, 2017.

Research and development expense. Research and development expense was $22.9 million in 2016 as compared to $23.7 million in 2015, primarily relating to the vosaroxin development program in each year. The decrease of $0.8 million in 2016 was primarily due to a decrease of $2.2 million in personnel costs (including a decrease of $1.2 million in stock-based compensation expense), $0.2 million in office and related expenses, partially offset by increases of $0.6 million in clinical trial expenses, $0.5 million in professional services and $0.5 million in medical affairs expenses.

General and administrative expense. General and administrative expense was $16.1 million in 2016 as compared to $18.7 million in 2015. The decrease of $2.6 million in 2016 was primarily due to decreases of $1.8 million in professional services costs, $1.1 million in personnel costs due to reduction in headcount, partially offset by $0.3 million in office and related expenses.

Interest expense. Interest expense was $1.7 million in 2016 as compared to $0.9 million in 2015. The increase in 2016 was due to the interest expense to the Lenders under the Loan Agreement.

Other income, net. Net other income was $0.2 million in 2016 as compared to $3.6 million in 2015. The 2015 amount was primarily comprised of a net non-cash credit for the revaluation of warrants issued in the 2010 Offering.

Income Taxes

Deferred tax assets or liabilities may arise from differences between the tax basis of assets or liabilities and their basis for financial reporting. Deferred tax assets or liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Our policy is to recognize interest charges and penalties in other income (expense), net in the statements of operations and comprehensive loss.

Since inception, we have incurred operating losses and, accordingly, have not recorded a provision for income taxes for any of the periods presented. As of December 31, 2017, we had net operating loss carry-forwards for federal and state income tax purposes of $432.9 million and $269.0 million, respectively. We also had federal and state research and development tax credit carry-forwards of $8.5 million and $7.4 million, respectively. If not utilized, the federal net operating loss and tax credit carry-forwards will expire at various dates beginning in 2018 and the state net operating loss carry-forwards expire beginning in 2018. The state research and development tax credit carry-forwards do not expire. Utilization of these net operating loss and tax credits carry-forwards may be subject to a substantial annual limitation due to ownership change rules under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). The limitations are applicable if an "ownership change," as defined in the Code, is deemed to have occurred or occurs in the future. The annual limitation may result in the expiration of net operating loss and credit carry-forwards before they can be utilized.

Liquidity and Capital Resources

Sources of Liquidity

We have incurred significant losses in each year since our inception. As of December 31, 2017, we had cash, cash equivalents and marketable securities of $31.8 million and an accumulated deficit of $632.9 million. We expect to continue to incur significant losses for the foreseeable future. Our products are still in the early stages of approval and will require significant additional investment. In October 2017, we completed underwritten public offerings of (i) 7,500,000 shares of common stock and accompanying

warrants to purchase 3,750,000 shares of common stock at a price to the public of $2.00 for each share of common stock and warrant to purchase 0.5 shares of common stock, and (ii) 2,500 shares of non-voting Series D Convertible Preferred Stock (Series D Stock) and accompanying warrants to purchase 1,250,000 shares of common stock at a price to the public of $2,000 for each share of Series D Stock and warrant to purchase 500 shares of common stock, for total net proceeds of $18.5 million. The exercise price of the warrants is $3.00 per whole share of common stock. The warrants may be exercised at any time until and including October 27, 2018. If exercised in full, the warrants could result in additional net financing proceeds to us of up to $15 million.

We expect our current cash, cash equivalents, and marketable securities of $31.8 million are not sufficient to support our operations for a period of twelve months beyond the date the financial statements are issued. We will require additional financing to fund working capital, repay debt and pay our obligations as they come due, so substantial doubt exists about our ability to continue as a going concern. Additional financing might include one or more of a combination of offerings of equity securities or debt arrangements or partnerships or licensing collaborations. However, there can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us.

In August 2011, we entered into the Sales Agreement, with Cantor as agent and/or principal, pursuant to which we could issue and sell shares of our common stock having an aggregate gross sales price of up to $20.0 million. In April 2013, the Sales Agreement was amended to provide for an increase of $30.0 million in the aggregate gross sales price under the Sales Agreement. In March 2015, the Sales Agreement was further amended to provide for an additional increase of $30.0 million in the aggregate gross sales price under the Sales Agreement. We amended the Sales Agreement again in November 2017, to provide for an increase in the aggregate offering price under the Sales Agreement to $45.0 million. We will pay Cantor a commission of up to 3.0% of the gross proceeds from any common stock sold through the Sales Agreement, as amended.

During 2017, we sold an aggregate of 5,321,151 shares of common stock under the Sales Agreement, as amended, at an average price of approximately $2.72 per share for gross proceeds and net proceeds of $14.2 million, after deducting Cantor's commission. As of December 31, 2017, $45.0 million of common stock remained available to be sold under the Sales Agreement, as amended, subject to certain conditions as specified in the agreement.

Our cash, cash equivalents and marketable securities totaled $31.8 million as of December 31, 2017, as compared to $42.6 million as of December 31, 2016. The decrease of $10.8 million was primarily due to $36.1 million of net cash used in operating activities and a debt restructuring payment of $7.6 million, partially offset by $18.5 million in net proceeds from the underwritten public offering in October 2017 and $14.4 million in net proceeds from issuing and selling shares under the Sales Agreement with Cantor and from the purchases under the ESPP by the employees.

If we become unable to continue as a going concern, we may have to liquidate our assets, and might realize significantly less than the values at which they are carried on our financial statements, and stockholders may lose all or part of their investment in our common stock. Other than raising additional funds from investors or business partners, management cannot identify conditions or events to mitigate the substantial doubt that exists about our ability to continue as a going concern.

Cash Flows

Operating activities

Net cash used in operating activities was $36.1 million in 2017, as compared to $37.0 million in 2016 and $38.7 million in 2015. Net cash used in the 2017 period resulted primarily from the net loss of $35.5 million and changes in operating assets and liabilities of $4.0 million, offset by net adjustments for non-cash items of $3.3 million (including $3.0 million for stock-based compensation).

Net cashed used in operating activities in 2016 resulted primarily from the net loss of $38.0 million and net adjustment for the non-cash items of $5.2 million (including $4.8 million for stock-based compensation) offset by changes in operating assets and liabilities of $4.1 million (including $2.4 million related to recognition of deferred revenue under the Royalty Agreement). Net cash used in operating activities in 2015 resulted primarily from the net loss of $36.7 million and changes in operating assets and liabilities of $5.0 million (including $2.9 million related to recognition of deferred revenue under the Royalty Agreement), partially offset by net adjustments for non-cash items of $3.0 million (including expenses of $6.3 million for stock-based compensation and a $3.5 million credit for the revaluation of warrants issued in the 2010 Offering.

Investing activities

Net cash provided by investing activities was $29.7 million in 2017, as compared to net cash used in investing activities of $15.0 million in 2016 and net cash provided by investing activities of $1.3 million in 2015. Net cash provided in 2017 consisted primarily of proceeds from maturities of marketable securities, partially offset by purchases of property and equipment.

Net cash used in 2016 and 2015 consisted primarily of purchases of marketable securities, partially offset by proceeds from maturities of marketable securities.

Financing activities

Net cash provided by financing activities was $25.3 million in 2017, as compared to $33.1 million in 2016 and $42.2 million in 2015. Net cash provided in 2017 resulted primarily from net proceeds of $18.5 million from the underwritten public offering and $14.4 million from the sale of our common stock through the Sales Agreement with Cantor and from purchases under the ESPP by the employees, partially offset by a debt restructuring payment of the loan with Bridge Bank of $7.6 million.

Net cash provided in 2016 resulted primarily from net proceeds of $25.9 million from the underwritten offering and $14.7 million in net loan proceeds, and $0.4 million from the sale of our common stock through the Sales Agreement with Cantor and exercise of stock options, partially offset by $7.2 million of final payments against notes payable and $0.8 million of principal payments against notes payable.

Net cash provided in 2015 resulted primarily from net proceeds of $25.2 million from the underwritten offering, $18.1 million from sales of our common stock through Cantor and $0.5 million from the exercise of warrants, stock options and stock purchase rights, partially offset by $1.6 million of principal payments against notes payable.

Operating Cash Requirements

We have incurred significant operating losses and negative cash flows from operations since our inception. As of December 31, 2017, we had cash, cash equivalents and marketable securities of $31.8 million and cash used in operating activities of $36.1 million for 2017. We adopted FASB issued ASU No. 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40) effective December 31, 2016.

We expect to continue to incur substantial operating losses in the future. We will not receive any product revenue until a product candidate has been approved by the FDA, EMA, or similar regulatory agencies in other countries, and has been successfully commercialized, if ever. We will need to raise substantial additional funding to complete the development and potential commercialization of any of our development programs. Additionally, we may evaluate in-licensing and acquisition opportunities to gain access to new drugs or drug targets that would fit with our strategy. Any such transaction would likely increase our funding needs in the future.

Our future funding requirements will depend on many factors, including but not limited to:

- the rate of progress and cost of our clinical trials;
- the timing, economic and other terms of any licensing, collaboration or other similar arrangement into which we may enter;
- the costs and timing of seeking and obtaining FDA, EMA, or other regulatory approvals;
- the costs associated with building or accessing commercialization and additional manufacturing capabilities and supplies;
- the costs of acquiring or investing in businesses, product candidates and technologies, if any;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the effect of competing technological and market developments; and
- the costs, if any, of supporting our arrangements with Biogen and Takeda.

We expect our current cash, cash equivalents, and marketable securities of $31.8 million are not sufficient to support our operations for a period of twelve months from beyond the date the financial statements are issued. We will require additional financing to fund working capital, repay debt and pay our obligations as they come due, so substantial doubt exists about our ability to continue as a going concern. Additional financing might include one or more offerings and one or more of a combination of equity

securities, debt arrangements or partnership or licensing collaborations. However, there can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us.

Our failure to raise significant additional capital in the future would force us to delay or reduce the scope of our vosaroxin, vecabrutinib, and other development programs, potentially including any additional clinical trials or subsequent regulatory filings in Europe or the United States, and/or limit or cease our operations. Any one of the foregoing would have a material adverse effect on our business, financial condition and results of operations.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2017 (in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Debt obligations(1)	$ 9,043	$ 1,586	$ 7,457	$ —	$ —
Operating lease obligations(2)	$ 1,948	$ 514	$ 1,434	$ —	$ —

(1) Upon the occurrence of an event of default under the Amended Loan Agreement (subject to cure periods for certain events of default), all amounts owed by us thereunder would begin to bear interest at a rate that is 5.0% higher than the rate that would otherwise be applicable and may be declared immediately due and payable by the Collateral Agent. A proportional final payment equal to $312,500 will be due upon maturity or such earlier date specified in the Loan Agreement. We may elect to prepay all amounts owed under the Loan Agreement prior to the maturity date thereof, subject to a prepayment fee equal to 1.0% of the amount prepaid on or prior to March 31, 2018 and 0.5% of the amount prepaid if the prepayment occurs thereafter.

(2) Operating lease obligations relate solely to the leasing of office space in a building at 395 Oyster Point Boulevard in South San Francisco, California, which is currently our corporate headquarters. In January 2014, we entered into a lease for 15,378 square feet with an expiration date of April 30, 2015. In June 2014, we amended the lease to add 6,105 square feet of additional office space within the same building. We last amended the lease in December 2017 to remove the 6,105 square feet of additional office space added in June 2014 and to extend the expiration date to June 30, 2021.

The above amounts exclude potential payments under:

- our 2003 license agreement with Sumitomo, pursuant to which we are required to make certain milestone payments in the event we file new drug applications in the United States, Europe or Japan, and if we receive regulatory approvals in any of these regions, for cancer-related indications, including a payment following the filing of an MAA with the EMA. If vosaroxin is approved for a non-cancer indication, an additional milestone payment becomes payable to Sumitomo. We are also required to make royalty payments to Sumitomo in the event that vosaroxin is commercialized.
- our Royalty Agreement with RPI, pursuant to which we are required to make certain revenue participation when and if vosaroxin is commercialized, at a rate of 6.75% of net sales of vosaroxin, on a product-by-product and country-by-country basis world-wide through the later of: (a) the expiration of the last to expire of certain specifically identified patents; (b) 10 years from the date of first commercial sale of such product in such country; or (c) the expiration of all applicable periods of data, market or other regulatory exclusivity in such country with respect to such product.
- our December 2013 second amended and restated collaboration agreement with Biogen and our January 2014 amended license agreement with Takeda, pursuant to which we are required to make certain milestone and royalty payments.

We also have agreements with contract research organizations, clinical sites, and other third-party contractors for the conduct of our clinical trials. We generally make payments to these entities based upon the activities they perform related to the particular clinical trial. There are generally no penalty clauses for cancellation of these agreements if notice is duly given and payment is made for work performed by the third party under the related agreement.

Off-Balance Sheet Arrangements

Since our inception, we have not had any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which are typically established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

ITEM 7A. *QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK*

Interest Rate and Market Risk

As of December 31, 2017 and 2016, we had $31.8 million and $42.6 million, respectively, in cash, cash equivalents and marketable securities. The securities in our investment portfolio are not leveraged and are classified as available-for-sale, which, due to their short-term nature, are subject to minimal interest rate risk. We currently do not hedge our interest rate risk exposure. Because of the short-term maturities of our investments, we do not believe that a change in market rates would have a significant impact on the value of our investment portfolio.

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term and long-term investments in a variety of securities, including money market funds and U.S. and European government obligations and corporate debt securities. These securities are classified as available for sale and consequently are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive (loss) income. Substantially all investments mature within approximately one year from the date of purchase. Our holdings of the securities of any one issuer, except obligations of the U.S. Treasury or U.S. Treasury guaranteed securities, do not exceed 10% of the portfolio. If interest rates rise, the market value of our investments may decline, which could result in a realized loss if we are forced to sell an investment before its scheduled maturity. We do not utilize derivative financial instruments to manage our interest rate risks.

The tables below present the original principal amounts and weighted-average interest rates by year of maturity for our investment portfolio as of December 31 of each year, by effective maturity (in thousands, except percentages):

	Expected Maturity		Total Fair Value as of December 31, 2017
	0-3 months	Over 3 months	
Available-for-sale securities	$ 22,468	$ 2,775	$ 25,243
Average interest rate	1.1%	1.4%	

	Expected Maturity		Total Fair Value as of December 31, 2016
	0-3 months	Over 3 months	
Available-for-sale securities	$ 16,074	$ 22,209	$ 38,283
Average interest rate	0.5%	0.7%	

Foreign Currency Exchange Rate Risk

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. Invoices for certain services provided to us are denominated in foreign currencies, including the Euro and British pound, among others. Therefore, we are exposed to adverse movements in the related foreign currency exchange rates. To manage this risk, we may purchase certain European currencies or highly-rated investments denominated in those currencies, subject to similar criteria as for other investments allowed by our investment policy. We do not make these purchases for trading or speculative purposes, and there is no guarantee that the related gains and losses will substantially offset each other. As of December 31, 2017 and 2016, we held investments denominated in Euros with an aggregate fair value of $0.8 million and $0.7 million, respectively. The balances are recorded at their fair value based on the current exchange rate as of each balance sheet date. The resulting exchange gains or losses and those from amounts payable for services originally denominated in foreign currencies are recorded in other income (expense), net in the statements of operations and comprehensive loss.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Sunesis Pharmaceuticals, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sunesis Pharmaceuticals, Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated 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 stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 1998

San Jose, California
March 9, 2018

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,977	$ 8,056
Marketable securities	4,773	34,532
Prepaids and other current assets	1,183	643
Total current assets	32,933	43,231
Property and equipment, net	20	3
Deposits and other assets	1,381	—
Total assets	$ 34,334	$ 43,234
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,697	$ 1,871
Accrued clinical expense	767	1,434
Accrued compensation	1,440	2,000
Other accrued liabilities	1,570	1,691
Current portion of deferred revenue	—	610
Current portion of notes payable	7,204	3,333
Total current liabilities	12,678	10,939
Non-current portion of notes payable	—	11,102
Other liabilities	112	169
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Convertible preferred stock, $0.0001 par value; 10,000 shares authorized as of December 31, 2017; 18 shares issued and outstanding as of December 31, 2017 and 2016	20,966	18,808
Common stock, $0.0001 par value; 400,000 shares authorized as of December 31, 2017; 34,291 and 20,925 shares issued and outstanding as of December 31, 2017 and 2016, respectively	3	2
Additional paid-in capital	633,436	599,632
Accumulated other comprehensive loss	(7)	(22)
Accumulated deficit	(632,854)	(597,396)
Total stockholders' equity	21,544	21,024
Total liabilities and stockholders' equity	$ 34,334	$ 43,234

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share amounts)

	Year Ended December 31,		
	2017	2016	2015
Revenue:			
License and other revenue	$ 669	$ 2,536	$ 3,061
Total revenues	669	2,536	3,061
Operating expenses:			
Research and development	21,540	22,881	23,701
General and administrative	13,548	16,115	18,662
Total operating expenses	35,088	38,996	42,363
Loss from operations	(34,419)	(36,460)	(39,302)
Interest expense	(1,396)	(1,721)	(939)
Other income, net	357	158	3,565
Net loss	(35,458)	(38,023)	(36,676)
Unrealized gain (loss) on available-for-sale securities	15	(11)	(4)
Comprehensive loss	$ (35,443)	$ (38,034)	$ (36,680)
Basic and diluted loss per common share:			
Net loss:			
Basic	$ (35,458)	$ (38,023)	$ (36,676)
Diluted	$ (35,458)	$ (38,023)	$ (36,676)
Shares used in computing net loss per common share:			
Basic	24,516	15,688	12,156
Diluted	24,516	15,688	12,156
Net loss per common share:			
Basic	$ (1.45)	$ (2.42)	$ (3.02)
Diluted	$ (1.45)	$ (2.42)	$ (3.02)

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stock holders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2014	—	$ —	11,017	$ 1	$ 536,505	$ (7)	$ (522,697)	$ 13,802
Issuance of $9,236 of common stock in underwritten offering, net of issuance costs of $527	—	—	1,833	—	8,709	—	—	8,709
Issuance of $18,564 of common stock through controlled equity offering facilities, net of issuance costs of $439	—	—	1,160	—	18,125	—	—	18,125
Issuance of common stock pursuant to warrant exercises	—	—	350	—	—	—	—	—
Issuance of common stock pursuant to stock option exercises	—	—	28	—	331	—	—	331
Issuance of common stock under employee stock purchase plans	—	—	22	—	202	—	—	202
Issuance of common stock to employees	—	—	10	—	—	—	—	—
Issuance of preferred stock	20	16,459	—	—	—	—	—	16,459
Issuance of warrants to purchase common stock	—	—	—	—	100	—	—	100
Stock-based compensation expenses—employees	—	—	—	—	6,149	—	—	6,149
Stock-based compensation expenses—non- employees	—	—	—	—	196	—	—	196
Net loss	—	—	—	—	—	—	(36,676)	(36,676)
Unrealized loss on available-for-sale securities	—	—	—	—	—	(4)	—	(4)
Balance as of December 31, 2015	20	16,459	14,420	1	570,317	(11)	(559,373)	27,393
Issuance of $21,852 of common stock in underwritten offering, net of issuance costs of $1,497	—	—	5,676	1	20,324	—	—	20,325
Issuance of $269 of common stock through controlled equity offering facilities, net of issuance costs of $5	—	—	57	—	269	—	—	269
Issuance of common stock upon conversion of preferred stock	(4)	(3,243)	644		3,243			—
Issuance of common stock under employee stock purchase plans	—	—	129	—	152	—	—	152
Issuance of preferred stock	2	5,592	—	—	—	—	—	5,592
Issuance of warrants to purchase common stock	—	—	—	—	536	—	—	536
Stock-based compensation expenses—employees	—	—	—	—	4,600	—	—	4,600
Stock-based compensation expenses—non- employees	—	—	—	—	191	—	—	191
Net loss	—	—	—	—	—	—	(38,023)	(38,023)
Unrealized loss on available-for-sale securities	—	—	—	—	—	(11)	—	(11)
Balance as of December 31, 2016	18	18,808	20,925	2	599,632	(22)	(597,396)	21,024
Issuance of $15,000 of common stock, $5,000 of preferred stock, and warrants in underwritten offering, net of issuance costs about $1,500	3	4,426	7,500	1	14,083	—	—	18,510
Issuance of $14,468 of common stock through controlled equity offering facilities, net of issuance costs of $289	—	—	5,321	—	14,179	—	—	14,179
Issuance of common stock upon conversion of preferred stock	(3)	(2,268)	450	—	2,268	—	—	—
Issuance of common stock under employee stock purchase plans	—	—	87	—	217	—	—	217
Issuance of common stock pursuant to stock option exercises	—	—	8	—	24	—	—	24
Stock-based compensation expenses—employees	—	—	—	—	2,924	—	—	2,924
Stock-based compensation expenses—non- employees	—	—	—	—	109	—	—	109
Net loss	—	—	—	—	—	—	(35,458)	(35,458)
Unrealized gain on available-for-sale securities	—	—	—	—	—	15	—	15
Balance as of December 31, 2017	18	$ 20,966	34,291	$ 3	$ 633,436	$ (7)	$ (632,854)	$ 21,544

See accompanying notes to consolidated financial statements.

SUNESIS PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net loss	$ (35,458)	$ (38,023)	$ (36,676)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation expense	3,033	4,791	6,345
Depreciation and amortization	9	11	27
Amortization of debt discount and debt issuance costs	269	359	135
Write-off debt discount upon note repayment	—	27	—
Decrease in fair value of warrant liability	—	—	(3,543)
Changes in operating assets and liabilities:			
Prepaids and other assets	(1,921)	(85)	660
Accounts payable	(174)	(582)	(724)
Accrued clinical expense	(667)	(520)	(1,158)
Accrued compensation	(560)	394	(681)
Other liabilities	61	169	—
Other accrued liabilities	(124)	(1,062)	(186)
Deferred revenue	(610)	(2,441)	(2,930)
Net cash used in operating activities	(36,142)	(36,962)	(38,731)
Cash flows from investing activities			
Purchases of property and equipment	(26)	—	—
Purchases of marketable securities	—	(35,530)	(35,683)
Sale and maturities of marketable securities	29,774	20,531	36,930
Net cash provided by (used in) investing activities	29,748	(14,999)	1,247
Cash flows from financing activities			
Proceeds from notes payable	—	15,000	—
Principal payments on notes payable and final payment	(7,615)	(7,983)	(1,642)
Payment of financing fees and debt issuance costs	—	(266)	—
Proceeds from issuance of convertible preferred stock offering, net	4,633	5,592	16,459
Proceeds from issuance of common stock, net	13,877	20,367	8,709
Proceeds from issuance of common stock through controlled equity offering facilities, net	14,179	269	18,125
Proceeds from exercise of warrants, stock options and stock purchase rights	241	152	533
Net cash provided by financing activities	25,315	33,131	42,184
Net increase (decrease) in cash and cash equivalents	18,921	(18,830)	4,700
Cash and cash equivalents at beginning of period	8,056	26,886	22,186
Cash and cash equivalents at end of period	$ 26,977	$ 8,056	$ 26,886
Supplemental disclosure of cash flow information			
Interest paid	$ 1,066	$ 1,239	$ 631
Supplemental disclosure of non-cash activities			
Transfer of fair value of exercised warrants to additional paid-in capital	$ —	$ —	$ 100
Conversion of preferred stock to common stock	$ (2,268)	$ (3,243)	$ —
Fair value of warrants issued in connection with notes payable	$ —	$ 536	$ —
Cashless exercise of warrants	$ —	$ —	$ 4,486

See accompanying notes to consolidated financial statements.

1. Company Overview

Description of Business

Sunesis Pharmaceutical, Inc. ("Sunesis" or the "Company") is a biopharmaceutical company focused on the development and commercialization of new oncology therapeutics for the treatment of cancer. The Company's primary activities since incorporation have been conducting research and development internally and through corporate collaborators, in-licensing and out-licensing pharmaceutical compounds and technology, conducting clinical trials, and raising capital.

The Company's lead program is vecabrutinib, formerly known as SNS-062, a non-covalent inhibitor of Bruton's Tyrosine Kinase ("BTK"). Vecabrutinib is being studied in a Phase 1b/2 clinical trial in B-cell malignancies. In January 2017, the Company announced that its Investigational New Drug ("IND") application with the U.S. Food and Drug Administration ("FDA") for vecabrutinib had become effective. In July 2017, the Company announced the dosing of the first patient in a Phase 1b/2 study to assess the safety and activity of vecabrutinib in patients with advanced B-cell malignancies after two or more prior therapies, including ibrutinib or another covalent BTK inhibitor, and including patients with BTK C481 mutations.

The Company is also developing SNS-510, a PDK1 inhibitor licensed from Millennium Pharmaceuticals, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"). Sunesis acquired from Takeda global commercial rights to several potential first-in class, preclinical inhibitors of the novel target PDK1, including SNS-510. Sunesis is currently characterizing SNS-510 in preclinical pharmacology and toxicology studies with the goal of filing an IND in 2019.

The Company is in a collaboration with Takeda for the development of TAK-580 (formerly MLN2480), an oral pan-RAF inhibitor, for which Takeda is conducting a multi-arm, open-label Phase 1b study in combination with various anticancer agents in adult patients with advanced solid tumor cancers.

Liquidity and Going Concern

The Company has incurred significant losses and negative cash flows from operations since its inception, and as of December 31, 2017, had cash, cash equivalents and marketable securities totaling $31.8 million and an accumulated deficit of $632.9 million.

The Company expects to continue to incur significant losses for the foreseeable future as it continues development of its kinase inhibitor pipeline, including its BTK inhibitor vecabrutinib. Following the decision to withdraw the European Marketing Authorization Application ("MAA") for vosaroxin, the Company has prioritized development funding on kinase inhibitors with a focus on vecabrutinib. The Company has a limited number of products that are still in the early stages of approval and will require significant additional investment.

The Company's cash, cash equivalents and marketable securities are not sufficient to support its operations for a period of twelve months from the date the financial statements are issued. These factors raise substantial doubt about its ability to continue as a going concern. The Company will require additional financing to fund working capital, repay debt and pay its obligations as they come due. Additional financing might include one or more offerings and one or more of a combination of equity securities, debt arrangements or partnership or licensing collaborations. However, there can be no assurance that the Company will be successful in acquiring additional funding at levels sufficient to fund its operations or on terms favorable to the Company. If the Company is unsuccessful in its efforts to raise additional financing in the near term, the Company will be required to significantly reduce or cease operations. The principal payments due under the Loan Agreement have been classified as a current liability as of December 31, 2017 due to the considerations discussed above and the assessment that the material adverse change clause under the Loan Agreement is not within the Company's control. The Company has not been notified of an event of default by the Lender as of the date of the filing of this Form 10-K. The accompanying financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts of liabilities that may result from uncertainty related to the Company's ability to continue as a going concern.

Concentrations of Credit Risk

In accordance with its investment policy, the Company invests cash that is not currently being used for operational purposes. The policy allows for the purchase of low risk debt securities issued by: (a) the United States and certain European governments and government agencies, and (b) highly rated banks and corporations, denominated in U.S. dollars, Euros, or British pounds, subject to certain concentration limits. The policy limits maturities of securities purchased to no longer than 24 months and the weighted average maturity of the portfolio to 12 months. Management believes these guidelines ensure both the safety and liquidity of any investment portfolio the Company may hold.

Financial instruments that potentially subject the Company to concentrations of credit risk generally consist of cash, cash equivalents and marketable securities. The Company is exposed to credit risk in the event of default by the institutions holding its cash, cash equivalents and any marketable securities to the extent of the amounts recorded in the balance sheets.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new revenue recognition standard which amends revenue recognition principles and provides a single, comprehensive set of criteria for revenue recognition within and across all industries. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance also requires improved disclosures on the nature, amount, timing, and uncertainty of revenue that is recognized. In August 2015, the FASB issued an update to the guidance to defer the effective date by one year, such that the new standard will be effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. The standard allows for adoption using a full retrospective method or a modified retrospective method. The Company will apply the new guidance effective January 1, 2018 using the modified retrospective method to contracts that are not completed as of January 1, 2018.

The Company's revenues are derived from license arrangements. The consideration the Company is eligible to receive under the license arrangements includes upfront payments, milestone payments, and royalties. In the fourth quarter of 2017, the Company completed its assessment of the new guidance and the adoption of this guidance, including the cumulative effect of any adjustment to the opening balance of retained earnings, will not have a material impact to its consolidated financial statements.

In January 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 made modifications to how certain financial instruments should be measured and disclosed, including using the exit price notion when measuring the fair value, separating the presentation of financial assets and financial liabilities by measurement category on the balance sheet and eliminating the requirement to disclose the method and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods. The Company will evaluate the guidance and present the impact in its consolidated financial statements at the time of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 is aimed at making leasing activities more transparent and comparable, and requires substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. ASU 2016-02 is effective for the Company's interim and annual reporting periods during the year ending December 31, 2019, and all annual and interim reporting periods thereafter. As currently issued, entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which will require a reporting entity to use a new forward-looking impairment model for most financial assets that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, credit losses will be recognized as allowances rather than as reductions in amortized cost. The standard will be effective for annual periods beginning after December 15, 2019, with early adoption permitted beginning in 2019. Entities will apply the guidance as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company will evaluate the guidance and present the impact in its consolidated financial statements at the time of adoption.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*. The new guidance does not change the accounting for modifications but provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. Specifically, modification accounting would not apply if the fair value, vesting conditions, and classification of the award are the same immediately before and after the modification. The amendments in this Update should be applied prospectively to an award modified on or after the adoption date and is effective for annual periods beginning after December 15, 2017. The Company has determined the adoption of ASU 2017-09 will not have a material impact on its consolidated financial statements and related disclosures.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Sunesis Europe Limited, a United Kingdom corporation, and Sunesis Pharmaceuticals (Bermuda) Ltd., a Bermuda corporation, as well as a Bermuda limited partnership, Sunesis Pharmaceuticals International LP. All intercompany balances and transactions have been eliminated in consolidation.

Segment Reporting

Management has determined that the Company operates as a single reportable segment.

Significant Estimates and Judgments

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements and accompanying notes thereto. Actual results could differ materially from these estimates. Estimates, assumptions and judgments made by management include those related to the valuation of equity and related instruments, revenue recognition, stock-based compensation and clinical trial accounting.

Cash Equivalents and Marketable Securities

The Company considers all highly liquid securities with original maturities of three months or less from the date of purchase to be cash equivalents, which generally consist of money market funds and corporate debt securities. Marketable securities consist of securities with original maturities of greater than three months, which may include U.S. and European government obligations and corporate debt securities.

Management determines the appropriate classification of securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company generally classifies its entire investment portfolio as available-for-sale. The Company views its available-for-sale portfolio as available for use in current operations. Accordingly, the Company classifies all investments as short-term, even though the stated maturity may be more than one year from the current balance sheet date. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in accumulated other comprehensive income (loss), which is a separate component of stockholders' equity except for unrealized loss determined to be other than temporary, which would be recorded within Other income, net.

The amortized cost of securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in other income, net in the statements of operations and comprehensive loss. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities, if any, are also recorded to other income, net. The cost of securities sold is based on the specific-identification method.

Invoices for certain services provided to the Company are denominated in foreign currencies. To manage the risk of future movements in foreign exchange rates that would affect such amounts, the Company may purchase certain European currencies or highly-rated investments denominated in those currencies, subject to similar criteria as for other investments defined in the Company's investment policy. There is no guarantee that the related gains and losses will substantially offset each other, and the Company may be subject to significant exchange gains or losses as currencies fluctuate from quarter to quarter. To date, the Company has purchased Euros and Euro-denominated obligations of foreign governments and corporate debt. As of December 31, 2017 and December 31, 2016, the Company held investments denominated in Euros with an aggregate fair value of $0.8 million and $0.7 million, respectively. Any cash, cash equivalent and short-term investment balances denominated in foreign currencies are recorded at their fair value based on the current exchange rate as of each balance sheet date. The resulting exchange gains or losses and those from amounts payable for services originally denominated in foreign currencies are both recorded in other income, net in the statements of operations and comprehensive loss.

Fair Value Measurements

The Company measures cash equivalents and marketable securities at fair value on a recurring basis using the following hierarchy to prioritize valuation inputs, in accordance with applicable GAAP:

Level 1 -quoted prices (unadjusted) in active markets for identical assets and liabilities that can be accessed at the measurement date

Level 2 -inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3 -unobservable inputs

The Company's Level 2 valuations of marketable securities are generally derived from independent pricing services based upon quoted prices in active markets for similar securities, with prices adjusted for yield and number of days to maturity, or based on industry models using data inputs, such as interest rates and prices that can be directly observed or corroborated in active markets.

The carrying amounts of the Company's financial instruments, including cash, prepayments, accounts payable, accrued liabilities, deferred revenue and notes payable approximated their fair value as of December 31, 2017 and December 31, 2016.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the respective assets, generally three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the lease.

Accounting for Royalty Agreement

The payment of $25.0 million by RPI under the Royalty Agreement (see Note 6) is non-refundable, and no revenue participation right payments will be made unless vosaroxin is commercialized. Accordingly, the payment received from RPI is being accounted for as a payment for the Company to use commercially reasonable efforts to commercialize vosaroxin. Therefore, the amount is to be deferred and recognized as revenue over the projected performance period under the agreement. The payment, less $3.1 million representing the fair value of the warrants granted under the arrangement, was initially classified as deferred revenue and is being amortized to revenue over the related performance period. The fair value of the warrants was recorded to additional paid-in capital.

Accounting for Notes Payable

The accounting for certain fees and expenses related to the Loan Agreement (see Note 8) is as follows. The facility fee is being accounted for as a debt discount and classified within notes payable on the Company's balance sheet. The fair value of the warrants issued in connection with the Loan Agreement have been recorded as a debt discount within notes payable and an increase to additional paid-in capital on the Company's balance sheet. The debt discount is being amortized as interest expense over the term of the loan using the effective interest method. The final payment is being accreted as interest expense over the term of the loans using the effective interest method. The legal fees are being accounted for as deferred debt issuance costs within assets on the Company's balance sheet and are being amortized as other income, net over the term of the loans using the effective interest method.

Revenue Recognition

Revenue arrangements with multiple deliverables are accounted for in accordance with the Financial Accounting Standards Board Accounting Standards Codification, Subtopic 605-25, *Multiple-Element Arrangements* ("ASC 605-25"). Under ASC 605-25, revenue arrangements with multiple deliverables are divided into separate units of accounting based on whether certain criteria are met, including whether the delivered item has stand-alone value to the customer. Consideration is allocated among the separate units of accounting based on their respective fair value, and the applicable revenue recognition is applied to each of the separate units.

Non-refundable fees where the Company has no continuing performance obligations are recognized as revenues when collection is reasonably assured. In situations where continuing performance obligations exist, non-refundable fees are deferred and recognized ratably over the projected performance period.

Milestone payments from license or collaboration agreements which are substantive and at risk at the time the agreement is executed are recognized upon completion of the applicable milestone event. Royalty revenues, if any, will be recognized based on reported product sales by third-party licensees. Research funding from any future agreement will be recognized as the related research services are performed.

Research and Development

Research and development expense consists primarily of: (a) clinical trial costs, which include payments for work performed by contract research organizations ("CROs"), clinical trial sites, labs and other clinical service providers, and for drug packaging, storage and distribution; (b) drug manufacturing costs, which include costs for producing drug substance and drug product, and for stability and other testing; (c) personnel costs for related permanent and temporary employees; (d) other outside services and consulting costs; and (e) payments under license agreements. All research and development costs are expensed as they are incurred.

Clinical Trial Accounting

The Company records accruals for estimated clinical trial costs, which include payments for work performed by CROs and participating clinical trial sites. These costs are generally a significant component of research and development expense. Costs incurred for setting up clinical trial sites for participation in trials are generally non-refundable, and are expensed as incurred, with any refundable advances related to enrollment of the first patient recorded as prepayments and assessed for recoverability on a quarterly basis. Costs related to patient enrollment are accrued as patients progress through the clinical trial, including amortization of any first-patient prepayments. This amortization generally matches when the related services are rendered, however, these cost estimates may or may not match the actual costs incurred by the CROs or clinical trial sites, and if the Company has incomplete or inaccurate information, the clinical trial accruals may not be accurate. The difference between accrued expenses based on the Company's estimates and actual expenses have not been significant to date.

Stock-Based Compensation

The Company grants options to purchase common stock to its employees, directors and consultants under its stock option plans. Under the Company's Employee Stock Purchase Plan, eligible employees can also purchase shares of the Company's common stock at 85% of the lower of the fair market value of the Company's common stock at the beginning of a 12-month offering period or at the end of one of the two related six-month purchase periods.

The Company values these share-based awards using the Black-Scholes option valuation model (the "Black-Scholes model"). The determination of fair value of share-based payment awards on the date of grant using the Black-Scholes model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors.

Foreign Currency

Transactions that are denominated in a foreign currency are translated into U.S. dollars at the current exchange rate on the transaction date. Any foreign currency-denominated monetary assets and liabilities are subsequently remeasured at current exchange rates as of each balance sheet date, with gains or losses on foreign exchange recognized in other income, net in the statements of operations and comprehensive loss.

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and their basis for financial reporting. Deferred tax assets or liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. The Company's policy is to recognize interest charges and penalties in other income, net in the statements of operations and comprehensive loss.

3. Loss per Common Share

Basic loss per common share is calculated by dividing net loss by the weighted-average number of common shares outstanding for the period. Diluted net loss per common share is computed by dividing (a) net loss, less any anti-dilutive amounts recorded during the period, by (b) the weighted-average number of common shares outstanding for the period plus dilutive potential common shares as determined using the treasury stock method for options and warrants to purchase common stock.

The following table sets forth the computation of basic and diluted loss per common share for the periods presented (in thousands, except per share amounts):

	Year Ended December 31,		
	2017	2016	2015
Numerator:			
Net loss—basic	$ (35,458)	$ (38,023)	$ (36,676)
Net loss—diluted	$ (35,458)	$ (38,023)	$ (36,676)
Denominator:			
Weighted-average common shares outstanding—basic	24,516	15,688	12,156
Weighted-average common shares outstanding—diluted	24,516	15,688	12,156
Net loss per common share:			
Basic	$ (1.45)	$ (2.42)	$ (3.02)
Diluted	$ (1.45)	$ (2.42)	$ (3.02)

The following table represents the potential common shares issuable pursuant to outstanding securities as of the related period end dates that were excluded from the computation of diluted loss per common share because their inclusion would have had an anti-dilutive effect (in thousands):

	As of December 31,		
	2017	2016	2015
Warrants to purchase shares of common stock	5,218	218	938
Convertible preferred stock	6,331	4,270	3,353
Options to purchase shares of common stock	3,532	2,697	2,153
Outstanding securities not included in calculations	15,081	7,185	6,444

4. Financial Instruments

Financial Assets

The following tables summarize the estimated fair value of the Company's financial assets measured on a recurring basis as of the dates indicated, which were comprised solely of available-for-sale marketable securities with remaining contractual maturities of one year or less (in thousands):

December 31, 2017	Valuation Input Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	Level 1	$ 20,470	$ —	$ —	$ 20,470
U.S. corporate debt obligations	Level 2	3,282	—	(5)	3,277
U.S. commercial paper	Level 2	1,498	—	(2)	1,496
Total available-for-sale securities		25,250	—	(7)	25,243
Less amounts classified as cash equivalents		(20,470)	—	—	(20,470)
Amounts classified as marketable securities		$ 4,780	$ —	$ (7)	$ 4,773

December 31, 2016	Valuation Input Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	Level 1	$ 3,270	$ —	$ —	$ 3,270
U.S. treasury securities	Level 1	16,029	$ —	$ (9)	16,020
U.S. certificates of deposit	Level 1	4,868	$ —	$ —	4,868
U.S. corporate debt obligations	Level 2	11,617	—	(11)	11,606
U.S. commercial paper	Level 2	2,521	—	(2)	2,519
Total available-for-sale securities		38,305	—	(22)	38,283
Less amounts classified as cash equivalents		(3,751)	—	—	(3,751)
Amounts classified as marketable securities		$ 34,554	$ —	$ (22)	$ 34,532

The following table summarizes the available-for-sale securities that were in an unrealized loss position as of December 31, 2017, each having been in such a position for less than 12 months, and none deemed to be other-than-temporarily impaired (in thousands):

December 31, 2017	Gross Unrealized Losses	Estimated Fair Value
U.S. corporate debt obligations	(5)	3,277
U.S. commercial paper	(2)	1,496
Total available-for-sale securities in an unrealized loss position	$ (7)	$ 4,773

No significant facts or circumstances have arisen to indicate that there has been any deterioration in the creditworthiness of the issuers of these securities. The gross unrealized losses are not considered to be significant and have generally been for relatively short durations. The Company does not intend to sell these securities before maturity and it is not likely that they will need to be sold prior to the recovery of their amortized cost basis. There were no sales of available-for-sale debt securities in the years ended December 31, 2017, 2016 and 2015.

5. Other Accrued Liabilities

Other accrued liabilities as of December 31 were as follows (in thousands):

	2017	2016
Accrued outside services	$ 1,096	$ 1,192
Accrued professional services	471	381
Other accruals	3	118
Total other accrued liabilities	$ 1,570	$ 1,691

6. Royalty Agreement

In March 2012, the Company entered into a Revenue Participation Agreement (the "Royalty Agreement"), with RPI Finance Trust ("RPI"), an entity related to Royalty Pharma. In September 2012, pursuant to the provisions of the Royalty Agreement, RPI made a $25.0 million cash payment to the Company. The payment, less $3.1 million representing the fair value of the warrants granted under the arrangement, was initially classified as deferred revenue and amortized to revenue over the related performance period.

Based on the regulatory interactions with the FDA and EMA outlined in Note 1, the Company extended the end date of the estimated performance period through which the balance of deferred revenue was be amortized from September 30, 2016 to March 31, 2017. As a result, the quarterly amortization was adjusted from $0.9 million per quarter to $0.6 million per quarter, commencing with the quarter ended September 30, 2015.

Revenue participation right payments will be made to RPI when and if vosaroxin is commercialized, at a rate of 6.75% of net sales of vosaroxin, on a product-by-product and country-by-country basis world-wide through the later of: (a) the expiration of the last to expire of certain specifically identified patents; (b) 10 years from the date of first commercial sale of such product in such country; or (c) the expiration of all applicable periods of data, market or other regulatory exclusivity in such country with respect to such product.

7. License Agreements

Overview

In August 2004, the Company entered into a collaboration agreement with Biogen MA, Inc. ("Biogen") to discover, develop and commercialize small molecule inhibitors of the human protein Raf kinase, including family members Raf-1, A-Raf, B-Raf and C-Raf (collectively "Raf") and up to five additional targets that play a role in oncology and immunology indications (the "Biogen OCA"). In connection with the Company's June 2008 restructuring, the parties agreed to terminate the research obligations and related funding as of June 30, 2008.

In March 2011, as part of a series of agreements among the Company, Biogen and Millennium Pharmaceuticals, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited, ("Takeda"), the Company entered into: (a) an amended and restated collaboration agreement with Biogen (the "Biogen 1st ARCA"); (b) a license agreement with Takeda (the "Takeda Agreement"); and (c) a termination and transition agreement among the Company, Biogen and Takeda (the "Termination and Transition Agreement").

The Termination and Transition Agreement provided for (a) the termination of Biogen's exclusive rights under the Biogen OCA to all discovery programs under such agreement other than for small molecule inhibitors of the human protein Bruton's tyrosine kinase ("BTK"); (b) the permitted assignment to Takeda of all related Company collaboration assets and rights to Raf kinase and the human protein phosphoinositide-dependent kinase-1 ("PDK1"); and (c) the payment of $4.0 million upfront from Takeda to the Company, which was recorded as revenue in March 2011.

Biogen Idec

The Biogen 1st ARCA amended and restated the Biogen OCA, to provide for the discovery, development and commercialization of small molecule BTK inhibitors. Under this agreement, the Company no longer has research obligations, but licenses granted to Biogen with respect to the research collaboration under the Biogen OCA (other than the licenses transferred to Takeda under the Takeda Agreement) remain in effect.

In June 2012, the Company received an event-based payment and recognized as revenue of $1.5 million from Biogen for the advancement of pre-clinical work in connection with the Biogen 1st ARCA. Under this agreement, the Company is eligible to receive up to an additional $58.5 million in pre-commercialization event-based payments related to the development by Biogen of the first two indications for licensed products against the BTK target. The Company is also eligible to receive royalty payments depending on related product sales, if any.

In December 2013, the Company entered into a second amended and restated collaboration agreement with Biogen (the "Biogen 2nd ARCA"), to provide the Company with an exclusive worldwide license to develop, manufacture and commercialize vecabrutinib, a BTK inhibitor synthesized under the Biogen 1st ARCA, solely for oncology indications. During the third quarter of 2017, the Company made a milestone payment of $2.5 to Biogen upon the dosing of the first patient in a Phase 1b/2 study to assess the safety and activity of vecabrutinib in patients with advanced B-cell malignancies after two or more prior therapies, including ibrutinib or other covalent BTK inhibitor, and including patients with BTD C481 mutations. The payment was recorded in the research and development expenses line item in the accompanying consolidated statement of operations. The Company may also be required to make tiered royalty payments based on percentages of net sales of vecabrutinib, if any, in the mid-single-digits. All other of Sunesis' rights and obligations contained in the Biogen 1st ARCA remain unchanged, except that potential future royalty payments to Sunesis were reduced to equal those amounts due to Biogen for potential future sales of vecabrutinib.

Takeda

Under the Takeda Agreement, the Company granted exclusive licenses to products against two oncology targets originally developed under the Biogen OCA, Raf and PDK1, under substantially the same terms as under the Biogen OCA.

In January 2014, the Company entered into an amended and restated license agreement with Takeda (the "Amended Takeda Agreement"), to provide the Company with an exclusive worldwide license to develop and commercialize preclinical inhibitors of PDK1. In connection with the execution of the Amended Takeda Agreement, the Company paid an upfront fee of $0.4 million and may be required to make up to $9.2 million in pre-commercialization milestone payments depending on its development of PDK1 inhibitors and tiered royalty payments based on percentages of net sales, if any, beginning in the mid-single-digits and not to exceed the low-teens.

With respect to the Raf target product rights that were originally licensed to Takeda under the Takeda Agreement, the Company may in the future receive up to $57.5 million in pre-commercialization event-based payments related to the development by Takeda of the first two indications for each of the licensed products directed against the Raf target and royalty payments depending on related product sales. Takeda is currently conducting a Phase 1b clinical study of an oral investigative drug, TAK-580, which is licensed to them under the Amended Takeda Agreement.

8. Notes Payable

On March 31, 2016, the Company entered into a loan and security agreement (the "Loan Agreement") with Western Alliance Bank ("Western Bank") and Solar Capital Ltd. ("Solar Capital," and collectively with Western Bank, the "Lenders") and Western Alliance, as Collateral Agent (the "Collateral Agent"). Pursuant to the terms of the Loan Agreement, the Lenders provided the

Company with a loan in the principal amount of $15,000,000 of which $12,500,000 was funded on March 31, 2016 and $2,500,000 was funded on April 1, 2016, for working capital, to fund its general business requirements and to repay indebtedness of the Company to Oxford Finance LLC, Silicon Valley Bank and Horizon Technology Finance Corporation (collectively, the "Existing Lenders") pursuant to the Loan and Security Agreement, dated as of October 18, 2011, entered into by and among the Existing Lenders and the Company (the "Oxford Loan Agreement"). On March 31, 2016, the Company used $7.2 million of the loan proceeds to repay the outstanding principal of $6.0 million, a final payment fee of $1.2 million and accrued interest of $45,000 under the Oxford Loan Agreement. The Company paid the Lenders a $0.1 million facility fee and $0.1 million in legal fees.

On June 30, 2017, the Company entered into an amendment to the existing Loan Agreement (the "Amended Loan Agreement"). Under terms of the Amended Loan Agreement, the Company will be required to pay interest on the borrowings under the Loan Agreement at a per annum rate equal to 8.54% plus the then effective one-month U.S. LIBOR rate. The Amendment modified the loan repayment terms to be interest-only through July 1, 2018, followed by twenty-two (22) equal monthly payments of principal and interest through the maturity date, contingent upon receipt of at least Fifteen Million Dollars ($15,000,000) in unrestricted cash proceeds received after June 1, 2017 from the issuance by the Company of new equity securities any time after June 1, 2017 through December 31, 2017. Thereafter and until the scheduled maturity date of April 1, 2020, in addition to interest accrued during such period, the monthly payments will include an amount equal to the outstanding principal divided by 28 months, unless the interest only period is extended by a further six months, in which case the amortization period will be 22 months. In addition to principal and interest, a final payment equal to $312,500 will be due upon maturity or such earlier date specified in the Loan Agreement. If the Company repays all amounts owed under the Loan Agreement prior to the maturity date, the Company will pay a prepayment fee equal 1.0% of the amount prepaid if the prepayment occurs after June 30, 2017 through March 31, 2018 and 0.5% of the amount prepaid if the prepayment occurs thereafter.

On October 31, 2017, the Company entered into a second amendment to the Amended Loan Agreement (the "Second Amendment"). The Second amendment modified the loan repayment terms to add two additional extended interest-only periods beyond July 1, 2018. If under the terms of the Amended Loan Agreement, the interest-only period has been extended to July 1, 2018, the Company may further extend the interest-only period to October 1, 2018, contingent upon the receipt of at least Fifteen Million dollars ($15,000,000) in unrestricted net cash proceeds from the issuance by the Company of new equity securities or as a non-refundable upfront payment on a new business development agreement or royalty financing agreement (the "New Capital"), on or after October 24, 2017, but on or prior to December 31, 2017. Subsequently, the Company may further extend the interest-only period to January 1, 2019, contingent upon the receipt of at least Twenty-Five Million dollars ($25,000,000) in New Capital (inclusive of any prior amounts received after October 24, 2017), on or after October 24, 2017, but on or prior to September 15, 2018.

The facility fee and legal fees related to the debt are being accounted for as a debt discount and classified within notes payable on the Company's balance sheet and amortized as interest expense over the term of the loan using the effective interest method. The final payment is being accreted as interest expense over the term of the loan using the effective interest method and is included as a component of non-current portion of notes payable on the Company's consolidated balance sheet.

In conjunction with the Loan Agreement, the Lenders were issued five-year warrants to purchase an aggregate of up to 208,002 shares of the Company's common stock at a per share exercise price of $3.2454. The fair value of the warrants issued was estimated to be $0.5 million using a Black-Scholes valuation model with the following assumptions: common stock price at issuance of $3.24; exercise price of $3.2454; risk-free interest rate of 1.21% based upon observed risk-free interest rates; expected volatility of 111.96% based on the Company's average historical volatility; expected term of five years, which is the contractual life of the warrants; and a dividend yield of 0%. The fair value was recorded as a debt discount within notes payable and an increase to additional paid-in capital on the Company's balance sheet. The debt discount is being amortized as interest expense over the term of the Loan Agreement, using the effective interest method.

Pursuant to the Loan Agreement and the amendments, the Company is bound by a variety of affirmative covenants during the term of the Loan Agreement, including, without limitation, certain information delivery requirements, notice requirements and obligations to maintain certain insurance. Additionally, the Company is bound by certain negative covenants setting forth actions that are not permitted to be taken during the term of the Amended Loan Agreement without the Lenders' consent, including, without limitation, incurring certain additional indebtedness, making certain asset dispositions, entering into certain mergers, acquisitions or other business combination transactions or incurring any non-permitted lien or other encumbrance on the Company's assets. Upon the occurrence of an event of default under the Amended Loan Agreement (subject to cure periods for certain events of default), all amounts owed by the Company thereunder would begin to bear interest at a rate that is 5.0% higher than the rate that would otherwise be applicable and may be declared immediately due and payable by the Collateral Agent. Events of default under the Amended Loan Agreement include, among other things, the following: the occurrence of certain bankruptcy events; the failure to make payments under the Loan Agreement when due; the occurrence of a material impairment on the Collateral Agent's security interest over the collateral, a material adverse change in the business, operations or condition (financial or otherwise) of the Company or material impairment of the prospect of repayment of the obligations under the Amended Loan Agreement; the occurrence of a default under

certain other agreements entered into by the Company; the rendering of certain types of judgments against the Company; the revocation of certain government approvals of the Company; any breach by the Company of any covenant (subject to cure periods for certain covenants) made in the Amended Loan Agreement; and the failure of any representation or warranty made by the Company in connection with the Amended Loan Agreement to be correct in all material respects when made. The Amended Loan Agreement defines certain events of default, including instances of a Material Adverse Change in its operations, which may require prepayment of the outstanding loan. In the event of default by the Company under the Loan Agreement, the Lenders would be entitled to exercise their remedies thereunder, including the right to accelerate the debt, upon which the Company may be required to repay all amounts then outstanding under the Loan Agreement, which could harm the Company's financial condition. The Company was in compliance with all applicable covenants set forth in the Loan Agreement as of December 31, 2017 and 2016. The principal payments due under the Loan Agreement have been classified as a current liability at December 31, 2017 due to the considerations discussed in Note 1 and the assessment that the material adverse change clause under the Loan Agreement is not within the Company's control. The Company has not been notified of an event of default by the Lenders as of the date of the filing of this Form 10-K.

The Collateral Agent, for the benefit of the Lenders, has a perfected security interest in substantially all of the Company's property, rights and assets, except for intellectual property, to secure the payment of all amounts owed to the Lenders under the Loan Agreement.

Aggregate future minimum payments due under the Loan Facility as of December 31, 2017 were as follows (in thousands):

Year ending December 31,	Total
2018	1,586
2019	5,442
2020	2,014
Total minimum payments	9,042
Less amount representing interest	(1,542)
Total notes payable as of December 31, 2017	7,500
Less unamortized debt discount and issuance costs	(296)
Less current portion of notes payable	(7,204)
Non-current portion of notes payable	$ —

9. Commitments and Contingencies

Commitments

The Company's operating lease obligations as of December 31, 2017 relate solely to the leasing of office space in a building at 395 Oyster Point Boulevard in South San Francisco, California, which is currently the Company's headquarters. In January 2014, a lease for 15,378 square feet was entered into with an expiry date of April 30, 2015. In June 2014, the lease was amended to extend the expiration date to June 30, 2015, and to add 6,105 square feet of additional office space within the same building. The lease has been amended in January 2015 and September 2015 to extend the expiration date to December 31, 2016 and in September 2016, respectively and in May 2016, the lease was again amended to extend the expiration date to June 30, 2018. The lease was last amended in December 2017 to remove the 6,105 square feet of additional office space added in June 2014 and to extend the expiration date to June 30, 2021, with an option to extend the lease for two additional years.

Aggregate non-cancelable future minimum rental payments under operating leases as of December 31, 2017, were as follows (in thousands):

Year Ending December 31,	Payments
2018	$ 514
2019	$ 562
2020	$ 579
2021	$ 294
Total rental payments	$ 1,949

The Company recognizes rent expense on a straight-line basis. The Company recorded rent expense of $0.7 million, $0.6 million and $0.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Contingencies

From time to time, the Company may be involved in legal proceedings, as well as demands, claims and threatened litigation, which arise in the normal course of its business or otherwise. The ultimate outcome of any litigation is uncertain and unfavorable outcomes could have a negative impact on the Company's results of operations and financial condition. Regardless of outcome, litigation can have an adverse impact on the Company because of the defense costs, diversion of management resources and other factors. The Company is not currently involved in any material legal proceedings.

10. Stockholders' Equity

Preferred Stock

The Company has 10,000,000 shares of authorized preferred stock available for issuance in one or more series. Upon issuance, the Company can determine the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. There were 17,697 shares and 17,897 shares of preferred stock outstanding as of December 31, 2017 and 2016, respectively. These shares are non-voting Series B, Series C, and Series D Convertible Preferred Stock at a price of $840, $3,850, and $2,000 per share, respectively. Each share of non-voting Series B is convertible into 166 shares of common stock and each share of non-voting Series C Stock and Series D Stock is convertible into 1000 shares of common stock, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.98% of the total number of shares of common stock then outstanding. In the event of the Company's liquidation, dissolution, or winding up, holders of Series B, Series C, and Series D Stock will receive a payment equal to $0.0001 per share of Series B, Series C, and Series D Stock before any proceeds are distributed to the holders of Common Stock. Shares of Series B, Series C, and Series D Stock will generally have no voting rights, except as required by law and except that the consent of holders of a majority of the outstanding Series B and Series C Stock will be required to amend the terms of the Series B, Series C, and Series D Stock. Shares of the Series B, Series C, and Series D Stock will not be entitled to receive any dividends, unless and until specifically declared by the Company's board of directors, and will rank:

- senior to all of the Company's Common Stock;
- senior to any class or series of the Company's capital stock hereafter created specifically ranking by its terms junior to the Series B, Series C, and Series D Stock;
- on parity with any class or series of the Company's capital stock hereafter created specifically ranking by its terms on parity with the Series B, Series C, and Series D Stock;
- junior to any class or series of the Company's capital stock hereafter created specifically ranking by its terms senior to the Series B, Series C, and Series D Stock; in each case, as to distributions of assets upon the Company's liquidation, dissolution or winding up whether voluntarily or involuntarily.

Common Stock

Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders of the Company. Subject to the preferences that may be applicable to any outstanding shares of preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors. Under the terms of the Loan Agreement with the Lenders, the Company is precluded from paying cash dividends without the prior written consent of the Lenders.

Underwritten Offerings

In December 2015, the Company completed underwritten offering of (i) 1,832,698 shares of its common stock, that included the exercise of the underwriter's over-allotment option of 239,047 shares, at a price of $5.04 per share, and (ii) 20,200 shares of its non-voting Series B Convertible Preferred Stock ("Series B Stock") at a price of $840.00 per share. Gross proceeds from the sale were $26.2 million and net proceeds were $25.2 million. Each share of non-voting Series B Stock is convertible into 166 shares of Sunesis common stock, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.98% of the total number of shares of Sunesis common stock then outstanding.

In October 2016, the Company completed underwritten offering of (i) 5,675,825 shares of its common stock at a price of $3.85 per share, and (ii) 1,558 shares of its non-voting Series C Convertible Preferred Stock ("Series C Stock") at a price of $3,850.00 per share. Gross proceeds from the sale were $27.9 million and net proceeds were $25.9 million. Each share of non-voting Series C Stock is convertible into 1,000 shares of Sunesis common stock, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.98% of the total number of shares of Sunesis common stock then outstanding.

In October 2017, the Company completed underwritten offerings of (i) 7,500,000 shares of its common stock and accompanying warrants to purchase 3,750,000 shares of its common stock at a price to the public of $2.00 for each share of common stock and warrant to purchase 0.5 shares of common stock, and (ii) 2,500 shares of its non-voting Series D Convertible Preferred Stock ("Series D Stock") and accompanying warrants to purchase 1,250,000 shares of its common stock at a price to the public of $2,000 for each share of Series D Stock and warrant to purchase 500 shares of common stock. The exercise price of the warrants is $3.00 per whole share of common stock. Each share of non-voting Series D Stock is convertible into 1,000 shares of its common stock, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.98% of the total number of shares of its common stock then outstanding. Gross proceeds from the sale were $20.0 million and net proceeds were $18.5 million.

Controlled Equity Offerings

In August 2011, the Company entered into a Controlled Equity Offering℠ sales agreement (the "Sales Agreement"), with Cantor Fitzgerald & Co. ("Cantor"), as agent and/or principal, pursuant to which the Company could issue and sell shares of its common stock having an aggregate gross sales price of up to $20.0 million. In April 2013, the Sales Agreement was amended to provide for an increase of $30.0 million in the aggregate gross sales price under the Sales Agreement. The Company amended the Sales Agreement again in November, 2017, to provide for an increase in the aggregate offering price under the Sales Agreement to $45.0 million. The Company will pay Cantor a commission of 3.0% of the gross proceeds from any common stock sold through the Sales Agreement, as amended.

During the year ended December 31, 2017, the Company sold an aggregate of 5,321,151 shares of common stock under the Sales Agreement, as amended, at an average price of approximately $2.72 per share for gross and net proceeds of $14.2 million, after deducting Cantor's commission. As of December 31, 2017, $45.0 million of common stock remained available to be sold under this facility.

Equity Incentive Plans

The Company grants options to purchase shares of its common stock primarily to: (i) new employees, of which 25% of the shares subject to such options become exercisable on the first anniversary of the vesting commencement date, and 1/48th of the shares subject to such options become exercisable each month over the remainder of the four-year vesting period, (ii) existing employees with various vesting schedules over three to four years, (iii) new non-employee members of the board of directors, of which 50% of the shares subject to such options become exercisable on each of the first and second anniversary of the vesting commencement date, and (iv) continuing non-employee members of the board of directors, of which 1/24th of the shares subject to such options become exercisable each month following the date of grant over a two-year vesting period.

On March 15, 2011, the Company's Board of Directors adopted, and on June 3, 2011, the Company's stockholders approved, the 2011 Equity Incentive Plan (the "2011 Plan"). The 2011 Plan is intended as the successor to and continuation of the Company's 1998 Stock Plan, 2001 Stock Plan, 2005 Equity Incentive Award Plan and 2006 Employment Commencement Incentive Plan (collectively, the "Prior Plans"). No additional stock awards will be granted under the Prior Plans.

The Company initially reserved a total of 1,006,976 shares of common stock for issuance under the 2011 Plan, which is the sum of (i) the 89,967 shares remaining available as of the Effective Date under the Prior Plans, (ii) an additional 733,333 new shares, and (iii) that portion of the 183,676 shares underlying stock options granted and currently outstanding under the Prior Plans that expire or terminate for any reason prior to exercise or settlement or that are forfeited because of the failure to meet a contingency or condition required to vest such shares.

The number of shares of common stock available for issuance under the 2011 Plan automatically increases on January 1st of each year for a period of 10 years commencing on January 1, 2012 by an amount equal to: (i) 4.0% of the Company's outstanding shares of common stock on December 31st of the preceding calendar year, or (ii) a lesser amount determined by the Board of Directors. On January 1, 2017 and 2016, in accordance with the above, the number of shares of common stock available for issuance under the 2011 Plan was increased by 836,981 and 576,785 shares, respectively.

During the year ended December 31, 2017, options to purchase 2,105,293 shares of the Company's common stock were granted under the 2011 Plan. As of December 31, 2017, there were 82,585 shares available for future grants under the 2011 Plan.

Employee Stock Purchase Plans

On March 5, 2011, the Company's Board of Directors adopted, and on June 3, 2011, the Company's stockholders approved, the 2011 Employee Stock Purchase Plan (the "2011 ESPP").

The 2011 ESPP permits eligible employees to purchase common stock at a discount through payroll deductions during defined offering periods. Eligible employees can purchase shares of the Company's common stock at 85% of the lower of the fair market value of the common stock at (i) the beginning of a 12-month offering period, or (ii) at the end of one of the two related 6-month purchase periods. No participant in the 2011 ESPP may be issued or transferred shares of common stock valued at more than $25,000 per calendar year.

The Company initially reserved a total of 83,333 shares of common stock for issuance under the 2011 ESPP. The number of shares of common stock available for issuance under the 2011 ESPP automatically increases on January 1st of each year for a period of 10 years commencing on January 1, 2012 by an amount equal to: (i) 1.0% of the Company's outstanding shares of common stock on December 31st of the preceding calendar year, or (ii) a lesser amount determined by the Board of Directors.

A total of 87,020 and 59,086 shares were issued under the 2011 ESPP during the year ended December 31, 2017 and December 31, 2016, respectively. As of December 31, 2017, there were 168,404 shares available for future issuance under the ESPP.

Warrants

Warrants to purchase shares of the Company's common stock outstanding as of December 31, 2017 were as follows (in thousands, except per share amounts):

Date Issued	Shares	Exercise Price Per Share	Expiration
February 2015	10	$ 13.32	February 2020
March 2016	208	$ 3.25	March 2021
October 2017	5,000	$ 3.00	October 2018
Total warrants outstanding and exercisable	5,218		

Reserved Shares

Shares of the Company's common stock reserved for future issuance as of December 31, 2017 were as follows (in thousands):

	Shares Available for Future Grant	Outstanding Securities	Total Shares Reserved
Warrants	—	5,218	5,218
Convertible preferred stock	—	6,331	6,331
Stock option plans	83	3,532	3,615
Employee stock purchase plan	168	—	168
Total reserved shares of common stock	251	15,081	15,332

11. Stock-Based Compensation

Overview

Employee stock-based compensation expense is calculated based on the grant-date fair value of awards ultimately expected to vest and recognized under the straight-line attribution method, assuming that all stock-based awards will vest. The following table summarizes stock-based compensation expense related to the Company's stock-based awards for the periods indicated (in thousands):

	Year ended December 31,		
	2017	2016	2015
Research and development	$ 865	$ 1,630	$ 2,856
General and administrative	2,059	2,970	3,292
Employee stock-based compensation expense	2,924	4,600	6,148
Non-employee stock-based compensation expense	109	191	196
Total stock-based compensation expense	$ 3,033	$ 4,791	$ 6,344

Option Exchange Program

On June 9, 2017, we filed a Tender Offer Statement (TO) on Schedule TO relating to an option exchange program for its officers and employees (the Option Exchange) to exchange certain stock options to purchase up to an aggregate of 781,505 shares of its common stock that had been granted to eligible holders, for a lesser number of new stock options with a lower exercise price. Stock options with an exercise price greater than or equal to $8.00, and held by eligible holders in continuous service through the termination of the Option Exchange, were eligible for exchange in the program. An exchange ratio of 1.30 for 1 was applied to options priced from $8.00 to $19.99, and an exchange ratio of 1.75 for 1 was applied to options priced at $20.00 or greater.

As of the closing of the Option Exchange on July 10, 2017, 25 eligible holders had tendered an aggregate of 778,928 options for 543,650 new options to purchase shares of its common stock. Each new stock option was granted on July 10, 2017, pursuant to its 2011 Equity Incentive Plan with an exercise price per share of $2.62, which was the closing market price on the grant date of the new options. The exchange of stock options was treated as a modification for accounting purposes and resulted in an incremental expense of $50,957, for the vested options, which was calculated using the Black-Scholes option pricing model. The incremental expense together with the unamortized expense remaining on the unvested options is being amortized over the vesting period of the new options.

Fair Value of Awards

The Company determines the fair value of stock-based awards on the grant date using the Black-Scholes model, which is impacted by the Company's stock price, as well as assumptions regarding a number of highly subjective variables. The following table summarizes the weighted-average assumptions used as inputs to the Black-Scholes model, and resulting weighted-average and total estimated grant date fair values of employee stock options granted during the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
Assumptions:			
Expected term (years)	4.8	5.3	5.2
Expected volatility	112.5%	110.0%	99.9%
Risk-free interest rate	2.1%	1.9%	1.7%
Expected dividend yield	0.0%	0.0%	0.0%
Fair value:			
Weighted-average estimated grant date fair value per share	$ 2.68	$ 3.12	$ 6.20
Options granted to employees (in thousands)	1,280	750	531
Total estimated grant date fair value (in thousands)	$ 3,434	$ 2,344	$ 3,294

The estimated fair value of stock options that vested in the years ended December 31, 2017, 2016 and 2015, was $1.9 million, $4.6 million and $5.8 million, respectively. The Company based its assumptions for the expected term on historical cancellation and exercise data, and the contractual term and vesting terms of the awards. Expected volatility is based on historical volatility of the Company's common stock. The Company does not anticipate paying any cash dividends in the foreseeable future, and therefore uses an expected dividend yield of zero.

Option Plan Activity

The following table summarizes stock option activity for the Company's stock option plans in the periods presented (in thousands, except per share amounts):

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2016	2,641	$ 13.50		
Options granted	2,105	$ 3.19		
Options exercised	(8)	$ 3.00		
Options forfeited or expired	(1,206)	$ 17.00		
Outstanding as of December 31, 2017	3,532	$ 6.18	7.19	$ 1,064
Vested and expected to vest as of December 31, 2017	3,532	$ 6.18	7.19	$ 1,064
Exercisable as of December 31, 2017	1,327	$ 10.74	4.13	$ 246

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) that would have been received by option holders if they had exercised all their options on December 31, 2017.

The intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015 was less than $0.1 million, nil, and $0.2 million, respectively. As the Company believes it is more likely than not that no stock option related tax benefits will be realized, the Company does not record any net tax benefits related to exercised options.

Total estimated unrecognized stock-based compensation cost related to unvested stock options was $4.1 million as of December 31, 2017, which is expected to be recognized over the respective vesting terms of each award. The weighted average term of the unrecognized stock-based compensation expense is 2.7 years.

Bonus Awards

On February 11, 2016, the Compensation Committee of the Company's Board of Directors approved cash bonuses to certain of the Company's employees, including its named executive officers, pursuant to the Company's 2015 Bonus Program. Under the 2015 Bonus Program, each participant was eligible to receive a cash bonus in an amount up to a specified target percentage of such participant's annual base salary for 2015 based on the level of achievement of certain corporate and individual objectives. The bonus payment amounts approved by the Compensation Committee were based on its determination of the degree to which such corporate and individual objectives were achieved. A portion of the bonuses awarded consisted of 122,000 fully vested shares of the Company's common stock granted under the 2011 Plan. The stock portion of the bonus awards were granted effective as of February 29, 2016 and the cash portion of the bonus awards were paid on February 29, 2016. The number of shares of the Company's common stock awarded to Mr. Daniel N. Swisher, Jr., the Company's former CEO and President, and Mr. Eric H. Bjerkholt, the Company's former Executive Vice President, Corporate Development and Finance, Chief Financial Officer and Corporate Secretary, under the 2011 Plan were determined based on the closing price of the Company's common stock as quoted on the NASDAQ Capital Market on February 29, 2016, rounded down to the nearest whole share.

Performance Awards

On February 25, 2015, the Compensation Committee of the Board approved equity awards in the form of restricted stock units ("RSUs") for certain of the Company's employees ("participant") under 2011 Stock Incentive Plan. The RSUs have an exercise price of $0 and vesting is subject to the achievement of the earlier of one of two milestones: acceptance of NDA (U.S.) or approval of MAA (EU) and the participant being an employee at time of milestone achievement. In May 2017, the RSUs were cancelled following the Company's decision to withdraw the European MAA for vosaroxin as a treatment for relapsed/refractory AML in patients aged 60 years or older.

The following table summarizes the Company's RSU activity for the year ended December 31, 2017 (in thousands, except per share amounts):

Performance based restricted stock units	Number of Shares
Outstanding as of December 31, 2016	56
Stocks granted	—
Stocks exercised	—
Stocks cancelled	(56)
Outstanding as of December 31, 2017	—

12. Income Taxes

Loss before the provision for income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2017	2016	2015
U.S. operations	$ (24,776)	$ (26,942)	$ (23,705)
Foreign operations	(10,682)	(11,081)	(12,971)
Loss before provision for income taxes	$ (35,458)	$ (38,023)	$ (36,676)

No provision for income taxes was recorded in the periods presented due to tax losses incurred in each period. The income tax provision differs from the amount computed by applying the statutory income tax rate of 34% to pre-tax loss as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Tax (benefit) at statutory federal rate	34.0 %	34.0 %	34.0 %
State tax (benefit), net of federal benefit	1.2	0.6	(1.6)
Foreign tax rate differential	(10.2)	(9.9)	(12.0)
Permanent differences	(1.0)	(3.2)	2.9
Research and development credits	0.7	1.0	(0.8)
Change in valuation allowance	127.2	(22.5)	(22.5)
Change in tax rate	(151.6)	-	-
Other	(0.3)	-	-
Effective tax rate	- %	- %	- %

Deferred income taxes reflect the net tax effects of loss and credit carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets for federal and state income taxes are as follows (in thousands):

	December 31,	
	2017	2016
Deferred tax assets:		
Federal and state net operating loss carry-forwards	$ 109,714	$ 156,066
Federal and state research credit carry-forwards	14,520	13,177
Capitalized research costs	6,304	4,824
Deferred revenue	—	244
Stock-based compensation	4,528	5,739
Property and equipment	83	120
Accrued liabilities	117	207
Gross deferred tax assets	135,266	180,377
Valuation allowance	(135,266)	(180,377)
Net deferred tax assets	$ —	$ —

The Company's unrecognized tax benefits relate to research and development tax credits claimed on the Company's tax returns. The research and development tax credits have not been utilized, are fully offset by a valuation allowance, and currently have no tax expense impact.

A reconciliation of the Company's beginning and ending amount of unrecognized tax benefits is follows (in thousands):

	December 31,	
	2017	2016
Unrecognized tax benefits at beginning of period	$ 1,441	$ 1,381
Increases related to current year tax positions	57	60
Increase related to change in tax rate	271	—
Unrecognized tax benefits at the end of period	$ 1,769	$ 1,441

Realization of the deferred tax assets is dependent upon future taxable income, if any, the amount and timing of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The net valuation allowance decreased by approximately $45.1 million during the year ended December 31, 2017, and increased by approximately $8.5 million and $8.4 million during the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2017, the Company had federal net operating loss carry-forwards of $432.9 million and federal research and development tax credit carry-forwards of $8.5 million. If not utilized, the federal net operating loss and tax credit carry-forwards will expire at various dates beginning in 2018. As of December 31, 2017, the Company had state net operating loss carry-forwards of $269.0 million, which expire beginning in 2018, and state research and development tax credit carry-forwards of $7.4 million, which do not expire.

Utilization of these net operating loss and tax credits carry-forwards may be subject to a substantial annual limitation due to the ownership change rules under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). The limitations are applicable if an "ownership change," as defined in the Code, is deemed to have occurred or occurs in the future. The annual limitation may result in the expiration of net operating loss and credit carry-forwards before they can be utilized.

The Company recognizes the financial statement effect of tax positions when it is more likely than not that the tax positions will be sustained upon examination by the appropriate taxing authorities. As of December 31, 2017, 2016 and 2015, the Company had unrecognized tax benefits of $1.8 million, $1.4 million, and $1.4 million, respectively.

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the Act") was enacted into law and the new legislation reduces the corporate tax rate to 21 percent, effectively January 1, 2018. Consequently, the Company remeasured the deferred tax assets and recorded a decrease in deferred tax assets and valuation allowance of $53.7 million. The Company believes that the one-time transition tax does not apply because there were no post-1986 earnings and profits (E&P) previously deferred from US income taxes. The Company had reviewed the effects of global intangible low-taxed income ("GILTI") tax rules and does not expect any significant impact to its deferred tax assets. In accordance with SAB 118, the income tax effects from the Act are considered provisional and will be finalized before December 22, 2018.

The Company files U.S. federal and California tax returns. The Company's wholly owned subsidiaries, Sunesis Europe Limited and Sunesis Pharmaceuticals (Bermuda) Ltd., are currently not required to file tax returns. To date, neither the Company nor any of its subsidiaries have been audited by the Internal Revenue Service, any state income tax authority or tax authority in the related jurisdictions. Due to net operating loss carry-forwards, substantially all of the Company's tax years remain open to federal tax examination.

13. Guarantees and Indemnification

As permitted under Delaware law and in accordance with the Company's Bylaws, the Company indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The indemnification agreements with the Company's officers and directors terminate upon termination of their employment, but the termination does not affect claims for indemnification relating to events occurring prior to the effective date of termination. The maximum amount of potential future indemnification is unlimited; however, the Company's officer and director insurance policy reduces the Company's exposure and may enable the Company to recover a portion of any future amounts paid. The Company believes that the fair value of these indemnification agreements is minimal. In addition, in the ordinary course of business the Company enters into agreements, such as licensing agreements, clinical trial agreements and certain services agreements, containing standard indemnifications provisions. The Company believes that the likelihood of an adverse judgment related to such indemnification provisions is remote. Accordingly, the Company has not recorded any liabilities for any of these agreements as of December 31, 2017.

14. Subsequent Events

On March 2, 2018, the Company amended the task order pursuant and subject to the terms of the Master Services Agreement, dated April 26, 2012, as amended on December 31, 2015, with Medpace, Inc., a clinical research organization conducting global clinical research for the development of drugs and medical devices, to reduce the retainer from $1.3 million to $0.3 million. The retainer is currently recorded as prepaids and other current assets on the Company's consolidated balance sheets.

15. Selected Quarterly Financial Data (unaudited, and in thousands, except per share amounts)

The following table sets forth the Company's unaudited consolidated financial results for the last eight fiscal quarters.

	Three Months Ended							
	Mar. 31, 2017	June 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016
Revenue	$ 669	$ —	$ —	$ —	$ 640	$ 610	$ 610	$ 676
Net loss:								
Basic	$ (9,834)	$ (8,842)	$ (10,159)	$ (6,623)	$ (10,086)	$ (10,446)	$ (8,954)	$ (8,537)
Diluted	$ (9,834)	$ (8,842)	$ (10,159)	$ (6,623)	$ (10,086)	$ (10,446)	$ (8,954)	$ (8,537)
Shares used in computing net loss per common share:								
Basic	21,029	21,521	23,678	31,667	14,443	14,493	14,503	19,285
Diluted	21,029	21,521	23,678	31,667	14,443	14,493	14,503	19,285
Net loss per common share(1):								
Basic	$ (0.47)	$ (0.41)	$ (0.43)	$ (0.21)	$ (0.70)	$ (0.72)	$ (0.62)	$ (0.44)
Diluted	$ (0.47)	$ (0.41)	$ (0.43)	$ (0.21)	$ (0.70)	$ (0.72)	$ (0.62)	$ (0.44)

(1) Net loss per share is computed independently for each of the quarters presented. Therefore, the sum of the quarter per-share calculations will not necessarily equal the annual per share calculation.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on our evaluation as of December 31, 2017, the Company's interim Chief Executive Officer and Chief Financial Officer, with the participation of management, have concluded that, subject to the limitations described below, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act) were effective at the reasonable assurance level to ensure the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Internal control over financial reporting is a process designed 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 in the United States.

Under the supervision and with the participation of our management, including our interim Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017. Management based its assessment on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) in *Internal Control—Integrated Framework*. Based on this evaluation, our management concluded that as of December 31, 2017, our internal control over financial reporting was effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our disclosure controls and procedures provide our interim Chief Executive Officer and Chief Financial Officer with only reasonable assurances that our disclosure controls and procedures will achieve their objectives. However, our management, including our interim Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting can or will prevent all human error. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are internal resource constraints, and the benefit of controls must be weighed relative to their corresponding costs. Because of the limitations in all control systems, no evaluation of controls can provide complete assurance that all control issues and instances of error, if any, within our company are detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to human error or mistake. Additionally, controls, no matter how well designed, could be circumvented by the individual acts of specific persons within the organization. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all potential future conditions.

ITEM 9B. *OTHER INFORMATION*

None.

PART III

Certain information required by Part III is omitted from this report because we will file with the SEC a definitive proxy statement pursuant to Regulation 14A, or the Proxy Statement, not later than 120 days after the year ended December 31, 2017, and certain information included therein is incorporated herein by reference.

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Information responsive to this item regarding directors and director nominees, executive officers, the board of directors and its committees, and certain corporate governance matters is incorporated herein by reference to the information set forth under the captions "Election of Nominees to the Board of Directors," "Information About the Board of Directors and Corporate Governance" and "Certain Information with Respect to Executive Officers" in our definitive Proxy Statement.

Code of Business Conduct & Ethics

We have adopted a Code of Business Conduct & Ethics which applies to all of our directors, officers and employees. A copy of our Code of Business Conduct & Ethics can be found on our website, www.sunesis.com, in the section titled *"Investors & Media"* under the subsection titled *"Corporate Governance"*. Information found on our website is not incorporated by reference into this report. In addition, we intend to promptly disclose (1) the nature of any amendment to our Code of Business Conduct & Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions and (2) the nature of any waiver, including an implicit waiver, from a provision of our Code of Business Conduct & Ethics that is granted to one of these specified officers, the name of such person who is granted the waiver and the date of the waiver on our website in the future.

All additional information required by this Item 10 will be set forth in our definitive Proxy Statement and is incorporated in this report by reference.

ITEM 11. *EXECUTIVE COMPENSATION*

Information responsive to this item is incorporated herein by reference to the information set forth under the captions "Executive Compensation and Related Information" and "Information About the Board of Directors and Corporate Governance" in our definitive Proxy Statement.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Ownership of Sunesis Securities

Information responsive to this item is incorporated herein by reference to the information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in our definitive Proxy Statement.

Equity Compensation Plan Information

The following table provides certain information with respect to our equity compensation plans in effect as of December 31, 2017:

	(A)		(B)	(C)	
Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options		Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)	
Equity Compensation Plans Approved by Stockholders(1)	3,532,411	(2)	$ 6.18	250,989	(3)
Equity Compensation Plans Not Approved by Stockholders	—		$ —	—	
Total	3,532,411		$ 6.18	250,989	

(1) Includes securities issuable under our 2011 Equity Incentive Plan, or 2011 Plan, and 2011 Employee Stock Purchase Plan, or ESPP.

(2) Excludes purchase rights currently accruing under the ESPP. Offering periods under the ESPP are 12-month periods, which are comprised of two six-month purchase periods. Eligible employees may purchase shares of common stock at a price equal to 85% of the lower of the fair market value of the common stock at the beginning of each offering period or the end of each semi-annual purchase period. No participant in the ESPP may be issued or transferred shares of common stock valued at more than $25,000 per calendar year.

(3) Includes (i) 82,585 shares of common stock available for issuance under our 2011 Plan and (ii) 168,404 shares of common stock available for issuance under our ESPP. Beginning in 2012, the number of shares of common stock reserved under the 2011 Plan automatically increases on January 1st of each year by an amount equal to: (i) 4.0% of our shares of common stock outstanding on December 31st of the preceding calendar year, or (ii) a lesser amount determined by our Board of Directors. The number of shares of common stock reserved under our ESPP automatically increases on January 1st of each year by an amount equal to: (i) 1.0% of our shares of common stock outstanding on December 31st of the preceding calendar year, or (ii) a lesser amount determined by our Board of Directors.

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

Information responsive to this item is incorporated herein by reference to the information set forth under the captions "Certain Relationships and Related Party Transactions" and "Information About the Board of Directors and Corporate Governance" in our definitive Proxy Statement.

ITEM 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES***

Information responsive to this item is incorporated herein by reference to the information set forth under the caption "Independent Registered Public Accounting Firm" in our definitive Proxy Statement.

PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

Exhibits and Financial Statement Schedules:

(a)(1) Financial Statements

(a)(2) Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable, or the information is included in the financial statements or notes thereto.

(a)(3) Exhibits

A list of exhibits filed with this report or incorporated herein by reference is found in the Exhibit Index below:

ITEM 16. *FORM 10-K SUMMARY*

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Registrant	10-K/A	000-51531	3.1	5/23/2007	
3.2	Amended and Restated Bylaws of the Registrant	8-K	000-51531	3.2	12/11/2007	
3.3	Certificate of Designation of the Series A Preferred Stock of the Registrant	8-K	000-51531	3.3	4/3/2009	
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	S-8	333-160528	3.4	7/10/2009	
3.5	Certificate of Amendment to the Certificate of Designation of the Series A Preferred Stock of the Registrant	8-K	000-51531	3.4	11/2/2009	
3.6	Certificate of Amendment to the Certificate of Designation of the Series A Preferred stock of the Registrant	8-K	000-51531	3.5	1/21/2010	
3.7	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	000-51531	3.1	2/14/2011	
3.8	Certificate of Designation of Series B Convertible Preferred Stock	8-K	000-51531	3.1	12/16/2015	
3.9	Certificate of Amendment to Amended and Restated Certificate of Incorporation	8-K	000-51531	3.1	9/7/2016	
3.10	Certificate of Designation of Series C Convertible Preferred Stock	8-K	000-51531	3.1	10/19/2016	
3.11	Certificate of Designation of Series D Convertible Preferred Stock	8-K	000-51531	3.1	10/26/2017	
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, and 3.11 above.					
4.2	Specimen Common Stock certificate of the Registrant	10-K	000-51531	4.2	3/29/2011	
4.3	Specimen Preferred Series B Stock Certificate	8-K	000-51531	4.1	12/16/2015	
4.4	Specimen Preferred Series C Stock Certificate	8-K	000-51531	4.1	10/19/2016	
4.5	Specimen Preferred Series D Stock Certificate	8-K	000-51531	4.1	10/26/2017	
4.6	Form of Common Stock Purchase Warrant	8-K	000-51531	4.2	10/26/2017	
10.1*	2005 Equity Incentive Award Plan, as amended, and Form of Stock Option Agreement	10-K/A	000-51531	10.3	4/30/2009	
10.2*	Form of Indemnification Agreement for directors and executive officers	S-1	333-121646	10.5	12/23/2004	
10.3†	License Agreement, dated October 14, 2003, by and between the Registrant and Sumitomo Dainippon Pharma Co., Ltd. (formerly known as Dainippon Pharmaceutical Co., Ltd.)	S-1/A	333-121646	10.36	4/29/2005	
10.4*	Amended and Restated 2006 Employment Commencement Incentive Plan	10-K/A	000-51531	10.32	4/30/2009	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.5*	Forms of Stock Option Grant Notice and Stock Option Agreement under the 2005 Equity Incentive Award Plan	8-K	000-51531	10.52	9/19/2007	
10.6*	Forms of Stock Option Grant Notice and Stock Option Agreement for Automatic Grants to Outside Directors under the 2005 Equity Incentive Award Plan	10-Q	000-51531	10.69	11/7/2008	
10.7*	Forms of Stock Option Grant Notice and Stock Option Agreement under the Amended and Restated 2006 Employment Commencement Incentive Plan	8-K	000-51531	10.71	12/23/2008	
10.8	Form of Warrant to purchase shares of Common Stock	8-K	000-51531	10.2	4/3/2009	
10.9	Form of Warrant to Purchase Common Stock of the Registrant	8-K	000-51531	4.1	10/1/2010	
10.10	Master Services Agreement, dated June 21, 2010, by and between the Registrant and Icon Clinical Research Limited	10-K	000-51531	10.54	3/29/2011	
10.11	First Amendment to Master Services Agreement, dated August 1, 2008, by and between the Registrant and Aptuit, Inc. (as assignee of Quintiles, Inc.)	10-Q	000-51531	10.3	5/12/2011	
10.12	Amended and Restated Collaboration Agreement, dated March 31, 2011, by and between the Registrant and Biogen MA Inc.	10-Q/A	000-51531	10.4	6/30/2011	
10.13	License Agreement, dated March 31, 2011, by and between the Registrant and Millennium Pharmaceuticals, Inc.	10-Q/A	000-51531	10.5	6/30/2011	
10.14	Termination and Transition Agreement, dated March 31, 2011, by and between the Registrant, Biogen MA Inc. and Millennium Pharmaceuticals, Inc.	10-Q	000-51531	10.6	5/12/2011	
10.15*	Sunesis Pharmaceuticals, Inc. 2011 Employee Stock Purchase Plan	S-8	333-174732	99.2	6/6/2011	
10.16	Sales Agreement, dated August 11, 2011, between Sunesis Pharmaceuticals, Inc. and Cantor Fitzgerald & Co.	8-K	000-51531	10.1	8/11/2011	
10.17*	Forms of Stock Option Grant Notice and Option Agreement under the 2011 Equity Incentive Plan	10-K	000-51531	10.57	3/14/2012	
10.18*	Forms of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2011 Equity Incentive Plan	10-K	000-51531	10.58	3/14/2012	
10.19†	Revenue Participation Agreement, dated March 29, 2012, by and between Sunesis Pharmaceuticals, Inc. and RPI Finance Trust	10-Q	000-51531	10.6	5/15/2012	
10.20	Amendment No. 1 to Sales Agreement, dated August 11, 2011, between the Registrant and Cantor Fitzgerald & Co., dated April 10, 2013	8-K	000-51531	10.1	4/10/2013	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.21	Termination and Registration Rights Agreement, dated June 7, 2013, by and among the Registrant and the investors identified on the signature pages thereto	8-K	000-51531	10.1	6/11/2013	
10.22†	Second Amended and Restated Collaboration Agreement, dated December 16, 2013, by and between the Registrant and Biogen MA Inc.	10-K	000-51531	10.46	3/6/2014	
10.23†	Amended and Restated License Agreement, dated January 8, 2014, by and between the Registrant and Millennium Pharmaceuticals, Inc.	10-K	000-51531	10.47	3/6/2014	
10.24	Lease Agreement, dated January 14, 2014, by and between the Registrant and Kashiwa Fudosan America, Inc., for office space located at 395 Oyster Point Boulevard, South San Francisco, California	10-K	000-51531	10.48	3/6/2014	
10.25	First Amendment to Office Lease, dated June 3, 2014, by and between the Registrant and Kashiwa Fudosan America, Inc., for office space located at 395 Oyster Point Boulevard, South San Francisco, California	10-Q	000-51531	10.1	8/05/2014	
10.26	Second Amendment to Office Lease, dated January 28, 2015, by and between the Registrant and Kashiwa Fudosan America, Inc., for office space located at 395 Oyster Point Boulevard, South San Francisco, California	10-K	000-51531	10.44	3/12/2015	
10.27	Third Amendment to Office Lease, dated September 1, 2015, by and between the Registrant and Kashiwa Fudosan America, Inc., for office space located at 395 Oyster Point Boulevard, South San Francisco, California	10-Q	000-51531	10.5	11/5/2015	
10.28	Amendment No. 2 to Sales Agreement, dated August 11, 2011, between the Registrant and Cantor Fitzgerald & Co., dated March 12, 2015	8-K	000-51531	10.1	3/12/2015	
10.29	Loan and Security Agreement, dated March 31, 2016, by and among the Registrant, Western Alliance Bank, Solar Capital Ltd. And Western Alliance, as Collateral Agent	10-Q	000-51531	10.3	5/9/2016	
10.30	Warrant, dated March 31, 2016, issued to Solar Capital Ltd.	10-Q	000-51531	10.4	5/9/2016	
10.31	Warrant, dated March 31, 2016, issued to Western Alliance Bank	10-Q	000-51531	10.5	5/9/2016	
10.32*	Third Amended and Restated Executive Severance Benefits Agreement, dated April 13, 2016, by and between the Registrant and Daniel N. Swisher, Jr.	10-Q	000-51531	10.6	5/9/2016	
10.33*	Third Amended and Restated Executive Severance Benefits Agreement, dated April 13, 2016, by and between the Registrant and Eric H. Bjerkholt	10-Q	000-51531	10.7	5/9/2016	

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.34	Fourth Amendment to Office Lease, dated May 11, 2016, by and between the Registrant and Kashiwa Fudosan America, Inc., for office space located at 395 Oyster Point Boulevard, South San Francisco, California	10-Q	000-51531	10.4	7/29/2016	
10.35*	2017 Bonus Program	8-K	000-51531	10.1	3/27/2017	
10.36*	Amended and Restated Non-Employee Director Compensation Policy	10-Q	000-51531	10.2	5/8/2017	
10.37*	Transition and Resignation Agreement, by and between Sunesis Pharmaceuticals, Inc. and Erick Bjerkholt, dated as of April 21, 2017	10-Q	000-51531	10.1	7/27/2017	
10.38*	2011 Equity Incentive Plan, as amended	DEF 14A	000-51531	Appendix A	4/20/2017	
10.39	First Amendment to Loan and Security Agreement	8-K	000-51531	10.1	6/30/2017	
10.40	Second Amendment to Loan and Security Agreement	10-Q	000-51531	10.1	11/2//2017	
10.41	Amendment No. 3 to Sales Agreement, dated August 11, 2011, between the Registrant and Cantor Fitzgerald & Co., dated November 7, 2017	8-K	000-51531	10.1	11/7//2017	
10.42	Fifth Amendment to Office Lease, dated October 17, 2017, by and between the Registrant and Kashiwa Fudosan America, Inc., for office space located at 395 Oyster Point Boulevard, South San Francisco, California					X
10.43	Partial Lease Termination Agreement to Office Lease, dated November 19, 2017, by and between the Registrant and Kashiwa Fudosan America, Inc., for office space located at 395 Oyster Point Boulevard, South San Francisco, California					X
10.44*	Advisory Service Agreement, by and between Sunesis Pharmaceuticals, Inc. and Daniel N. Swisher, Jr. dated as of December 21, 2017					X
10.45*	Executive Severance Benefits Agreement, dated November 30, 2017, by and between the Registrant and William P. Quinn					X
10.46*	2018 Bonus Program	8-K	000-51531	10.1	2/5/2018	
21.1	Subsidiaries of the Registrant					X
23.1	Consent of Independent Registered Public Accounting Firm					X
24.1	Power of Attorney					(included on Signature page)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act					X

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
32.1#	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 13a-14(b) or 15d-14(b) of the Exchange Act					X
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 Labels Linkbase Document					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					

* Management contract, compensatory plan or arrangement.

† Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The omitted information has been filed separately with the Securities and Exchange Commission.

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule; Management's Reports on Internal Control over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the Certification furnished in Exhibit 32.1 hereto is deemed to accompany this Form 10-K and will not be filed for purposes of Section 18 of the Exchange Act. Such certification will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Sunesis Pharmaceuticals, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 9, 2018.

SUNESIS PHARMACEUTICALS, INC.

By: /S/ WILLIAM P. QUINN
William P. Quinn
Chief Financial Officer, Senior Vice President, Finance and Corporate Development

POWER OF ATTORNEY KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dayton Misfeldt and William P. Quinn, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution for him, and in his name in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and any of them or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

Signature	Title	Date
/S/ JAMES W. YOUNG, PH.D. James W. Young, Ph.D.	Chairman of the Board	March 9, 2018
/S/ DAYTON MISFELDT Dayton Misfeldt	Interim Chief Executive Officer and Director *(Principal Executive Officer)*	March 9, 2018
/S/ WILLIAM P. QUINN William P. Quinn	Chief Financial Officer, Senior Vice President, Finance and Corporate Development *(Principal Financial Officer and Principal Accounting Officer)*	March 9, 2018
/S/ STEVE CARCHEDI Steve Carchedi	Director	March 9, 2018
/S/ STEVEN B. KETCHUM, PH.D Steven B. Ketchum, Ph. D.	Director	March 9, 2018
/S/ HOMER L. PEARCE, PH.D. Homer L. Pearce, Ph.D.	Director	March 9, 2018
/S/ DAVID C. STUMP, M.D. David C. Stump, M.D.	Director	March 9, 2018
/S/ H. Ward wolff H. Ward Wolff	Director	March 9, 2018

Fifth Amendment to Office Lease

THIS FIFTH AMENDMENT TO OFFICE LEASE (the "Fifth Amendment") is made and entered into as of October 17, 2017, by and between **KASHIWA FUDOSAN AMERICA, INC.**, a California corporation ("Landlord") and **SUNESIS PHARMACEUTICALS, INC.**, a Delaware corporation ("Tenant").

Recitals

A. Landlord and Tenant have heretofore entered into that certain lease dated as of August 1, 2013 (the "Lease") for premises described as Suite 400 (the "Premises"), initially containing approximately 15,378 rentable square feet, in the building located at 395 Oyster Point Boulevard, South San Francisco, California (the "Building"), which forms part of the office building complex commonly known as Oyster Point Marina Plaza (the "Complex").

B. The Lease has heretofore been amended by the following instruments: (i) that certain First Amendment to Office Lease dated as of June 3, 2014 (the "First Amendment"), under which the parties agreed to extend the Term of the Lease through June 30, 2015 and to expand the Premises by the addition thereto of Suite 300 containing approximately 6,105 rentable square feet of space; (ii) that certain Second Amendment to Office Lease dated as of January 28, 2015 (the "Second Amendment"), under which the parties agreed to extend the Term of the Lease through December 31, 2015, and to grant Tenant an extension option for an additional term of six (6) months (the "Extension Option"); (iii) that certain Third Amendment to Office Lease dated as of September 1, 2015 (the "Third Amendment"), under which the parties agreed to extend the Term of the Lease through June 30, 2016, pursuant to Tenant's valid exercise of its Extension Option; and (iv) that certain Fourth Amendment to Office Lease dated as of March 7, 2016 (the "Fourth Amendment"), under which the parties agreed to extend the Term through June 30, 2018, and to make certain other related changes in the Lease.

C. The parties mutually desire to amend the terms of the Lease to extend its Term, to reduce the Premises, and to effect certain other related changes, all on and subject to the terms and conditions hereof.

Agreement

Now, therefore, in consideration of the mutual terms and conditions herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1 Summary Table. The Table set forth in § 1.2 of the Lease as heretofore amended is hereby superseded and replaced in its entirety by the following table, which shall constitute the Table under § 1.2 of the Lease for all purposes from and after the Effective Date of this Fifth Amendment:

Periods	Suite No.	RSF	USF	Monthly Base Rent	Tenant's Share Bldg	Tenant's Share Complex	Base Year
July 1, 2018 through June 30, 2019	400	15,378	13,372	$46,134.00	6.608%	3.311%	2018
July 1, 2019, through June 30, 2020	400	15,378	13,372	$47,518.02	6.608%	3.311%	2018
July 1, 2020, through June 30, 2021	400	15,378	13,372	$48,943.56	6.608%	3.311%	2018

In the event of any conflict between the terms contained in the Table and the terms contained in subsequent paragraphs of this Fifth Amendment, the terms of the Table shall control, except as may be expressly varied in any subsequent paragraph of this Fifth Amendment.

2 Effect of Amendment. Landlord and Tenant agree that, notwithstanding anything contained in the Lease to the contrary, the provisions set forth herein will be deemed to be part of the Lease and shall supersede, to the extent they differ, any contrary provisions in the Lease. Terms defined in the Lease, the First Amendment, the Second Amendment, the Third Amendment, and the Fourth Amendment shall have the same meanings in this Fifth Amendment, unless a different definition is set forth in this Fifth Amendment. The term *Lease* as used herein shall be deemed to include the First Amendment, the Second Amendment, the Third Amendment, and the Fourth Amendment, each of which may also be referred to separately herein.

3 Reduction of Premises. Commencing on the Effective Date of this Fifth Amendment the Premises shall be reduced by the subtraction therefrom of approximately 6,105 rentable square feet of space known as Suite 300 in the Building ("Suite 300") for all purposes under the Lease. All references in the Lease to the "Premises" shall refer to Premises as so reduced by the subtraction of Suite 300 from and after the Effective Date. From and after the Effective Date, Suite 300 shall have no part in calculations regarding Term, Base Rent, and Tenant's Share of increases in Operating Expenses and Taxes; provided, that Tenant shall pay all Additional Rent attributable to Suite 300 that had accrued in calendar year 2017 prior to the Effective Date of this Fifth Amendment when such Additional Rent becomes due and payable under the Lease.

4 Effective Date. The amendments and changes specified in this Fifth Amendment shall become effective on **July 1, 2018** (the "Effective Date"). Notwithstanding the foregoing, this Fifth Amendment shall constitute the fully-binding agreement and contract of the parties from and after the date of the parties' execution and delivery of this Fifth Amendment to each other.

5 Extension of Lease Term. The Term of the Lease specified in § 1.4 of the Lease as heretofore amended is hereby extended for an additional period of three (3) years commencing on July 1, 2018, and the Expiration Date of the Lease is hereby amended accordingly to June 30, 2021, as shown in the Table above.

5.1 Early Termination Right. Notwithstanding anything to the contrary in the Lease as heretofore amended and under this Fifth Amendment, Tenant shall have the right in its sole and absolute discretion to terminate this Lease effective on a date of Tenant's choosing which must occur, if at all, on or after **December 31, 2019** (the "Early Termination Date") upon prior written notice given to Landlord upon not less that six (6) months prior to the Early Termination Date specified in Tenant's notice of termination (the "Termination Notice"). In no event shall Tenant have the right to deliver the Termination Notice to Landlord earlier than April 1, 2019. If Tenant elects to give Landlord such a Termination Notice, the Lease shall terminate on the specified Early Termination Date with the same effect as if the Term of the Lease had expired on the Early Termination Date, and Tenant agrees to observe all the terms of the Lease regarding vacation and condition of the Premises upon expiration of the Term in any such case. In consideration of the termination right granted to Tenant hereunder, Tenant agrees to pay to Landlord on the date Tenant delivers its Termination Notice a termination fee equal to the aggregate sum of (a) One Hundred Forty-Six Thousand Eight Hundred Thirty Dollars and Sixty-Eight Cents ($146,830.68) plus (b) "Unamortized Costs" consisting of the remaining balance of unamortized tenant improvement and leasing commission costs amortized at a rate of 6.0% *per annum* (collectively the "Termination Fee"). Within thirty (30) days after final completion of Landlord's Work in the Premises, Landlord shall deliver to Tenant a schedule of the Unamortized Costs applicable to the remainder of the Extension Term. Tenant's payment of the Termination Fee when and as required under this ¶ 5.1 is an express condition precedent to Tenant's effective exercise of its termination option hereunder; and if Tenant fails to exercise its early termination right when and as provided hereunder, including timely payment of the Termination Fee, Tenant's exercise of its early termination right shall be void and of no effect, and the Lease shall remain in effect as if Tenant had not attempted the exercise of its early termination right. Time is of the essence of this ¶ 5.1.

5.2 Option to Renew. Tenant is hereby granted one (1) option to extend (the "Extension Option") the Term of the Lease for one (1) additional period of two (2) years (the "Extension Period"). The Extension Period term shall begin the first day following the Expiration Date as extended hereunder and shall take effect on the same terms and conditions in effect under the Lease immediately prior to the first Extension Period as set forth in ¶ 4 of the Fourth Amendment, except that (i) Tenant shall have no further option to extend the Term and (ii) monthly Base Rent shall be the rate which is Fair Market Value. The "Fair Market Value" shall be the effective rent (face rental rate less free rent) being charged for comparable space in comparable buildings in the vicinity of the Building leased on comparable terms and shall be limited the rates charges in such comparable transactions for tenants renewing or extending their leases.

(a) Exercise of Option. The Extension Option may be exercised only by (i) delivering in person to Landlord's Building Manager in the Building Office written notice of Tenant's irrevocable election to exercise no earlier than nine (9) months and no later than six (6) months prior to the commencement of the Extension Period, and (ii) collecting and retaining in exchange for such notice of exercise an original written receipt therefor signed and dated by Landlord's Building Manager. Tenant's exercise of its Extension Option shall not be effective or valid if there is any deviation in the timing or manner of exercise prescribed herein.

(b) Failure to Exercise. If Tenant shall fail validly and timely to exercise the Extension Option herein granted, said Extension Option shall terminate and shall be null and void and of no further force and effect.

(c) Fair Market Value. Provided that Tenant has validly exercised its Extension Option when and as required under ¶ 5.2(a) above, Landlord shall provide written notice to Tenant of its determination of the Fair Market Value within ten (10) business days after receiving Tenant's exercise of its Extension Option. If Tenant objects to Landlord's determination of the Fair Market Value, Landlord and Tenant shall attempt in good faith to agree upon such Fair Market Value using their best good-faith efforts to reach agreement within thirty (30) days following Tenant's receipt of Landlord's determination of the Fair Market Value (the "Outside Agreement Date"). If following the Outside Agreement Date the parties fail to agree, then Tenant may elect, by written notice delivered to Landlord within three (3) business days after the Outside Agreement Date, either to accept Landlord's determination of the Fair Market Value or cancel its exercise of the Extension Option. If Tenant fails for any reason to deliver to Landlord its written notice of election as and when prescribed in the previous sentence, the Term of the Lease shall be extended pursuant to Tenant's exercise of its Extension Option at the monthly Base Rent previously determined by Landlord as Fair Market Value in Landlord's notice of determination of Fair Market Value.

(d) Default. Tenant's exercise of the Extension Option shall, at Landlord's election, be null and void if an Event of Default by Tenant exists on the date of Tenant's notice of exercise or at any time thereafter and prior to commencement of the Extension Period. Tenant's exercise of the Extension Option shall not operate to cure any Event of Default by Tenant nor to extinguish or impair any rights or remedies of Landlord arising by virtue of such Event of Default. If the Lease or Tenant's right to possession of the Premises shall terminate before Tenant shall have exercised the Extension Option, then immediately upon such termination the Extension Option shall simultaneously terminate and become null and void.

(e) Time. Time is of the essence of the Extension Option granted hereunder.

6 Extension Term Base Year. As specified in the Table above, the Base Year for the purposes of calculating Tenant's Share of Increased Operating Expenses and Increased Taxes under Article 4 of the Lease as heretofore amended shall remain calendar year 2018 from and after the Effective Date of this Fifth Amendment.

7 Extension Term Base Rent. The Base Rent for the Premises specified in § 1.5 of the Lease as heretofore amended shall be the amounts specified as Monthly Base Rent in the Table above for the various periods and spaces set forth in the Table from and after the Effective Date of this Fifth Amendment.

8 Use of Furniture. Tenant's right to use the Furniture as set forth in ¶ 8 of the First Amendment shall remain unchanged through the Expiration Date as extended hereunder.

9 Condition of Premises. Except as otherwise expressly provided in this ¶ 9 with respect to Landlord's preparation of the Premises for Tenant's continued occupancy, Tenant shall accept the Premises, any existing Improvements in the Premises, and the Systems and Equipment serving the same in an "as is" condition on the Effective Date of this Fifth Amendment, and Landlord shall have no obligation to improve, alter, remodel, or otherwise modify the Premises in connection with Tenant's continued occupancy of the Premises from and after the Effective Date of this Fifth Amendment.

9.1 Landlord's Preparation. Landlord shall use reasonable diligence in completing and preparing the Premises for Tenant's continued occupancy on or before the Effective Date of this Fifth Amendment. The facilities, materials, and work to be furnished, installed, and performed in the Premises by Landlord are referred to as the "Work." Any other installations, materials, and work which may be undertaken by or for the account of Tenant to prepare, equip, decorate, and furnish the Premises for Tenant's continued occupancy are referred to as the "Tenant's Work," which shall include the connection and/or rewiring of Tenant's telephone and data lines. The parties agree that Landlord's Work, to be completed at Landlord's sole cost and expense on a turnkey basis, shall consist of the following items only:

(i) removal of the existing red fire-system button in the document control room;

(ii) provision of moving services for shifting Tenant's furniture during the performance of Landlord's Work; provided, however, that Tenant shall be responsible at its own cost and expense for moving its personal property other than furniture as necessary during the progress of Landlord's Work, including moving its electrical, data, and telecommunications cables and wiring as necessary;

(iii) installation of new Building-standard carpet throughout the Premises;

(iv) application of fresh Building-standard paint throughout the Premises; and

(v) delivery of the Premises with all Systems and Equipment serving the same in good working order and condition.

9.1.1 Construction Management Services. Notwithstanding anything to the contrary herein or in the Lease as heretofore amended, at the completion of Landlord's Work, Tenant shall pay to Landlord a construction management fee in the amount of five percent (5%) of the total cost of Landlord's Work (the "CM Fee"); provided, however, that the CM Fee shall not exceed Seven Thousand Five Hundred Dollars ($7,500.00) with respect to Landlord's Work under this Fifth Amendment, unless Tenant substantially alters the Work, in which case the CM Fee of 5% shall apply to any new components added to the scope of Landlord's Work.

9.1.2 Interference with Tenant's Business. The parties acknowledge that Tenant shall be in possession of the Premises and shall conduct its business in the Premises during the Work required under this Fifth Amendment. Landlord shall have no liability to Tenant, nor shall Tenant's obligations under the Lease be reduced or abated in any manner whatsoever, by reason of any inconvenience, annoyance, interruption, or injury to business arising from Landlord's performance of the Work or from Landlord's making any repairs or changes which Landlord is required or permitted to perform by this Fifth Amendment or by any other tenant's lease or required by law to make in or to any portion of the Complex, Property, Building, or the Premises. Landlord shall nevertheless use reasonable efforts to minimize any interference with Tenant's business in the Premises. Landlord agrees to use reasonable efforts to avoid interference with Tenant's use and occupancy of the Premises during the performance of the Work and agrees to cause the application of paint and any work generating unreasonable noise outside of normal business hours. The parties agree that Landlord shall not be liable for any damages which Tenant may incur during the performance of the Work, except to the extent that Tenant's actual damages are the result of Landlord's negligence or wilfull misconduct. In no circumstances shall Landlord be liable to Tenant for business interruption, lost profits, or compensatory or consequential damages of any kind by virtue of Landlord's Work. Tenant specifically agrees that any interference with Tenant's use or occupancy of the Premises caused by the performance of the Work shall not constitute a constructive eviction.

9.2 Notice of Defects. It shall be conclusively presumed upon Tenant's continuing actual possession of the Premises that the same were in satisfactory condition (except for latent defects) as of the Effective Date, unless within thirty (30) days after the Effective Date of this Fifth Amendment Tenant shall give Landlord notice in writing specifying the respects in which the Premises were not in satisfactory condition.

10 Security Deposit. Tenant's Security Deposit specified in § 5.1 of the Lease as heretofore amended shall remain unchanged in consequence of the parties' execution and delivery of this Fifth Amendment to each other.

11 Parking. The number of parking spaces specified in § 28.1 of the Lease as heretofore amended as available for Tenant's use is hereby amended to fifty-three (53).

12 **Notices.** Landlord's address for notices under § 23.1 of the Lease as heretofore amended is hereby amended as follows:

if to Landlord:

KASHIWA FUDOSAN AMERICA, INC.
c/o RiverRock Real Estate Group, Inc.
Attn: Property Manager
400 Oyster Point Boulevard, Suite 117
South San Francisco, CA 94080

copy to:

Metro Properties, LLC, Agent
Attn: Oyster Point Asset Manager
11150 West Olympic Boulevard, Suite 1090
Los Angeles, CA 90064

13 **Access Inspection Disclosure.** Pursuant to California Civil Code § 1938, Landlord hereby notifies Tenant that, as of the date of this Fifth Amendment, the Premises have not undergone inspection by a "Certified Access Specialist" to determine whether the Premises meet all applicable construction-related accessibility standards under California Civil Code § 55.53, and the Premises have not been determined to meet all applicable construction-related accessibility standards pursuant to Civil Code § 55.53. In addition, Civil Code § 1938(e) requires that the following language be inserted into this Fifth Amendment:

> *A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.*

Landlord is acting in compliance with applicable Laws by inserting the foregoing paragraph into this Fifth Amendment, but Landlord thereby expresses no opinion as to the meaning or applicability of § 1938 and offers no legal advice as to its meaning or applicability. Tenant is informed and agrees that it will seek its own legal counsel if it has questions regarding the meaning of § 1938 or its applicability to this Fifth Amendment.

14 **No Disclosure.** Tenant agrees that it shall not disclose any of the matters set forth in this Fifth Amendment or disseminate or distribute any information concerning the terms, details, or conditions hereof to any person, firm, or entity without obtaining the express written approval of Landlord, except that Tenant may make disclose information required to be disclosed regarding this terms of the Lease in connection with filings required by Securities and Exchange Commission.

15 **Defined Terms.** Terms used herein that are defined in the Lease shall have the meanings therein defined, unless a different definition is set forth in this Fifth Amendment. In the event of any conflict between the provisions of the Lease, and this Fifth Amendment, the terms of this Fifth Amendment shall prevail.

16 **Survival.** Warranties, representations, agreements, and obligations contained in this Fifth Amendment shall survive the execution and delivery of this Fifth Amendment and shall survive any and all performances in accordance with this Fifth Amendment.

17 **Counterparts.** This Fifth Amendment may be executed in any number of counterparts, which each severally and all together shall constitute one and the same Fifth Amendment.

18 **Attorneys' Fees.** If any party obtains a judgement against any other party or parties by reason of breach of this Fifth Amendment, reasonable attorneys' fees and costs as fixed by the court shall be included in such judgement against the losing party or parties.

19 **Successors.** This Fifth Amendment and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs, successors, and assigns of the parties.

20 **Authority.** Each of the individuals executing this Fifth Amendment represents and warrants that he or she is authorized to execute this Fifth Amendment on behalf of the party for whom he or she is executing this Fifth Amendment and that by his or her signature such party is legally bound by the terms, covenants, and conditions of this Fifth Amendment.

21 **Governing Law.** This Fifth Amendment shall be construed and enforced in accordance with the laws of the State of California.

22 **Continuing Validity of Lease**. Except as expressly modified herein, the Lease remains in full force and effect.

23 **Conflicts.** In the event of any conflict between the provisions of the Lease and those of this Fifth Amendment, the terms and provisions of this Fifth Amendment shall control.

24 **Landlord's Representative.** Tenant acknowledges and agrees that, in executing this Fifth Amendment, TAK Development, Inc., a California corporation, is acting solely in its capacity as Landlord's authorized attorney-in-fact. TAK Development, Inc. is not acquiring or assuming any legal liability or obligation to any other party executing this Fifth Amendment, and any claim or demand of any such other party arising under or with respect to this Fifth Amendment shall be made and enforced solely against Landlord.

25 **Whole Agreement.** The mutual obligations of the parties as provided herein are the sole consideration for this Fifth Amendment, and no representations, promises, or inducements have been made by the parties other than as appear in this Fifth Amendment, which supersedes any previous negotiations. There have been no representations made by the Landlord or understandings made between the parties other than those set forth in this Fifth Amendment. This Fifth Amendment may not be amended except in writing signed by all the parties.

In witness whereof, the parties have executed this Fifth Amendment as of the date first above written.

Landlord:

KASHIWA FUDOSAN AMERICA, INC., a California corporation

By: **TAK Development, Inc.,** a California corporation

Its: Attorney-in-Fact

By: /s/Tomoki Miura

Tomoki Miura, Senior Manager

Tenant:

SUNESIS PHARMACEUTICALS, INC., a Delaware corporation

By: /s/ Daniel N. Swisher, Jr

Daniel N. Swisher, Jr.

Its: CEO & President

Exhibit 10.43

OYSTER POINT MARINA PLAZA

Partial Lease Termination Agreement

THIS PARTIAL LEASE TERMINATION AGREEMENT ("Agreement") is made and entered into as of November 19, 2017, by and between **Kashiwa Fudosan America, Inc.**, a California corporation ("Landlord") and **SUNESIS PHARMACEUTICALS, INC.**, a Delaware corporation ("Tenant").

Recitals

A. Landlord and Tenant have heretofore entered into that certain lease dated as of August 1, 2013 (the "Lease") for premises described as Suite 400 (the "Premises"), initially containing approximately 15,378 rentable square feet, in the building located at 395 Oyster Point Boulevard, South San Francisco, California (the "Building"), which forms part of the office building complex commonly known as Oyster Point Marina Plaza (the "Complex").

B. The Lease has heretofore been amended by the following instruments: (i) that certain First Amendment to Office Lease dated as of June 3, 2014 (the "First Amendment"), under which the parties agreed to extend the Term of the Lease through June 30, 2015, and to expand the Premises by the addition thereto of Suite 300 containing approximately 6,105 rentable square feet of space; (ii) that certain Second Amendment to Office Lease dated as of January 28, 2015 (the "Second Amendment"), under which the parties agreed to extend the Term of the Lease through December 31, 2015, and to grant Tenant an extension option for an additional term of six (6) months (the "Extension Option"); (iii) that certain Third Amendment to Office Lease dated as of September 1, 2015 (the "Third Amendment"), under which the parties agreed to extend the Term of the Lease through June 30, 2016, pursuant to Tenant's valid exercise of its Extension Option; (iv) that certain Fourth Amendment to Office Lease dated as of March 7, 2016 (the "Fourth Amendment"), under which the parties agreed to extend the Term through June 30, 2018, and to make certain other related changes in the Lease; and (v) that certain Fifth Amendment to Office Lease dated as of October 17, 2017, under which the parties agreed to reduce the Premises by the subtraction therefrom of Suite 300 for all purposes under the Lease from and after June 30, 2018, and to extend the Term of the Lease through June 30, 2021.

A. The Term of the Lease with respect to Suite 300 alone commenced on July 1, 2014, and in the absence of this Agreement would have expired on June 30, 2018.

B. The parties mutually desire to terminate the Lease with respect to Suite 300 alone on and subject to the terms and conditions hereof.

Agreement

Now therefore, in consideration of the mutual terms and conditions herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1 Effective Date. The partial termination of the Lease provided for hereunder with respect to Suite 300 alone shall become effective at 11:59 p.m. on December 31, 2017 (the "Effective Date").

2 Termination. Notwithstanding anything to the contrary in the Lease, the Term of the Lease with respect to Suite 300 alone shall be deemed to have terminated and expired on the Effective Date; provided, however, that if Tenant shall violate any provisions hereof, or if Tenant's representations herein shall be false, Landlord shall have the right to declare such termination null and void and to reinstate the Lease with respect to Suite 300, in addition to, and not in lieu of, any other rights or remedies that may be available to Landlord. Suite 300 alone shall be deemed to have been surrendered by Tenant on the Effective Date, but Tenant shall nevertheless fully comply with all obligations under the Lease through the Effective Date, including those provisions relating to the condition of the Premises, and removal of Tenant's personal property, upon the expiration or earlier termination of the Lease. Except for the partial termination of the Lease with respect to Suite 300 alone provided for hereunder, the Lease shall remain in full force and effective through the amended Expiration Date stated in the Fifth Amendment.

3 Disposition of Property. On or before the Effective Date Tenant shall negotiate in good faith with CompareNetworks, which intends to occupy Suite 300 after the Effective Date under its own lease, to agree which of its trade fixtures, furniture, and equipment (collectively "FFE") Tenant shall remove from Suite 300 on or before the Effective Date and which elements of Tenant's FFE Tenant and CompareNetworks agree shall remain in Suite 300 for CompareNetworks's use after the Effective Date. Landlord

agrees that Tenant may leave in place in Suite 300 all elements of Tenant's FFE that CompareNetworks agrees to acquire through a direct agreement with Tenant for its own use (the "Transferred FFE"); provided that, notwithstanding the foregoing, Tenant shall remove all of Tenant's FFE that has not been agreed to be Transferred FFE on or before the Effective Date and shall provide Landlord with a certified list showing (a) Tenant's FFE to be removed from Suite 300 and (b) the Transferred FFE to remain in Suite 300 after the Effective Date. Notwithstanding anything to the contrary herein, Tenant shall leave in place in Suite 300 all existing telecommunication and data cabling.

4 Payments. Tenant shall continue to pay all rentals and other charges under the Lease with respect to Suite 300 through the Effective Date, all of which shall be prorated on a *per-diem* basis. Any undetermined charges may be billed to Tenant when determined by Landlord (and Tenant's obligation to pay the same shall survive termination of the Lease), or Landlord may reasonably estimate such charges and require that Tenant pay the same within thirty (30) days after Landlord bills the same, subject to adjustment after the actual charges have been determined. As additional consideration for this Agreement, and to cover Landlord's administrative, processing, and legal fees, and to reimburse Landlord for any loss of rentals that may hereafter be sustained after the Effective Date as a result of this Agreement, Landlord and Tenant agree that Tenant shall pay Landlord the sum of **Thirty-Three Thousand Dollars ($33,000.00)**, in cash or certified funds (i.e., bank check or cashier's check), together with Tenant's execution and delivery of this Agreement to Landlord.

5 Mutual Releases. In consideration of Landlord's releasing Tenant from the obligation to pay the balance of the rentals due under the Lease with respect to Suite 300 and executing this Agreement, and in consideration of Tenant's agreement to pay the amounts described in § 4 above and of the representations and other agreements herein contained, Landlord and Tenant hereby release and forever discharge each other and their respective partners, officers, directors, agents, trustees, beneficiaries, and employees of and from any and all claims, liabilities, acts, damages, demands, rights of action, and causes of action which each party ever had, now has, or in the future may have against the other arising from or in any way connected with the Lease with respect to Suite 300 alone or Landlord's management or operation of the Building or Complex in relation thereto, except for those obligations and liabilities contained herein or reinstated pursuant to the provisions hereof. This release is intended as a full settlement and compromise of each, every, and all claims and liabilities of every kind and nature. Both parties expressly waive any and all rights which they may have under § 1542 of the Civil Code of the State of California (or such similar statutes), which provides as follows:

> ***A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.***

Landlord and Tenant understand and agree that by execution of this Agreement, the other party and its partners, officers, directors, agents, trustees, beneficiaries, and employees do not admit any liability of any nature whatsoever. This Agreement is made entirely as a compromise and for the purpose of terminating the Term of the Lease with respect to Suite 300 alone and settling and extinguishing the respective claims, acts, damages, demands, rights of action, or causes of action of Landlord and Tenant with respect to the Lease with respect to Suite 300 alone.

6 Warranties and Representations. Each party represents to the other that it has full power and authority to execute this Agreement. Each party represents to the other that, except as recited herein, it has not made any assignment, sublease, transfer, conveyance, or other disposition of the Lease or any interest in the Lease or the Premises and that it has no knowledge of any existing or threatened claim, demand, obligation, liability, action, or cause of action arising from or in any manner connected with the Lease or the Premises by any other party. Tenant represents that Tenant has not at any time done or suffered, and will not do or suffer, any act or thing whereby the Premises or any part thereof are or may be in any way charged, affected, or covered by any lien or claim and shall indemnify, defend, protect, and hold Landlord harmless from all liabilities, claims, expenses, damages, or costs arising from the same, including (without limitation) attorneys' fees and costs.

7 Holding Over. Tenant shall pay Landlord two hundred percent (200%) of the amount of Rent otherwise then applicable under the Lease with respect to Suite 300 alone, or the highest rate permitted by law, whichever shall be less, prorated on a *per-diem* basis, for each day that Tenant (or any subtenants or other occupants of the Premises) retains possession of Suite 300 or any part thereof after the Effective Date, together with all damages sustained by Landlord on account thereof. The foregoing provisions shall not serve to extend the Term with respect to Suite 300, although Tenant shall be bound to comply with all provisions of the Lease with respect to Suite 300 until Tenant vacates Suite 300.

8 **Notices.** Any notice given by any party to another party hereto shall be by certified or registered mail, return receipt requested, postage prepaid, to such other party at the address given below or such other address as such other party may from time to time designate in writing to the other parties in accordance with these provisions. The addresses set forth below shall supersede any addresses for notices set forth in the Lease or in the Amendment. Any such notice shall be deemed given when placed in the United States mails with sufficient postage prepaid.

Landlord: **Kashiwa Fudosan America, Inc.**

c/o Cushman & Wakefield of California, Inc., Agent
Attn: Oyster Point Asset Manager
400 Oyster Point Boulevard, Suite 117
South San Francisco, CA 94080

Tenant: **SUNESIS PHARMACEUTICALS, INC.**

Attn: Legal Affairs
395 Oyster Point Boulevard, Suite 400
South San Francisco, CA 94080

9 **No Disclosure.** Tenant agrees that it shall not disclose any of the matters set forth in this Agreement or disseminate or distribute any information concerning the terms, details, or conditions hereof, to any person, firm, or entity without obtaining the express written approval of Landlord, except that Tenant may disclose information required to be disclosed regarding the terms of this Agreement in connection with filings required by the Securities and Exchange Commission.

10 **No Offer.** Submission of this Agreement is not an offer to enter into the same but a solicitation for such an offer by Tenant. Tenant agrees that its execution of this Agreement constitutes a firm offer to enter the same which may not be withdrawn for a period of thirty (30) working days after delivery to Landlord. Landlord shall not be bound by this Agreement until Landlord has executed and delivered the same to Tenant. This Agreement shall not be relied upon by any other party, individual, corporation, partnership, or other entity as a basis for terminating its lease with Landlord.

11 **Defined Terms.** Terms used herein that are defined in the Lease or the Amendment shall have the meanings therein defined, unless a different definition is set forth in this Agreement. In the event of any conflict between the provisions of the Lease, the Amendment and/or this Agreement, the terms of this Agreement shall prevail.

12 **Survival.** Warranties, representations, agreements, and obligations contained in this Agreement shall survive the execution and delivery of this Agreement and shall survive any and all performances in accordance with this Agreement.

13 **Counterparts.** This Agreement may be executed in any number of counterparts, which each severally and all together shall constitute one and the same Agreement.

14 **Attorneys' Fees.** If any party obtains a judgment against any other party or parties by reason of breach of this Agreement, reasonable attorneys' fees and costs as fixed by the court shall be included in such judgment against the losing party or parties.

15 **Successors.** This Agreement and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs, successors, and assigns of the parties.

16 **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.

17 **Consent.** This Agreement is subject to, and conditioned upon, any required consent or approval being granted without any fee or charge that is unacceptable to Landlord by Landlord's mortgagees or ground lessors. If any such consents shall be denied, or granted subject to the payment of unacceptable fees or charges hereunder, the Lease shall remain in full force and effect. If Landlord fails to notify Tenant to the contrary within sixty (60) days after this Agreement has been executed and delivered by both parties, Tenant may assume that such consent has been granted, or that the same is not required.

18 **Landlord's Representative.** Tenant acknowledges and agrees that, in executing this Lease, TAK Development, Inc., a California corporation, is acting solely in its capacity as Landlord's authorized attorney-in-fact. TAK Development, Inc. is not acquiring or assuming any legal liability or obligation to any other party executing this Lease, and any claim or demand of any such other party arising under or with respect to this Lease shall be made and enforced solely against Landlord.

19 **Whole Agreement.** The mutual obligations of the parties as provided herein are the sole consideration for this Agreement, and no representations, promises, or inducements have been made by the parties other than as appear in this Agreement. This Agreement may not be amended except in writing signed by all the parties.

In witness whereof, the parties have executed this Agreement as of the date first above written.

Landlord:

KASHIWA FUDOSAN AMERICA, INC., a California corporation

By: **TAK Development, Inc.,** a California corporation

Its: Attorney-in-Fact

By: /s/Tomoki Miura

Tomoki Miura, Senior Manager

Tenant:

SUNESIS PHARMACEUTICALS, INC., a Delaware corporation

By: /s/ Daniel N. Swisher, Jr.

Daniel N. Swisher, Jr.

Its: CEO & President

EXHIBIT 10.44

ADVISOR SERVICES AGREEMENT

This **ADVISOR SERVICES AGREEMENT** ("***Agreement***") is effective as of December 21, 2017, by and between **SUNESIS PHARMACEUTICALS, INC.**, a Delaware corporation (the "***Company***"), and **DANIEL N. SWISHER, JR.** (the "***Advisor***").

1. APPOINTMENT; ADVISORY PERIOD. The Advisor is hereby appointed to serve as a strategic advisor to the Company's Board of Directors (the "***Board***"), and the Advisor, pursuant to the provisions of this Agreement, hereby agrees to assist with an orderly transition and advise the Board on Advisor's area of expertise and experience (the "***Services***"). The Services will be rendered from time to time as reasonably requested by the Board at times mutually acceptable to the Advisor and the Board, beginning January 1, 2018, and continuing until December 31, 2018 (the "***Advisory Period***"), unless the appointment is terminated pursuant to Section 4 hereof. The parties may mutually agree, by a written agreement signed before the expiration date, to extend the Advisory Period beyond the expiration date.

2. Consideration.

(a) Compensation. On January 5, 2018 (the "***Compensation Date***") Advisor shall receive the following compensation: (i) a grant of shares of Company Common Stock, the number of shares of which shall be equivalent in value to Eighty-Three Thousand Three Hundred Thirty-Three Dollars and Thirty-Three Cents ($83,333.33), measured at fair market value as determined by the Board as of the Compensation Date, and effective as of the Compensation Date; and (ii) a cash payment in the amount of Forty-One Thousand Six Hundred Sixty–Six Dollars and Sixty–Seven Cents ($41,666.67). Advisor hereby acknowledges that Advisor has not earned, and is not eligible to receive, any bonus compensation, including without limitation any bonus under the Company's 2017 Bonus Program adopted March 22, 2017, for Advisor's services to the Company during calendar year 2017.

(b) CONTINUED VESTING Advisor's Services under this Agreement shall be deemed Continuous Service under the Company's 2011 Equity Incentive Plan (the "***Equity Plan***"), and as such, Advisor's previous grants of options to purchase Company equity, and other equity grants, shall continue to vest through the Advisory Period and for so long as Advisor continues to provide Services to the Company. At the conclusion of the Advisory Period, any further vesting shall cease, and Advisor shall have until the date three (3) months after the Advisory Period expires to exercise vested options. Except for the foregoing, all other rights and obligations with respect to Advisor's Company equity shall be as set forth in the applicable stock option and restricted stock unit agreement(s), grant notice(s) and the Equity Plan.

3. RIGHT TO CONTRACT; CONFLICT OF INTEREST. The Advisor hereby represents and warrants to the Company that **(a)** the Advisor has full right and authority to enter into this Agreement and to perform the Advisor's obligations hereunder; and **(b)** the execution and delivery of this Agreement by the Advisor and the performance of the Advisor's obligations hereunder will not conflict with or breach any agreement, order or decree to which the Advisor is a party or by which the Advisor is bound.

4. TERMINATION OF THE ADVISORY PERIOD. The Advisory Period may be terminated before the expiration date, either by the Company or by the Advisor, only upon material breach by the other party that remains uncured after a thirty (30)-day cure period that commences on the date of written notice to the other party of the material breach. The rights and obligations of Sections 5 though 9 will survive any termination or expiration of the Advisory Period.

5. Company's Proprietary Rights and Nondisclosure. The Advisor has previously executed and delivered to the Company the Company's Confidential Information and Invention Assignment Agreement (the " ***Confidentiality Agreement***") which shall remain in full force and effect during the Advisory Period and govern Advisor's performance of Services.

6. **No Improper Use of Materials; Noncompetition.** The Advisor agrees not to bring to the Company or to use in the performance of Services any materials or documents of a present or former employer of the Advisor (except the Company), or any materials or documents obtained by the Advisor under a binder of confidentiality imposed by reason of another of the Advisor's relationships, unless such materials or documents are generally available to the public or the Advisor has authorization from such present or former employer or client for the possession and unrestricted use of such materials. The Advisor understands that the Advisor is not to breach any obligation of confidentiality that the Advisor has to present or former employers or clients, and agrees to fulfill all such obligations during the Advisory Period. The Advisor further agrees that, during the Advisory Period, the Advisor will not provide services of any kind to any individual or entity that, directly or indirectly, would reasonably be determined to be providing or developing any service or product that is competitive to the Company's business.

7. **Independent Contractor; Relationship of Parties.** THE ADVISOR IS AN INDEPENDENT CONTRACTOR, IS NOT AN EMPLOYEE OF THE COMPANY AND IS IN NO WAY AUTHORIZED TO MAKE ANY CONTRACT, AGREEMENT, OBLIGATION OR REPRESENTATION ON BEHALF OF THE COMPANY. THE ADVISOR ACKNOWLEDGES THAT, AS AN INDEPENDENT CONTRACTOR, THE COMPANY IS NOT RESPONSIBLE TO WITHHOLD INCOME OR EMPLOYMENT TAXES FOR THE ADVISOR. TAXES SHALL BE THE SOLE RESPONSIBILITY OF ADVISOR. ADVISOR IS NOT ELIGIBLE FOR ANY EMPLOYEE BENEFITS THAT THE COMPANY PROVIDES TO ITS EMPLOYEES FROM TIME TO TIME.

8. **Governing Laws**. This Agreement shall be governed in accordance with the laws of the State of California, without reference to conflicts of laws principles.

9. **Entire Agreement.** This Agreement and the Confidentiality Agreement together constitute the entire agreement between the Parties relating to this subject matter and supersede all prior or contemporaneous oral or written agreements concerning such subject matter. The terms of this Agreement will govern all Services undertaken by the Advisor for the Company. This Agreement may only be changed by mutual agreement of authorized representatives of the Parties in writing.

The parties have executed this Advisor Services Agreement as of the date first above written.

SUNESIS PHARMACEUTICALS, INC.

By: /S/ DAYTON MISFELDT
Dayton Misfeldt
Interim Chief Executive Officer

Address: 395 Oyster Point Boulevard, Suite 400
South San Francisco CA 94080

Daniel N. Swisher, Jr.

/S/ DANIEL N. SWISHER, JR.

Address: _____

_____

Email: _____

EXHIBIT 10.45

EXECUTIVE SEVERANCE BENEFITS AGREEMENT

This **Executive Severance Benefits Agreement** (the "***Agreement***") is entered into this 30th day of November, 2017 (the "***Effective Date***") between **William P. Quinn** ("***Executive***") and **Sunesis Pharmaceuticals, Inc.** (the "***Company***"). This Agreement is intended to provide Executive with the compensation and benefits described herein upon the occurrence of specific events. Certain capitalized terms used in this Agreement are defined in Article 5.

ARTICLE 1

Scope of and Consideration For This Agreement

1.1 Position and Duties. Executive has been employed by the Company as CFO, SVP, Finance and Corporate Development, subject to the terms and conditions set forth in Executive's offer letter from the Company.

1.2 Restrictions. During Executive's employment by the Company, Executive agrees that, to the best of Executive's ability and experience, Executive will at all times loyally and conscientiously perform all of the duties and obligations required of and from CFO SVP, Finance and Corporate Development. During the term of Executive's employment, Executive further agrees that Executive will devote all of Executive's business time and attention to the business of the Company, the Company will be entitled to all of the benefits and profits arising from or incident to all such work, services and advice, Executive will not render commercial or professional services of any nature to any person or organization, whether or not for compensation, without the prior written consent of the Board, and Executive will not directly or indirectly engage or participate in any business that is competitive in any manner with the business of the Company. The Board will not unreasonably withhold its consent from Executive's participation and service on boards of directors of companies that are not competitive in any manner with the business of the Company provided that the cumulative such participation shall not exceed the greater of eight (8) days per year or such number of days as is reasonably required for Executive to serve on the board of directors of two (2) such approved companies. Nothing in this Agreement will prevent Executive from accepting speaking or presentation engagements in exchange for honoraria or from service on boards of charitable organizations or otherwise participating in civic, charitable or fraternal organizations, or from owning no more than one percent (1%) of the outstanding equity securities of a corporation whose stock is listed on a national stock exchange.

1.3 Confidential Information and Invention Assignment Agreement. Executive acknowledges that Executive has executed and delivered to an officer of the Company the Company's Confidential Information and Invention Assignment Agreement (the " ***Confidentiality Agreement***") and that the Confidentiality Agreement remains in full force and effect.

1.4 Benefits. The Company and Executive wish to set forth the compensation and benefits which Executive shall be entitled to receive in the event Executive's employment with the Company is terminated under the circumstances described herein.

1.5 Consideration. The duties and obligations of the Company to Executive under this Agreement shall be in consideration for Executive's employment with the Company and Executive's execution of a release in accordance with Section 3.1.

ARTICLE 2

Change of Control Benefits & Severance Benefits

2.1 Severance Benefits. Subject to compliance with the terms and conditions of this Agreement, Executive will be eligible to receive the benefits set forth in this Section 2.1 upon a Covered Termination of Executive's employment.

(a) Base Salary. The Company shall pay to Executive an amount equal to nine (9) months' Base Salary. Such severance amount shall be paid in cash in a single lump sum on the 60th day following Executive's Separation from Service, subject to Sections 3.1 and 3.3 below, and shall be subject to all required tax withholding.

(b) COBRA Payments. If the Executive is participating in the Company's group health insurance plans on the date of Executive's Separation from Service, and timely elects to continue such coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, or, if applicable, comparable state or local insurance laws ("***COBRA***"), then the Company will pay, directly to the COBRA carrier, as and when due, the COBRA premiums necessary to continue such health insurance coverage for the Executive and Executive's eligible dependents ("***COBRA Continuation Payments***") until the earliest of: (i) the first nine (9) months of COBRA coverage following the Executive's Separation from Service, (ii) the expiration of eligibility for COBRA coverage, or (iii) the date when Executive or Executive's dependents become eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment (such period, the "***COBRA Payment Period***"). However, if at any time the Company determines, in its sole discretion, that the Company's payment of the COBRA Continuation Payments would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Code or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act) or otherwise result in a material penalty to the Company, then in lieu of providing the COBRA Continuation Payments for the remainder of the COBRA Payment Period, the Company will instead pay the Executive, on the first day of each month of the remainder of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA Continuation Payments for that month, subject to applicable tax withholdings. If the Executive becomes eligible for coverage under another employer's group health plan or otherwise ceases to be eligible for COBRA during the COBRA Payment Period, the Executive must immediately notify the Company of such event, and all payments and obligations under this clause will immediately cease.

2.2 Change of Control Acceleration. In the event of a Change of Control, the vesting and/or exercisability of fifty percent (50%) of Executive's then-outstanding unvested Stock Awards shall be automatically accelerated immediately prior to the effective date of such Change of Control.

2.3 Change of Control Severance Benefits. In the event Executive suffers a Covered Termination on or within twelve (12) months following the effective date of a Change of Control, then in addition to the severance benefits set forth above in Section 2.1, the vesting and/or exercisability of each of Executive's then-outstanding Stock Awards shall be automatically accelerated on Executive's Separation from Service as to all of the unvested shares subject to Executive's then outstanding Stock Awards.

2.4 Other Terminations. If Executive's employment is terminated by the Company for Cause, by Executive other than pursuant to a Constructive Termination, or as a result of Executive's death or disability, the Company shall not have any other or further obligations to Executive under this Agreement (including any financial obligations) except that Executive shall be entitled to receive (a) Executive's fully earned but unpaid base salary, through the date of termination at the rate then in effect, and (b) all other amounts or benefits to which Executive is entitled under any compensation, retirement or benefit plan or practice of the Company at the time of termination in accordance with the terms of such plans or practices, including, without limitation, any eligibility for continuation of benefits required by COBRA. In addition, subject to the provisions of the Company's equity compensation plans and the terms of Executive's Stock Awards, if Executive's employment is terminated by the Company for Cause, by Executive other than pursuant to a Constructive Termination, or as a result of Executive's death or disability, all vesting of Executive's unvested Stock Awards previously granted to him by the Company shall cease as of the date of termination and none of such unvested Stock Awards shall be exercisable following the date of such termination.

The foregoing shall be in addition to, and not in lieu of, any and all other rights and remedies which may be available to the Company under the circumstances, whether at law or in equity.

2.5 Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate damages or the amount of any payment provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or by any retirement benefits received by Executive after the date of the Covered Termination.

2.6 Exclusive Remedy. Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Executive's rights to salary, severance, benefits, bonuses and other amounts hereunder (if any) accruing after the termination of Executive's employment shall cease upon such termination. In the event of a termination of Executive's employment with the Company, Executive's sole remedy shall be to receive the payments and benefits described in this Agreement.

ARTICLE 3

Limitations and Conditions Upon Benefits

3.1 Conditions to Benefits. All of the payments, benefits and rights of the Executive under this Agreement are subject to and contingent upon: (a) the Executive's execution, delivery and non-revocation of an effective release of all claims against the Company and its affiliates substantially in the form attached hereto as Exhibit A or Exhibit B, as applicable (the "***Release***") as of a date not later than the 60th day following the Executive's Separation from Service, (b) the Executive's resignation from all positions the Executive holds with the Company and its affiliates as of the date of the Separation from Service (or such other date requested or permitted by the Board), and (c) the Executive's continued compliance with all of the Executive's obligations to the Company and its affiliates, including but not limited to obligations under this Agreement and the Confidentiality Agreement.

3.2 Termination of Benefits. Benefits under this Agreement shall terminate immediately if the Executive, at any time, violates any proprietary information or confidentiality obligation to the Company, including, without limitation, the Confidentiality Agreement.

3.3 Section 409A. It is intended that all of the benefits provided under the Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively, "***Section 409A***") provided under Treasury Regulations Sections 1.409A- 1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), and the Agreement will be construed to the greatest extent possible as consistent with those provisions. To the extent not so exempt, the Agreement (and any definitions under the Agreement) will be construed in a manner that complies with Section 409A, and incorporates by reference all required definitions and payment terms. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations Section 1.409A-2(b) (2) (iii)), the Executive's right to receive any installment payments under the Agreement will be treated as a right to receive a series of separate payments and, accordingly, each installment payment under the Agreement will at all times be considered a separate and distinct payment. If the Board determines that any of the payments in connection with a Separation from Service constitute "deferred compensation" under Section 409A, and if the Executive is a "specified employee" of the Company, as such term is defined in Section 409A(a)(2)(B)(i), at the time of Executive's Separation from Service, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the payments due on a Separation from Service will be delayed as follows: on the earlier to occur of (i) the date that is six months and one day after the effective date of the Executive's Separation from Service, and (ii) the date of the Executive's death (such earlier date, the "***Delayed Initial Payment Date***"), the Company will (A) pay to the Executive a lump sum amount equal to the sum of the payments that the Executive would otherwise have received through the Delayed Initial Payment Date if the commencement of the payments had not been delayed pursuant to this paragraph, and (B) commence paying the balance of the payments in accordance with the applicable payment schedules set forth in above. No interest will be due on any amounts so deferred.

ARTICLE 4

Parachute Payments

4.1 **Section 280-Best After Tax**. If any payment or benefit the Executive would receive from the Company or otherwise in connection with a change of control of the Company (a "***Payment***") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Code, and, (b) but for this sentence, be subject to the Excise Tax, then such Payment will be equal to the Reduced Amount. The "Reduced Amount" will be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax, or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state, provincial, foreign and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in the Executive's receipt, on an after-tax basis, of the greatest economic benefit (as determined in accordance with the cancellation/reduction order below) notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of stock awards other than stock options (in the reverse order of the date of grant); (3) cancellation of accelerated vesting of stock options (in reverse order of exercise price, that is, cancelling the highest priced options first); and (4) reduction of other benefits paid to the Executive. Within any such category of Payments (that is, (1), (2), (3) or (4)), a reduction will occur first with respect to amounts that are not "deferred compensation" within the meaning of Section 409A of the Code and then with respect to amounts that are. The Executive has no rights to receive any Excise Tax gross up on any Payments.

ARTICLE 5

Definitions

For purposes of the Agreement, the following terms are defined as follows:

5.1 "***Base Salary***" means Executive's annual base salary as in effect during the last regularly scheduled payroll period immediately preceding the Covered Termination (or, in the case of a Covered Termination arising from Constructive Termination, the annual base salary as in effect immediately prior to the event that gives rise to a right to resign as a Constructive Termination).

5.2 "***Board***" means the Board of Directors of the Company.

5.3 "***Cause***" means that, in the reasonable determination of the Company, Executive:

(a) has committed an act of fraud or embezzlement or has intentionally committed some other illegal act that has a material adverse impact on the Company or any successor or parent or subsidiary thereof;

(b) has been convicted of, or entered a plea of "guilty" or "no contest" to, a felony which causes or may reasonably be expected to cause substantial economic injury to or substantial injury to the reputation of the Company or any subsidiary or affiliate of the Company;

(c) has made any unauthorized use or disclosure of confidential information or trade secrets of the Company or any successor or parent or subsidiary thereof that has a material adverse impact on any such entity;

(d) has committed any other intentional misconduct that has a material adverse impact on the Company or any successor or parent or subsidiary thereof, or

(e) has intentionally refused or intentionally failed to act in accordance with any lawful and proper direction or order of the Board or the appropriate individual to whom Executive reports; provided such direction is not materially inconsistent with the Executive's customary duties and responsibilities.

5.4 "***Change of Control***" means and includes each of the following:

(a) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of securities entitled to vote generally in the election of directors ("***voting securities***") of the Company that represent fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities, other than:

(i) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(ii) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company;

Notwithstanding the foregoing, the following event shall not constitute an "acquisition" by any person or group for purposes of this Section: an acquisition of the Company's securities by the Company that causes the Company's voting securities beneficially owned by a person or group to represent fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities; *provided*, *however*, that if a person or group shall become the beneficial owner of fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change of Control; or

(b) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "***Successor Entity***")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing fifty percent (50%) or more of the combined voting power of the Successor Entity; *provided*, *however*, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning fifty percent (50%) or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(c) the Company's stockholders approve a liquidation or dissolution of the Company.

Notwithstanding the foregoing, a transaction shall not constitute a Change of Control if: (i) it constitutes the Company's public offering of its securities; or (ii) it is a transaction effected primarily for the purpose of financing the Company with cash (as determined by the Board in its discretion and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise). The Board shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change of Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change of Control and any incidental matters relating thereto.

5.5 "***Code***" means the Internal Revenue Code of 1986, as amended from time to time and the Treasury Regulations thereunder.

5.6 "***Company***" means Sunesis Pharmaceuticals, Inc. or, following a Change of Control, the surviving entity resulting from such transaction.

5.7 "***Constructive Termination***" means that Executive voluntarily terminates employment with the Company (or any successor thereto) if and only if:

(a) one of the following actions have been taken without Executive's express written consent:

(i) Executive's Base Salary is reduced by at least five percent (5%), unless the base salaries of all other executives are similarly reduced;

(ii) within twelve (12) months following the effective date of a Change of Control, either: (A) Executive's target bonus is reduced by at least twenty percent (20%) and up to forty percent (40%), unless the target bonuses of all other Company executives are similarly reduced; or (B) regardless of bonus target reductions for other Company executives, Executive's target bonus is reduced by more than forty percent (40%);

(iii) Executive is required to relocate Executive's principal place of employment to a facility or location that would increase Executive's one way commute distance by more than thirty (30) miles from such Executive's place of employment immediately prior to such change;

(iv) a material diminution in the authority, duties, or responsibilities of Executive, or the assignment to Executive of duties that are materially inconsistent with and materially adverse to Executive's position, or a change in the Executive's direct reporting relationship such that Executive no longer reports directly to the Company's (or its successor's) most senior executive officer;

(v) the Company materially breaches its obligations under this Agreement or any then-effective written employment agreement with Executive; or

(vi) any acquirer, successor or assignee of the Company materially fails to assume and perform, in all material respects, the obligations of the Company hereunder; and

(b) Executive provides written notice to the Company's Chief Executive Officer within the ninety (90)-day period immediately following such action; and

(c) such action is not remedied by the Company within thirty (30) days following the Company's receipt of such written notice; and

(d) Executive's resignation is effective not later than sixty (60) days after the expiration of such thirty (30) day cure period.

The termination of Executive's employment as a result of Executive's death or disability will not be deemed to be a Constructive Termination.

5.8 "***Covered Termination***" means an Involuntary Termination Without Cause or a Constructive Termination.

5.9 "***Excise Tax***" means the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

5.10 "***Involuntary Termination Without Cause***" means Executive's dismissal or discharge other than for Cause. The termination of Executive's employment as a result of Executive's death or disability will not be deemed to be an Involuntary Termination Without Cause.

5.11 A "***Payment***" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

5.12 "***Separation from Service***" shall have the meaning set forth under Treasury Regulations Section 1.409A-1(h), without regard to any alternative definition thereunder.

5.13 "***Stock Awards***" means all stock options, restricted stock and such other awards granted pursuant to the Company's stock option and equity incentive award plans or agreements and any shares of stock issued upon exercise thereof, and any awards into which such awards are converted by reason of a Change of Control (e.g., by reason of assumption, substitution or conversion by the successor entity or acquiring corporation).

ARTICLE 6

General Provisions

6.1 **Employment Status**. This Agreement does not constitute a contract of employment or impose upon Executive any obligation to remain as an employee, or impose on the Company any obligation (a) to retain Executive as an employee, (b) to change the status of Executive as an at-will employee, or (c) to change the Company's policies regarding termination of employment.

6.2 **Notices**. Any notices provided hereunder must be in writing, and such notices or any other written communication shall be deemed effective upon the earlier of personal delivery (including personal delivery by facsimile) or the third day after mailing by first class mail to the Company at its primary office location and to Executive at Executive's address as listed in the Company's payroll records. Any payments made by the Company to Executive under the terms of this Agreement shall be delivered to Executive either in person or at the address as listed in the Company's payroll records.

6.3 **Severability**. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

6.4 **Waiver**. If either party should waive any breach of any provisions of this Agreement, Executive or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

6.5 **Dispute Resolution**. To ensure the timely and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, including but not limited to statutory claims, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in San Francisco, California, conducted by JAMS, Inc. ("***JAMS***") under the then applicable JAMS rules. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. The Company acknowledges that Executive will have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The

arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required of the Executive if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

6.6 Complete Agreement. This Agreement, including Exhibit A and Exhibit B, constitutes the entire agreement between Executive and the Company, and is the complete, final, and exclusive embodiment of their agreement with regard to severance benefits to Executive in the event of employment termination, wholly superseding all written and oral agreements with respect to severance benefits to Executive in the event of employment termination. It is entered into without reliance on any promise or representation other than those expressly contained herein. Notwithstanding anything herein to the contrary, this Agreement shall not supersede any indemnification agreement between Executive and the Company.

6.7 Amendment or Termination of Agreement. This Agreement may be changed or terminated only upon the mutual written consent of the Company and Executive. The written consent of the Company to a change or termination of this Agreement must be signed by an executive officer of the Company after such change or termination has been approved by the Board.

6.8 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

6.9 Headings. The headings of the Articles and Sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

6.10 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, and the Company, and any surviving entity resulting from a Change of Control and upon any other person who is a successor by merger, acquisition, consolidation or otherwise to the business formerly carried on by the Company, and their respective successors, assigns, heirs, executors and administrators, without regard to whether or not such person actively assumes any rights or duties hereunder; provided, however, that Executive may not assign any duties hereunder and may not assign any rights hereunder without the written consent of the Company, which consent shall not be withheld unreasonably.

6.11 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California, without regard to such state's conflict of laws rules.

6.12 Construction of Agreement. In the event of a conflict between the text of the Agreement and any summary, description or other information regarding the Agreement, the text of the Agreement shall control.

In Witness Whereof, the parties have executed this Agreement on the Effective Date written above.

Sunesis Pharmaceuticals, Inc.		**William P. Quinn**
By:	/s/ Daniel N. Swisher, Jr.	/s/ William P. Quinn
Name:	Daniel N. Swisher, Jr.	
Title:	Chief Executive Officer and President	

Exhibit A: Release (Individual Termination)
Exhibit B: Release (Group Termination)

Exhibit A

RELEASE
(Individual Termination)

I understand that this Release, together with the Executive Severance Benefits Agreement, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Executive Severance Benefits Agreement, which I have executed and of which this Release is a part.

1. **Proprietary Information Obligations**. I hereby confirm my obligations under my Confidentiality Agreement with the Company.

2. **General Release**. In exchange for severance benefits and other consideration provided to me by the Executive Severance Benefits Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its current and former directors, officers, employees, stockholders, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the "***Released Parties***") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to my signing this Release (collectively, the "***Released Claims***"). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company or its affiliates, or the termination of that employment; (2) all claims related to my compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company or its affiliates; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("***ADEA***"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended). Notwithstanding the foregoing, the following are not included in the Released Claims (the "***Excluded Claims***"): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the charter, bylaws, or operating agreements of the Company, or under applicable law; (2) any claims for coverage under any Directors' and Officers' insurance policy maintained by the Company; and (3) any rights which are not waiveable as a matter of law. In addition, nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

3. **ADEA Waiver**. I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA. I also acknowledge that the consideration given for the Released Claims is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) the Released Claims do not apply to any rights or claims that arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may choose voluntarily not to do so); (c) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily sign it sooner); (d) I have seven (7) days following the date I sign this Release to revoke the Release by providing written notice to an officer of the Company; and (e) the Release will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after I sign this Release ("***Effective Date***").

4. **Section 1542 Waiver**. I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: "**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**" I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any claims I may have against the Company.

5. **Representations**. I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

6. **Non-Disparagement**. I hereby agree not to disparage the Company, or its officers, directors, employees, shareholders or agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; provided, however, that I will respond accurately and fully to any question, inquiry or request for information when required by legal process. The Company agrees to use its best efforts to prevent its employees, officers and directors from disparaging you.

I acknowledge that to become effective, I must sign and return this Release to the Company on or after _____, so that it is received not later than twenty-one (21) days following the date it is provided to me, and I must not revoke it thereafter.

William P. Quinn

_____

Date: _____

Exhibit B

RELEASE
(Group Termination)

I understand that this Release, together with the Executive Severance Benefits Agreement, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Executive Severance Benefits Agreement, which I have executed and of which this Release is a part.

1. **Proprietary Information Obligations**. I hereby confirm my obligations under my Confidentiality Agreement with the Company.

2. **General Release**. In exchange for Severance Benefits and other consideration provided to me by the Executive Severance Benefits Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its current and former directors, officers, employees, stockholders, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the "***Released Parties***") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to my signing this Release (collectively, the "***Released Claims***"). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company or its affiliates, or the termination of that employment; (2) all claims related to my compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company or its affiliates; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("***ADEA***"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended). Notwithstanding the foregoing, the following are not included in the Released Claims (the "***Excluded Claims***"): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the charter, bylaws, or operating agreements of the Company, or under applicable law; (2) any claims for coverage under any Directors' and Officers' insurance policy maintained by the Company; and (3) any rights which are not waiveable as a matter of law. In addition, nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

3. **ADEA Waiver**. I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA. I also acknowledge that the consideration given for the Released Claims is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) the Released Claims do not apply to any rights or claims that arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may choose voluntarily not to do so); (c) I have forty-five (45) days to consider this Release (although I may choose to voluntarily sign it sooner); (d) I have seven (7) days following the date I sign this Release to revoke the Release by providing written notice to an officer of the Company; and (e) the Release will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after I sign this Release ("***Effective Date***"). I have received with this Release all of the information required by the ADEA, including without limitation a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated, along with information on the eligibility factors used to select employees for the group termination and any time limits applicable to this group termination program.

4. **Section 1542 Waiver**. I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: "**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**" I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any claims I may have against the Company.

5. **Representations**. I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

6. **Non-Disparagement**. I hereby agree not to disparage the Company, or its officers, directors, employees, shareholders or agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; provided, however, that I will respond accurately and fully to any question, inquiry or request for information when required by legal process. The Company agrees to use its best efforts to prevent its employees, officers and directors from disparaging you.

I acknowledge that to become effective, I must sign and return this Release to the Company on or after _____, so that it is received not later than forty-five (45) days following the date it is provided to me, and I must not revoke it thereafter.

William P. Quinn

_____

Date: _____

Exhibit 21.1

List of Subsidiaries

Subsidiary Legal Name	State or other Jurisdiction of Incorporation
Sunesis Pharmaceuticals (Bermuda) Ltd.	Bermuda
Sunesis Europe Limited	United Kingdom
Sunesis Pharmaceuticals International LP	Bermuda

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-218607) of Sunesis Pharmaceuticals, Inc.,
(2) Registration Statement (Form S-8 No. 333-128647) pertaining to the 1998 Stock Plan, the 2001 Stock Plan, the 2005 Equity Incentive Award Plan and the Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc.,
(3) Registration Statement (Form S-8 No. 333-132679) pertaining to the 2006 Employment Commencement Incentive Plan of Sunesis Pharmaceuticals, Inc.,
(4) Registration Statement (Form S-8 No. 333-138758) pertaining to the 2001 Stock Plan, the 2005 Equity Incentive Award Plan and the Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc.,
(5) Registration Statement (Form S-8 No. 333-145404) pertaining to the 2005 Equity Incentive Award Plan, the 2006 Employment Commencement Incentive Plan and the Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc.,
(6) Registration Statement (Form S-8 No. 333-150834) pertaining to the 2005 Equity Incentive Award Plan, the Amended and Restated 2006 Employment Commencement Incentive Plan and the Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc.,
(7) Registration Statement (Form S-8 No. 333-160528) pertaining to the 2005 Equity Incentive Award Plan and the Amended and Restated 2006 Employment Commencement Incentive Plan of Sunesis Pharmaceuticals, Inc.,
(8) Registration Statement (Form S-8 No. 333-174732) pertaining to the 2011 Equity Incentive Plan and the 2011 Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc.,
(9) Registration Statement (Form S-8 No. 333-180101) pertaining to the 2011 Equity Incentive Plan of Sunesis Pharmaceuticals, Inc.,
(10) Registration Statement (Form S-8 No. 333-187234) pertaining to the 2011 Equity Incentive Plan of Sunesis Pharmaceuticals, Inc.,
(11) Registration Statement (Form S-8 No. 333-195781) pertaining to the 2011 Equity Incentive Plan and the 2011 Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc.,
(12) Registration Statement (Form S-8 No. 333-202696) pertaining to the 2011 Equity Incentive Plan and the 2011 Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc., and
(13) Registration Statement (Form S-8 No. 333-210183) pertaining to the 2011 Equity Incentive Plan of Sunesis Pharmaceuticals, Inc.
(14) Registration Statement (Form S-8 No. 333-217849) pertaining to the 2011 Equity Incentive Plan and the 2011 Employee Stock Purchase Plan of Sunesis Pharmaceuticals, Inc.

of our report dated March 9, 2018, with respect to the consolidated financial statements of Sunesis Pharmaceuticals, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2017.

/s/ ERNST & YOUNG LLP

San Jose, California
March 9, 2018

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Dayton Misfeldt certify that:

1. I have reviewed this annual report on Form 10-K of Sunesis Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: March 9, 2018

/ s/ DAYTON MISFELDT
Dayton Misfeldt
Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William P. Quinn, certify that:

1. I have reviewed this annual report on Form 10-K of Sunesis Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: March 9, 2018

/s/ WILLIAM P. QUINN
William P. Quinn
Senior Vice President, Finance and Corporate Development,
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Dayton Misfeldt, Interim Chief Executive Officer and William P. Quinn, Senior Vice President, Finance and Corporate Development and Chief Financial Officer, of Sunesis Pharmaceuticals, Inc. (the "Company"), each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2017 (the "Annual Report"), to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Date: March 9, 2018

/s/ DAYTON MISFELDT
Dayton Misfeldt
Interim Chief Executive Officer

Date: March 9, 2018

/s/ WILLIAM P. QUINN
William P. Quinn
Senior Vice President, Finance and Corporate Development,
Chief Financial Officer

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Sunesis Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.